SCUDDER
INVESTMENTS

Semiannual report to
contract holders for the six months
ended June 30, 2004

Semiannual report

For contract holders of Scudder Destinations[SM]

- AIM Variable Insurance Fund
- The Alger American Fund
- Credit Suisse Trust
- Dreyfus Investment Portfolios
- The Dreyfus Socially Responsible Growth Fund, Inc.
- Scudder Variable Series I
- Scudder Variable Series II

PROSPECTUS SUPPLEMENTS

This section includes supplements to
your current prospectus.

Please read these supplements carefully and retain
with your current prospectus.

(Prospectus Supplement documents are not part of this Report.)

Supplement to the Prospectuses

CREDIT SUISSE GLOBAL POST-VENTURE CAPITAL FUND
CREDIT SUISSE TRUST-GLOBAL POST-VENTURE CAPITAL PORTFOLIO

The following information supersedes certain information in the funds' Prospectuses.

Leo M. Bernstein, Harry M. Jaffe and Chris Matyszewski (see biographies below) have joined Calvin E. Chung in the Credit Suisse Global Post-Venture Capital Team, which is responsible for the day-to-day management of the fund. Robert S. Janis, Greg Norton-Kidd, Allen R. Margolius and John P. Rhodes are no longer members of the team.

Team Member Biographies

Leo M. Bernstein, Director, is an analyst and portfolio manager specializing in all sectors of technology hardware (telecommunications equipment, semiconductors and optical components) in U.S. small- and mid-capitalization, post-venture capital and distribution management equity portfolios. He joined CSAM in 1999 after earning an M.B.A. from the University of Chicago Graduate School of Business. Previously, he was an equity research associate at Morgan Stanley Dean Witter specializing in data networking and PC hardware and software companies. Mr. Bernstein holds a B.A. in English and economics from Amherst College.

Harry M. Jaffe, Vice President, is a sector specialist in international equities. He joined Warburg Pincus Asset Management (Warburg Pincus) in 1998 and came to CSAM in 1999 when Credit Suisse acquired Warburg Pincus. Previously, he was an associate in portfolio management at Scudder Kemper Investments, an accountant at Continuum Health Partners and an assistant broker at Shearson Lehman. Mr. Jaffe holds a B.A. in economics from American University and studied international economics at Cambridge University's Institute for Economic and Political Studies. He is a member of the Society of Quantitative Analysts.

Chris Matyszewski, CFA, Vice President, is a sector specialist in international equities. He joined CSAM in 2004 from Federated Investors, where he was a portfolio manager and analyst from 1997 to 2002 focusing on emerging equity markets. Previously, he was an international equity trader at Brandes Investment Partners; medical missions coordinator at Operation Smile, a non-profit group; and a derivatives trader at Berisford Capital Markets Group. Mr. Matyszewski holds a B.S. in finance from Villanova University and an M.B.A. in international finance from Thunderbird, the American Graduate School of International Management.

Dated: April 20, 2004

16-0404
for
WPISF
ADGPV
CSGPV
TRGP
2004-012

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Scudder Variable Series I

- Scudder 21st Century Growth Portfolio

Supplement to the currently effective prospectuses

The people listed below handle the day-to-day management of the portfolio effective May 3, 2004. Ms. Jones is retiring on June 30, 2004. Effective July 1, 2004, Mr. Dedio and Mr. Janis will become Co-Lead Portfolio Managers of the portfolio.

Audrey M.T. Jones, CFA
Managing Director of Deutsche Asset Management and Lead Portfolio Manager of the portfolio through June 30, 2004.

- Joined Deutsche Asset Management in 1986.
- Portfolio manager with a primary focus on the credit sensitive, communications services, energy, process industries and transportation sectors.
- Over 30 years of investment industry experience.
- BBA, Pace University Lubin School of Business.
- Joined the portfolio in 2002.

Samuel A. Dedio
Managing Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management in 1999 after eight years of experience, formerly serving as analyst at Ernst & Young, LLP, Evergreen Asset Management and Standard & Poor's Corp.
- Portfolio manager for US small- and mid-cap equity and senior small cap analyst for health care and technology.
- MS, American University, Kogod School of Business.
- Joined the portfolio in 2002.

Robert S. Janis
Managing Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management and the portfolio in 2004.
- Previously served as portfolio manager for ten years at Credit Suisse Asset Management (or at its predecessor Warburg Pincus Asset Management).
- Portfolio manager for US small– and mid–cap equity and senior small cap analyst for consumer discretionary, staples and capital goods sectors.
- Over 20 years of investment industry experience.
- MBA, University of Pennsylvania, Wharton School.

Please Retain This Supplement for Future Reference

May 3, 2004
SVS1–3600

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Scudder Variable Series II

- Scudder Aggressive Growth Portfolio
- Scudder Small Cap Growth Portfolio
- SVS INVESCO Dynamic Growth Portfolio

Supplement to the currently effective prospectuses

Scudder Aggressive Growth Portfolio and Scudder Small Cap Growth Portfolio:

The people listed below handle the day-to-day management of each portfolio effective May 3, 2004. Ms. Jones is retiring on June 30, 2004. Effective July 1, 2004, Mr. Dedio and Mr. Janis will become Co-Lead Portfolio Managers of each portfolio.

Audrey M.T. Jones, CFA
Managing Director of Deutsche Asset Management and Lead Portfolio Manager of the portfolios through June 30, 2004.
- Joined Deutsche Asset Management in 1986.
- Portfolio manager with a primary focus on the credit sensitive, communications services, energy, process industries and transportation sectors.
- Over 30 years of investment industry experience.
- BBA, Pace University Lubin School of Business.
- Joined the portfolios in 2002.

Samuel A. Dedio
Managing Director of Deutsche Asset Management and Portfolio Manager of the portfolios.
- Joined Deutsche Asset Management in 1999 after eight years of experience, formerly serving as analyst at Ernst & Young, LLP, Evergreen Asset Management and Standard & Poor's Corp.
- Portfolio manager for US small- and mid-cap equity and senior small cap analyst for health care and technology.
- MS, American University, Kogod School of Business.
- Joined the portfolios in 2002.

Robert S. Janis
Managing Director of Deutsche Asset Management and Portfolio Manager of the portfolios.
- Joined Deutsche Asset Management and the portfolios in 2004.
- Previously served as portfolio manager for ten years at Credit Suisse Asset Management (or at its predecessor Warburg Pincus Asset Management).
- Portfolio manager for US small– and mid–cap equity and senior small cap analyst for consumer discretionary, staples and capital goods sectors.
- Over 20 years of investment industry experience.
- MBA, University of Pennsylvania, Wharton School.

SVS INVESCO Dynamic Growth Portfolio:

The paragraph below replaces the language under "The Portfolio Manager" for the portfolio.

The portfolio's subadvisor is INVESCO Funds Group, Inc. ("INVESCO"). The portfolio manager is Timothy J. Miller. Prior to April 28, 2004, Mr. Miller was Chief Investment Officer of INVESCO. He previously served as Chief Investment Officer of the Denver Investment Division of INVESCO Institutional (N.A.), Inc. Mr. Miller joined INVESCO in 1992 and has managed the portfolio since its inception.

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May 3, 2004
SVS2-3600

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AIM VARIABLE INSURANCE FUNDS

Supplement dated May 19, 2004,
to the Prospectus dated April 30, 2004
as Supplemented

The following replaces in its entirety the information appearing under the heading **"APPENDIX I"**:

"Your Fund's investment advisor, A I M Advisors, Inc. ("AIM"), is an indirect wholly owned subsidiary of AMVESCAP PLC ("AMVESCAP"). Another indirect wholly owned subsidiary of AMVESCAP, INVESCO Funds Group, Inc. ("IFG"), was formerly the investment advisor to the INVESCO Funds. AIM succeeded IFG as the investment advisor to the INVESCO Funds other than INVESCO Variable Investment Funds, Inc. ("IVIF") on November 25, 2003, and succeeded IFG as the investment advisor to IVIF on April 30, 2004.

The mutual fund industry as a whole is currently subject to a wide range of inquiries and litigation related to a wide range of issues, including issues of "market timing" and "late trading." Both AIM and IFG are the subject of a number of such inquiries, as described below.

Regulatory Actions and Inquiries Concerning IFG

On December 2, 2003 each of the Securities and Exchange Commission ("SEC") and the Office of the Attorney General of the State of New York ("NYAG") filed civil proceedings against IFG and Raymond R. Cunningham, in his capacity as the chief executive officer of IFG. Mr. Cunningham also currently holds the positions of Chief Operating Officer and Senior Vice President of A I M Management Group Inc. ("AIM Management"), the parent of AIM, and the position of Senior Vice President of AIM. As of April 23, 2004, Mr. Cunningham was granted a voluntary administrative leave of absence with pay. In addition, on December 2, 2003, the State of Colorado filed civil proceedings against IFG. Neither the Fund nor any of the other AIM or INVESCO Funds has been named as a defendant in any of these proceedings.

The SEC complaint, filed in the United States District Court for the District of Colorado [Civil Action No. 03-N-2421 (PAC)], alleges that IFG failed to disclose in the INVESCO Funds' prospectuses and to the INVESCO Funds' independent directors that IFG had entered into certain arrangements permitting market timing of the INVESCO Funds. The SEC alleges violations of Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 under that Act, Section 206(1) and 206(2) of the Investment Advisers Act of 1940, and Sections 34(b) and 36(a) of the Investment Company Act of 1940. The SEC is seeking injunctions, including permanent injunctions from serving as an investment advisor, officer or director of an investment company; an accounting of all market timing as well as certain fees and compensation received; disgorgement; civil monetary penalties; and other relief.

The NYAG complaint, filed in the Supreme Court of the State of New York (New York County), is also based on the circumstances described above. The NYAG complaint alleges violation of Article 23-A (the Martin Act) and Section 349 of the General Business Law of the State of New York and Section 63(12) of the State of New York's Executive Law. The NYAG is seeking injunctions, including permanent injunctions from directly or indirectly selling or distributing shares of mutual funds; disgorgement of all profits obtained, including fees collected, and payment of all restitution and damages caused, directly or indirectly from the alleged illegal activities; civil monetary penalties; and other relief.

The Colorado complaint, filed in the Colorado District Court, in the City and County of Denver, Colorado, is also based on the circumstances described above. The Colorado complaint alleges violations of Section 6-1-105(1) of the Colorado Consumer Protection Act. The State of Colorado is seeking injunctions; restitution, disgorgement and other equitable relief; civil monetary penalties; and other relief.

No relief is being sought against the Fund or any of the other AIM or INVESCO Funds in any of these complaints.

In addition, IFG has received inquiries in the form of subpoenas or other oral or written requests for information from various regulators concerning market timing activity, late trading, fair value pricing and other related issues concerning the INVESCO Funds. These regulators include the Florida Department of Financial Services, the Commissioner of Securities for the State of Georgia, the Office of the State Auditor for the State of West Virginia, the Office of the Secretary of State for West Virginia, the Colorado Securities Division and the Bureau of Securities of the State of New Jersey. IFG has also received more limited inquiries from the United States Department of Labor ("DOL"), the NASD, Inc. ("NASD"), the SEC and the United States Attorney's Office for the Southern District of New York concerning certain specific INVESCO Funds, entities and/or individuals.

Regulatory Inquiries Concerning AIM

AIM has also received inquiries in the form of subpoenas or other oral or written requests for information from various regulators concerning market timing activity, late trading, fair value pricing and other related issues concerning the AIM Funds. AIM has received requests for information and documents concerning these and related matters from the SEC, the Massachusetts Secretary of the Commonwealth, the Office of the State Auditor for the State of West Virginia and the Department of Banking for the State of Connecticut. In addition, AIM has received subpoenas concerning these and related matters from the NYAG, the United States Attorney's Office for the District of Massachusetts, the Commissioner of Securities for the State of Georgia, the Office of the Secretary of State for West Virginia and the Bureau of Securities of the State of New Jersey. AIM has also received more limited inquiries from the DOL, the NASD and the SEC concerning certain specific AIM Funds, entities and/or individuals.

Response of the Independent Trustees

The independent trustees of the AIM and INVESCO Funds have retained their own independent counsel to conduct an investigation on behalf of the independent trustees into the frequent trading arrangements and related issues raised by the regulators. The independent trustees have also retained their own financial expert in this regard. Finally, the independent trustees have created a special committee, consisting of four independent trustees, to oversee the investigation and to formulate recommendations for further board action. As part of the investigation by the independent trustees, their independent counsel has been reviewing the examination of IFG and AIM currently being conducted by management's outside counsel.

Response of AMVESCAP

AMVESCAP is seeking to resolve both the pending regulatory complaints against IFG alleging market timing and the ongoing market timing investigations with respect to IFG and AIM. AMVESCAP found, in its ongoing review of these matters, that shareholders were not always effectively protected from the potential adverse impact of market timing and illegal late trading through intermediaries. These findings were based, in part, on an extensive economic analysis by outside experts who have been retained by AMVESCAP to examine the impact of these activities. In light of these findings, AMVESCAP has publicly stated that any AIM or INVESCO Fund, or any shareholders thereof, harmed by these activities will receive full restitution. AMVESCAP has informed regulators of these findings. In addition, AMVESCAP has retained separate outside counsel to undertake a comprehensive review of AIM's and IFG's policies, procedures and practices, with the objective that they rank among the most effective in the fund industry. At the direction of the trustees of the AIM and INVESCO Funds, AMVESCAP will pay all of the expenses incurred by the AIM and INVESCO Funds related to market timing, including expenses incurred in connection with the pending regulatory complaints against IFG alleging market timing and the ongoing market timing investigations with respect to IFG and AIM.

There can be no assurance that AMVESCAP will be able to reach a satisfactory settlement with the regulators, or that any such settlement will not include terms which would have the effect of barring either or both of IFG and AIM, or any other investment advisor directly or indirectly owned by AMVESCAP, including but not limited to A I M Capital Management, Inc., AIM Funds Management Inc., INVESCO Global Asset Management (N.A.), Inc., INVESCO Institutional (N.A.), Inc. ("IINA") and INVESCO Senior Secured Management, Inc., from serving as an investment advisor to any investment company registered under the Investment Company Act of 1940 (a "registered investment company"), including the Fund. The Fund has been informed by AIM that, if AIM is so barred, AIM will seek exemptive relief from the SEC to permit it to continue to serve as the Fund's investment advisor. There can be no assurance that such exemptive relief will be granted. Any settlement with the regulators could also include terms which would bar Mr. Cunningham from serving as an officer or director of any registered investment company.

Private Actions Alleging Market Timing

Multiple civil lawsuits, including purported class action and shareholder derivative suits, have been filed against various parties (including, depending on the lawsuit, certain INVESCO Funds, certain AIM Funds, IFG, AIM, AIM Management, AMVESCAP, certain related entities and certain of their officers, including Mr. Cunningham) making allegations substantially similar to the allegations in the regulatory complaints against IFG described above. These lawsuits allege a variety of theories of recovery, including but not limited to: (i) violation of various provisions of the Federal and state securities laws; (ii) violation of various provisions of the Employee Retirement Income Security Act ("ERISA"); (iii) breach of fiduciary duty; and/or (iv) breach of contract. These lawsuits have been filed in both Federal and state courts and seek such remedies as compensatory damages; restitution; rescission; accounting for wrongfully gotten gains, profits and compensation; injunctive relief; disgorgement; equitable relief; various corrective measures under ERISA; rescission of certain Funds' advisory agreements; declaration that the advisory agreement is unenforceable or void; refund of advisory fees; interest; and attorneys' and experts' fees. A list identifying such lawsuits that have been served, or for which service of process has been waived, as of a recent date is provided in the Fund's statement of additional information.

IFG has removed certain of the state court proceedings to Federal District Court. The Judicial Panel on Multidistrict Litigation (the "Panel") has ruled that all actions pending in Federal court that allege market timing and/or late trading be transferred to the United States District Court for the District of Maryland for coordinated pre-trial proceedings. Some of the cases against IFG and the other AMVESCAP defendants have already been transferred to the District of Maryland in accordance with the Panel's directive. AIM and IFG anticipate that in time most or all of the actions pending against them and the other AMVESCAP defendants alleging market timing and/or late trading will be transferred to the multidistrict litigation.

Other Private Actions

Multiple civil lawsuits, including purported class action and shareholder derivative suits, have been filed against various parties (including, depending on the lawsuit, IFG, AIM, IINA, A I M Distributors, Inc. ("AIM Distributors") and INVESCO Distributors, Inc. ("INVESCO Distributors")) alleging that the defendants charged excessive advisory and distribution fees and failed to pass on to shareholders the perceived savings generated by economies of scale. Certain of these lawsuits also allege that the defendants adopted unlawful distribution plans. These lawsuits allege a variety of theories of recovery, including but not limited to: (i) violation of various provisions of the Federal securities laws; (ii) breach of fiduciary duty; and/or (iii) breach of contract. These lawsuits have been filed in both Federal and state courts and seek such remedies as damages; injunctive relief; rescission of certain Funds' advisory agreements and distribution plans; interest; prospective relief in the form of reduced fees; and attorneys' and experts' fees. A list identifying such lawsuits that have been served, or for which service of process has been waived, as of a recent date is provided in the Fund's statement of additional information.

Additional lawsuits or regulatory actions arising out of the circumstances above and presenting similar allegations and requests for relief may be served or filed against the Fund, IFG, AIM, AIM Management, IINA, AIM Distributors, INVESCO Distributors, AMVESCAP and related entities and individuals in the future.

As a result of the above developments, investors in the AIM and INVESCO Funds might react by redeeming their investments. This might require the Funds to sell investments to provide for sufficient liquidity and could also have an adverse effect on the investment performance of the Funds."

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Supplement to the currently effective prospectus of each of the listed portfolios/funds:

Scudder Variable Series I

- 21st Century Growth Portfolio
- Balanced Portfolio
- Bond Portfolio
- Capital Growth Portfolio
- Global Discovery Portfolio
- Growth and Income Portfolio
- Health Sciences Portfolio
- International Portfolio
- Money Market Portfolio

Scudder Variable Series II

- Scudder Aggressive Growth Portfolio
- Scudder Blue Chip Portfolio
- Scudder Large Cap Value Portfolio
- Scudder Fixed Income Portfolio
- Scudder Global Blue Chip Portfolio
- Scudder Government & Agency Securities Portfolio
- Scudder Growth Portfolio
- Scudder High Income Portfolio
- Scudder International Select Equity Portfolio
- Scudder Money Market Portfolio
- Scudder Small Cap Growth Portfolio
- Scudder Strategic Income Portfolio
- Scudder Technology Growth Portfolio
- Scudder Total Return Portfolio
- SVS Davis Venture Value Portfolio
- SVS Dreman Financial Services Portfolio
- SVS Dreman High Return Equity Portfolio
- SVS Dreman Small Cap Value Portfolio
- SVS Eagle Focused Large Cap Growth Portfolio
- SVS Focus Value + Growth Portfolio
- SVS Index 500 Portfolio
- SVS INVESCO Dynamic Growth Portfolio
- SVS Janus Growth And Income Portfolio
- SVS Janus Growth Opportunities Portfolio
- SVS MFS Strategic Value Portfolio
- SVS Oak Strategic Equity Portfolio
- SVS Turner Mid Cap Growth Portfolio

Scudder Investments VIT Funds

Scudder VIT Equity 500 Index Fund
Scudder VIT EAFE Equity Index Fund
Scudder VIT Small Cap Index Fund

Scudder VIT Real Estate Securities Portfolio

The following information is added to the prospectus of each portfolios/funds under the heading "Who Manages and Oversees the Portfolios/Funds":

Regulatory and Litigation Matters

Since at least July 2003, federal, state and industry regulators have been conducting ongoing inquiries and investigations ("inquiries") into the mutual fund industry, and have requested information from numerous mutual fund companies, including Scudder Investments. We are unable to determine what the outcome of these inquiries will be or what the effect, if any, would be on the portfolios/funds or their advisors. Publicity about mutual fund practices arising from these industry-wide inquiries serves as the general basis of a number of private lawsuits against the Scudder portfolios/funds. These lawsuits, which previously have been reported in the press, involve purported class action and derivative lawsuits, making various allegations and naming as defendants various persons, including certain Scudder portfolios/funds, Deutsche Asset Management ("DeAM") and its affiliates, certain individuals, including in some cases portfolio/fund Trustees, and other parties. DeAM has undertaken to bear all liabilities and expenses incurred by the Scudder portfolios/funds in connection with these lawsuits, or other lawsuits or regulatory actions that may be filed making allegations similar to these lawsuits regarding fund valuation, market timing, revenue sharing or other subjects of the pending inquiries. Based on currently available information, DeAM believes the likelihood that the pending lawsuits will have a material adverse financial impact on a Scudder portfolio/fund is remote and such actions are not likely to materially affect its ability to perform under its investment management agreements with the Scudder portfolios/funds.

June 1, 2004
INS-3600

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Supplement to the Prospectus and Statement of Additional Information

Credit Suisse Trust - Global Post-Venture Capital Portfolio

The following information supersedes certain information in the Fund's Prospectus and Statement of Additional Information.

The Fund's Board of Directors has approved an amendment to the Sub-Investment Advisory Agreement (the "Sub-Advisory Agreement") by and among the Fund, Credit Suisse Asset Management, LLC ("CSAM"), the fund's investment adviser, and Credit Suisse Asset Management Limited (Tokyo) (the "Sub-Adviser"). Pursuant to this amendment, the methodology for allocating a portion of the Total Fee payable to the Sub-Adviser of your fund will change. However, the Total Fee itself ($250,000) will not change and CSAM (not your fund) will remain responsible for paying the Sub-Adviser the Total Fee. Currently, the Total Fee is an aggregate fee paid for services rendered with respect to your fund, and certain other Credit Suisse Funds (the "Other Sub-Advised Funds"). Now, the services covered will include those provided to certain other CSAM-advisory clients for which the Sub-Adviser has been appointed to act as sub-investment adviser.

Commencing May 19, 2004, the portion of the Total Fee allocable with respect to your fund (for any calendar quarter or portion thereof) is equal to the product of: (a) $250,000 and (b) a fraction: (i) the numerator of which is the average monthly net assets of the Fund during such quarter or portion thereof and (ii) denominator of which is the sum of (x) the total aggregate average monthly net assets of the Other Sub-Advised Funds and (y) the average month-end values of the assets of certain other CSAM-advisory clients, in each case for which the Sub-Adviser has been appointed as such during such calendar quarter or portion thereof.

Based on the new methodology, the portion of the Total Fee that would have been allocable to your fund (based on net assets as of March 31, 2004) would have been $19,748.

IMPORTANTLY, YOU SHOULD NOTE THAT THE AMENDMENT WILL NOT AFFECT THE FEES OR EXPENSES APPLICABLE TO THE FUND BECAUSE ALL SUB-ADVISORY FEES WILL BE BORNE BY CSAM.

Dated: May 27, 2004

TRGPV-16-0504
2004-026

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SCUDDER
INVESTMENTS

Scudder Variable Series I

- Scudder International Portfolio

Supplement to the currently effective prospectuses

The following supplements the information in the currently effective Class A and B shares prospectuses of Scudder International Portfolio:

Average Annual Total Returns (%) as of 12/31/2003			
	1 Year	**5 Years**	**10 Years**
Index 2	38.59	–0.05	4.47

Index 2: The MSCI EAFE Index is an unmanaged index that tracks international stock performance in the 21 developed markets of Europe, Australasia and the Far East.*

* *Effective on or about July 1, 2004, the Morgan Stanley Capital International (MSCI) Europe, Australasia, Far East (EAFE) Index will replace the MSCI EAFE + Canada Index as the fund's benchmark index because the advisor believes it is more appropriate to measure the fund's performance against the MSCI EAFE Index as it more accurately reflects the fund's investment strategy.*

June 18, 2004
SVS1-3601

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Scudder Variable Series I

- Health Sciences Portfolio

Supplement To Prospectus Dated May 1, 2004

The following supplements information contained in the section "Main Investment Strategy" and replaces the "Non-Diversification Risk" subsection contained in the "Main Risks" section for the portfolio listed above.

The portfolio is classified as "diversified." As compared to non-diversified portfolios, diversified portfolios generally invest in a larger number of issuers.

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July 12, 2004
SVS1-3602

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Scudder Variable Series II

- Scudder Large Cap Value Portfolio

Supplement to the currently effective prospectuses

The following revises "The Portfolio Managers" section of the prospectuses.

The following people handle the day-to-day management of the portfolio:

Thomas F. Sassi
Managing Director of Deutsche Asset Management and Lead Manager of the portfolio.
- Joined Deutsche Asset Management in 1996 and the portfolio in 1997.
- Over 32 years of investment industry experience.
- MBA, Hofstra University.

Steve Scrudato
CFA, Director of Deutsche Asset Management and Manager of the portfolio.
- Joined Deutsche Asset Management in 2000 as a portfolio specialist, Large Cap Value: New York.
- Prior to that, 11 years of experience as a product specialist and client service executive at Dreyfus Investment Advisors and various investment consulting and manager research positions at Diversified Investment Advisors and PaineWebber.
- Joined the portfolio in 2004.

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July 14, 2004
SVS2–3601

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AIM VARIABLE INSURANCE FUNDS

Supplement dated July 16, 2004,
to the Prospectus dated April 30, 2004
as Supplemented

The following replaces in its entirety the information appearing under the heading **"APPENDIX I"**:

"The mutual fund industry as a whole is currently subject to regulatory inquiries and litigation related to a wide range of issues. These issues include, among others, market timing activity, late trading, fair value pricing, excessive or improper advisory and/or distribution fees, mutual fund sales practices, including revenue sharing and directed-brokerage arrangements, investments in securities of other registered investment companies and issues related to Section 529 college savings plans.

As described more fully below, INVESCO Funds Group, Inc. ("IFG"), the former investment advisor to the INVESCO Funds, is the subject of three regulatory actions concerning market timing activity in the INVESCO Funds. In addition, IFG and A I M Advisors, Inc. ("AIM"), the Fund's investment advisor, are the subject of a number of regulatory inquiries and civil lawsuits, as described more fully below and in the Fund's statement of additional information. Both AIM and IFG are indirect wholly owned subsidiaries of AMVESCAP PLC ("AMVESCAP").

As a result of the regulatory actions and inquiries and civil lawsuits discussed below, investors in the AIM and INVESCO Funds might react by redeeming their investments. This might require the Funds to sell investments to provide for sufficient liquidity and could also have an adverse effect on the investment performance of the Funds.

Regulatory Actions Pending Against IFG

On December 2, 2003 each of the Securities and Exchange Commission ("SEC") and the Office of the Attorney General of the State of New York ("NYAG") filed civil proceedings against IFG and Raymond R. Cunningham, in his former capacity as the chief executive officer of IFG. Mr. Cunningham also formerly held the positions of Chief Operating Officer and Senior Vice President of A I M Management Group Inc. ("AIM Management"), the parent of AIM, and the position of Senior Vice President of AIM. In addition, on December 2, 2003, the State of Colorado filed civil proceedings against IFG. Neither the Fund nor any of the other AIM or INVESCO Funds has been named as a defendant in any of these proceedings. There can be no assurance that the SEC, NYAG or State of Colorado will not file additional charges against IFG or Mr. Cunningham or civil proceedings against other current or former officers or employees of IFG.

The SEC complaint, filed in the United States District Court for the District of Colorado [Civil Action No. 03-N-2421 (PAC)], alleges that IFG failed to disclose in the INVESCO Funds' prospectuses and to the INVESCO Funds' independent directors that IFG had entered into certain arrangements permitting market timing of the INVESCO Funds. The SEC alleges violations of Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 under that Act, Section 206(1) and 206(2) of the Investment Advisers Act of 1940, and Sections 34(b) and 36(a) of the Investment Company Act of 1940. The SEC is seeking injunctions, including permanent injunctions from serving as an investment advisor, officer or director of an investment company; an accounting of all market timing as well as certain fees and compensation received; disgorgement; civil monetary penalties; and other relief.

The NYAG complaint, filed in the Supreme Court of the State of New York (New York County), is also based on the circumstances described above. The NYAG complaint alleges violation of Article 23-A (the Martin Act) and Section 349 of the General Business Law of the State of New York and Section 63(12) of the State of New York's Executive Law. The NYAG is seeking injunctions, including permanent injunctions from directly or indirectly selling or distributing shares of mutual funds; disgorgement of all profits obtained, including fees collected, and payment of all restitution and damages caused, directly or indirectly from the alleged illegal activities; civil monetary penalties; and other relief.

The Colorado complaint, filed in the Colorado District Court, in the City and County of Denver, Colorado, is also based on the circumstances described above. The Colorado complaint alleges violations of Section 6-1-105(1) of the Colorado Consumer Protection Act. The State of Colorado is seeking injunctions; restitution, disgorgement and other equitable relief; civil monetary penalties; and other relief.

No relief is being sought against the Fund or any of the other AIM or INVESCO Funds in any of these three regulatory actions.

Developments with respect to these regulatory actions will be disclosed in the Fund's statement of additional information and also can be found on AIM's Internet website under the heading "Regulatory Actions, Inquiries and Pending Litigation" (http://www.aiminvestments.com/litigationsummary.pdf). You may request a free copy of the Fund's statement of additional information, which is incorporated by reference into the Fund's prospectus (is legally a part of the prospectus), by mail (AIM Investment Services, Inc., P.O. Box 4739, Houston, TX 77210-4739), by telephone (800-347-4246) or via AIM's Internet website (http://www.aiminvestments.com).

Regulatory Inquiries Concerning IFG and AIM

IFG, AIM, certain related entities, certain of their current and former officers and/or certain of the AIM and INVESCO Funds have received regulatory inquiries in the form of subpoenas or other oral or written requests for information and/or documents related to one or more of the issues currently being scrutinized by various Federal and state regulators, including but not limited to those described above. Additional regulatory inquiries related to the above or other issues may be received by the Fund, IFG, AIM and/or related entities and individuals in the future. Information on these regulatory inquiries can be found in the Fund's statement of additional information and on AIM's Internet website under the heading "Regulatory Actions, Inquiries and Pending Litigation" (http://www.aiminvestments.com/litigationsummary.pdf).

Private Civil Actions Pending Against IFG, AIM and Related Entities and Individuals

Civil lawsuits related to many of the above issues have been filed against (depending upon the lawsuit) IFG, AIM, certain related entities, certain of their current and former officers, and/or certain of the AIM and INVESCO Funds and/or their trustees. Additional civil lawsuits related to the above or other issues may be filed against the Fund, IFG, AIM and/or related entities and individuals in the future. Information on these civil lawsuits that have been served on IFG or AIM or for which service of process has been waived as of a recent date, including the parties to the lawsuits and summaries of the various allegations and remedies sought, can be found in the Fund's statement of additional information and on AIM's Internet website under the heading "Regulatory Actions, Inquiries and Pending Litigation" (http://www.aiminvestments.com/litigationsummary.pdf)

Response of AMVESCAP

AMVESCAP is seeking to resolve both the pending regulatory complaints against IFG alleging market timing and the ongoing market timing investigations with respect to IFG and AIM. AMVESCAP found, in its ongoing review of these matters, that shareholders were not always effectively protected from the potential adverse impact of market timing and illegal late trading through intermediaries. These findings were based, in part, on an extensive economic analysis by outside experts who have been retained by AMVESCAP to examine the impact of these activities. In light of these findings, AMVESCAP has publicly stated that any AIM or INVESCO Fund, or any shareholders thereof, harmed by these activities will receive full restitution. AMVESCAP has informed regulators of these findings. AMVESCAP has retained outside counsel to represent its subsidiaries in connection with the market timing regulatory inquiries and certain other matters. As part of this representation, this outside counsel has been conducting a review of IFG's and AIM's conduct with respect to market timing and related matters. In addition, AMVESCAP has retained separate outside counsel to undertake a comprehensive review of AIM's and IFG's policies, procedures and practices, with the objective that they rank among the most effective in the fund industry.

There can be no assurance that AMVESCAP will be able to reach a satisfactory settlement with the regulators, or that any such settlement will not include terms which would have the effect of barring either or both of IFG and AIM, or any other investment advisor directly or indirectly owned by AMVESCAP, including but not limited to A I M Capital Management, Inc., AIM Funds Management Inc., INVESCO Institutional (N.A.), Inc., INVESCO Global Asset Management (N.A.), Inc. and INVESCO Senior Secured Management, Inc., from serving as an investment advisor to any investment company registered under the Investment Company Act of 1940 (a "registered investment company"), including the Fund. The Fund has been informed by AIM that, if AIM is so barred, AIM will seek exemptive relief from the SEC to permit it to continue to serve as the Fund's investment advisor. There can be no assurance that such exemptive relief will be granted.

Response of the Independent Trustees

The independent trustees of the AIM and INVESCO Funds have retained their own independent counsel to conduct an investigation on behalf of the independent trustees into the frequent trading arrangements and related issues raised by the regulators with respect to both IFG and AIM. The independent trustees have also retained their own financial expert in this regard. Finally, the independent trustees have created a special committee, consisting of four independent trustees, to oversee the investigation and to formulate recommendations for further board action. As part of the investigation by the independent trustees, their independent counsel has been reviewing the examination of IFG's and AIM's conduct being conducted by the outside counsel retained by AMVESCAP.

At the direction of the trustees of the AIM and INVESCO Funds, AMVESCAP has agreed to pay all of the expenses incurred by the AIM and INVESCO Funds related to the market timing investigations, including expenses incurred in connection with the pending regulatory complaints against IFG alleging market timing and the ongoing market timing investigations with respect to IFG and AIM."

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INVESCO VIF-Utilities Fund

June 30, 2004

Semiannual Report

INVESCO VIF-UTILITIES FUND seeks capital growth and current income.

Unless otherwise stated, information presented in this report is as of 6/30/04 and is based on total net assets.

This report must be accompanied or preceded by the currently effective fund prospectus and product prospectus, which contain more complete information, including sales charges and expenses. Read each carefully before you invest.

Your goals. Our solutions.®

AIM INVESTMENTS®

Not FDIC insured	May lose value	No bank guarantee

Electric utilities contributed to fund performance

For the six months ended June 30, 2004, Series I shares of INVESCO VIF-Utilities Fund produced total return of 2.66%, excluding product issuer charges. (Had the effects of product issuer charges been included, the return would have been lower.) Results for Series II shares and benchmark indexes are shown in the table below.

The fund underperformed the 3.44% return of the S&P 500 Index and the 4.24% return of the Lipper Utility Fund Index, primarily because of negative returns from some holdings in the integrated telecommunication services and wireless telecommunication services industries.

Market conditions

Gross domestic product, the broadest measure of economic activity, expanded at an annualized rate of 4.5% in the first quarter of 2004 and 3.0% during the second quarter. Over 1.2 million jobs were created over the six months, but the unemployment rate remained about 5.6%, according to the U.S. Department of Labor. An improved job market likely contributed to rising consumer confidence, which reached a two-year high in June, according to the Conference Board. Corporate profits showed strength, as more than 85% of S&P 500 Index firms that reported first-quarter 2004 earnings met or exceeded expectations, according to Bloomberg. In the stock market, all sectors of the S&P 500 Index had positive returns.

Interest rates rose during the period in expectation that the U.S. Federal Reserve (the Fed) would soon raise the influential federal funds target rate. On June 30 the Fed voted to raise the rate by 25 basis points (0.25%)—its first increase in four years.

Your fund

INVESCO VIF-Utilities Fund benefited from the positive performance of the utilities sector during the period, which was due in part to a shift in market sentiment toward stocks paying higher dividends and toward more defensive positions.

The largest contribution to fund performance came from the electric utilities industry, which produced a strong return during the period. It was also the industry to which the fund had the largest exposure.

The fund's second-largest industry exposure was to the multi-utilities and unregulated power industry. Companies in this industry began to see gross margins improve, and they also benefited from tightness in the supply/demand situation. The fund had especially strong stock selection in the unregulated power industry.

The fund also invested in stocks in the integrated telecommunication services industry, primarily for their dividend yield. These holdings constituted the fund's third-largest industry exposure. Stock market performance lagged for this industry, mainly because of continued regulatory uncertainty among the regional Bell operating companies (RBOCs) during most of the period. The RBOCs' competitive position improved in mid-June when a Washington, D.C., circuit court overturned the Federal Communications Commission's ruling that RBOCs must continue leasing their network infrastructure to competitors at wholesale rates.

As expectations of higher interest rates intensified, we reduced the fund's weighting in electric utilities. These equities are frequently owned specifically for their dividends, and we suspected that they would become less favored by investors as interest rates increased.

Correspondingly, we increased the fund's weighting in multi-utilities and unregulated power, which slightly increased the aggressiveness of the portfolio. These companies generally have a business mix of regulated and unregulated utilities, in which higher growth is expected for the unregulated than for the regulated operations.

TOP 10 EQUITY HOLDINGS*

1.	Dominion Resources, Inc.	4.9%
2.	TXU Corp.	4.5
3.	Exelon Corp.	4.4
4.	Verizon Communications Inc.	4.3
5.	PG&E Corp.	4.1
6.	FirstEnergy Corp.	4.0
7.	FPL Group, Inc.	3.7
8.	Entergy Corp.	3.6
9.	Sempra Energy	3.3
10.	Williams Cos., Inc. (The)	3.1

TOP INDUSTRIES*

1.	Electric Utilities	48.6%
2.	Multi-Utilities & Unregulated Power	17.8
3.	Integrated Telecommunication Services	11.4
4.	Oil & Gas Refining, Marketing & Transportation	5.7
5.	Gas Utilities	5.2
6.	Wireless Telecommunication Services	2.1
7.	Water Utilities	1.1
8.	Diversified Metals & Mining	0.9

FUND VS. INDEXES

Total returns 12/31/03–6/30/04, excluding product issuer charges. If product issuer charges were included, returns would be lower.

Series I Shares	2.66%
Series II Shares	2.58
S&P 500 Index (Broad Market Index)	3.44
Lipper Utility Fund Index (Peer Group Index)	4.24

Source: Lipper, Inc.

TOTAL NUMBER OF HOLDINGS*	**50**
TOTAL NET ASSETS	**$99.4 million**

*Excludes money market fund holdings.

The fund's holdings are subject to change, and there is no assurance that the fund will continue to hold any particular security.

Portfolio Manager
As of 6/30/04
John S. Segner

Specific holdings that boosted fund performance during the period included:

- TXU Corporation. This utility holding company was one of the best-performing stocks in the electric utilities industry. Under a new CEO appointed earlier in the year, management has driven down costs.
- Equitable Resources. During the second quarter, this integrated natural gas company declared a quarterly dividend that represented a large increase over the previous quarter, and it was the third dividend increase in the last five quarters.
- Williams Companies. This oil and gas firm strengthened its balance sheet considerably by reducing debt during the first quarter of 2004. We held an overweighting in Williams' stock compared with our benchmark.

There were also holdings that hindered fund performance, including:

- Iberdrola. For Spain's No. 2 electric utility, the election of a more environmentally focused socialist government threatened what had been a stable regulatory environment. We trimmed our position after the election, but did not exit entirely, as supply/demand fundamentals remain attractive in Spain.
- BellSouth. Investors reacted negatively to an agreement for wireless carrier Cingular—a joint venture between local exchange carriers BellSouth and SBC—to buy mobile phone service provider AT&T Wireless. BellSouth's stock price declined, and we sold our position.

In closing

INVESCO VIF-Utilities Fund continued to pursue its objectives of capital growth and current income by using a stock selection process that focuses on company fundamentals and growth prospects.

Performance information

Returns since the inception date of Series II shares are historical. All other returns are the blended returns of the historical performance of the fund's Series II shares since their inception and the restated historical performance of the fund's Series I shares (for periods prior to inception of the Series II shares) adjusted to reflect the higher Rule 12b-1 fees applicable to the Series II shares. The inception date of the fund's Series II shares is 4/30/04. The inception date of the fund's Series I shares is 12/30/94. The Series I and Series II shares invest in the same portfolio of securities and will have substantially similar performance, except to the extent that expenses borne by each class differ.

AVERAGE ANNUAL TOTAL RETURNS

As of 6/30/04

Series I Shares	
Inception (12/30/94)	4.73%
5 Years	-6.11
1 Year	10.22

Series II Shares	
Inception	4.48%
5 Years	-6.34
1 Year	10.00

The performance data quoted represent past performance and cannot guarantee comparable future results; current performance may be lower or higher. Please see your financial advisor for the most recent month-end performance. Performance figures reflect fund expenses, reinvested distributions and changes in net asset value. Investment return and principal value will fluctuate so that you may have a gain or loss when you sell shares.

INVESCO VIF-Utilities Fund, a series portfolio of AIM Variable Insurance Funds, is offered through insurance company separate accounts to fund variable annuity contracts and variable life insurance policies, and through certain pension or retirement plans. Performance figures given represent the fund and are not intended to reflect actual variable product values. They do not reflect sales charges, expenses and fees at the separate account level. Sales charges, expenses and fees, which are determined by the product issuers, will vary and will lower the total return.

Principal risks of investing in the fund

International investing presents certain risks not associated with investing solely in the United States. These include risks relating to fluctuations in the value of the U.S. dollar relative to the values of other currencies, the custody arrangements made for the fund's foreign holdings, differences in accounting, political risks and the lesser degree of public information required to be provided by non-U.S. companies. The fund may invest up to 25% of its assets in the securities of non-U.S. issuers. Securities of Canadian issuers and American Depositary Receipts are not subject to this 25% limitation.

Investing in a single-sector or single-region mutual fund involves greater risk and potential reward than investing in a more diversified fund.

Investing in small and mid-size companies involves risks not associated with investing in more established companies, including business risk, significant stock price fluctuations and illiquidity.

The fund may participate in the initial public offering (IPO) market in some market cycles. Because of the fund's small asset base, any investment the fund may make in IPOs may significantly affect the fund's total return. As the fund's assets grow, the impact of IPO investments will decline, which may reduce the effect of IPO investments on the fund's total return.

Portfolio turnover is greater than that of most funds, which may affect performance.

About indexes used in this report

The unmanaged Standard & Poor's Composite Index of 500 Stocks (the S&P 500® Index) is an index of common stocks frequently used as a general measure of U.S. stock market performance.

The unmanaged Lipper Utility Fund Index represents an average of the 30 largest utility funds tracked by Lipper, Inc., an independent mutual fund performance monitor.

The fund is not managed to track the performance of any particular index, including the indexes defined here, and consequently, the performance of the fund may deviate significantly from the performance of the indexes.

A direct investment cannot be made in an index. Unless otherwise indicated, index results include reinvested dividends, and they do not reflect sales charges. Performance of an index of funds reflects fund expenses; performance of a market index does not.

Other information

The returns shown in the Management's Discussion of Fund Performance are based on net asset values calculated for shareholder transactions. Generally accepted accounting principles require adjustments to be made to the net assets of the fund at period end for financial reporting purposes, and as such, the net asset values for shareholder transactions and the returns based on those net asset values may differ from the net asset values and returns reported in the Financial Highlights. Additionally, the returns and net asset values shown throughout this report are at the fund level only and do not include variable product issuer charges. If such charges were included, the total returns would be lower.

Industry classifications used in this report are generally according to the Global Industry Classification Standard, which was developed by and is the exclusive property and a service mark of Morgan Stanley Capital International Inc. and Standard & Poor's.

Bloomberg, Inc. is a well-known independent financial research and reporting firm.

The Conference Board is a not-for-profit organization that conducts research and publishes information and analysis to help businesses strengthen their performance.

A description of the policies and procedures that the fund uses to determine how to vote proxies relating to portfolio securities is available without charge, upon request, from our Client Services department at 800-959-4246 or on the AIM Web site, AIMinvestments.com.

Schedule of Investments

June 30, 2004
(Unaudited)

	Shares	Market Value
Domestic Common Stocks–78.26%		
Diversified Metals & Mining–0.90%		
Peabody Energy Corp.	15,900	$ 890,241
Electric Utilities–43.69%		
Ameren Corp.	61,600	2,646,336
American Electric Power Co., Inc.	63,800	2,041,600
CenterPoint Energy, Inc.	50,100	576,150
Cinergy Corp.	53,400	2,029,200
DTE Energy Co.	18,600	754,044
Edison International	90,200	2,306,414
Entergy Corp.	63,300	3,545,433
Exelon Corp.	130,024	4,328,499
FirstEnergy Corp.	107,000	4,002,870
FPL Group, Inc.	57,000	3,645,150
OGE Energy Corp.	50,700	1,291,329
PG&E Corp.[(a)]	145,000	4,051,300
PPL Corp.	57,000	2,616,300
Progress Energy, Inc.	42,700	1,880,935
Southern Co. (The)	78,200	2,279,530
TXU Corp.	110,000	4,456,100
Wisconsin Energy Corp.	30,100	981,561
		43,432,751
Gas Utilities–3.02%		
KeySpan Corp.	57,700	2,117,590
Peoples Energy Corp.	21,000	885,150
		3,002,740
Integrated Telecommunication Services–8.78%		
Citizens Communications Co.[(a)]	212,600	2,572,460
SBC Communications Inc.	76,006	1,843,145
Verizon Communications Inc.	119,019	4,307,298
		8,722,903
Multi-Utilities & Unregulated Power–15.06%		
Calpine Corp.[(a)]	450,000	1,944,000
Dominion Resources, Inc.	77,000	4,857,160
Equitable Resources, Inc.	50,000	2,585,500
ONEOK, Inc.	65,100	1,431,549
SCANA Corp.	24,300	883,791
Sempra Energy	95,000	3,270,850
		14,972,850
Oil & Gas Refining, Marketing & Transportation–5.71%		
Kinder Morgan Management, LLC	15,261	561,147
Kinder Morgan, Inc.[(a)]	35,000	2,075,150
Williams Cos., Inc. (The)	255,000	3,034,500
		5,670,797
Water Utilities–1.10%		
Aqua America Inc.	54,600	$ 1,094,730
Total Domestic Common Stocks (Cost $71,757,701)		77,787,012
Foreign Stocks & Other Equity Interests–14.26%		
Canada–1.10%		
Telus Corp. (Integrated Telecommunication Services)	67,000	1,095,200
France–1.42%		
Veolia Environnement (Multi-Utilities & Unregulated Power)	49,800	1,408,354
Germany–2.08%		
E.ON A.G. (Electric Utilities)	28,573	2,066,295
Greece–0.91%		
Public Power Corp. (Electric Utilities)	37,700	901,113
Italy–2.43%		
Enel S.p.A (Electric Utilities)	16,800	135,013
Snam Rete Gas S.p.A (Gas Utilities)	151,200	650,891
Telecom Italia S.p.A. RNC (Integrated Telecommunication Services)	220,222	487,438
Terna S.p.A. (Electric Utilities)[(a)]	526,900	1,146,960
		2,420,302
Spain–1.33%		
Iberdrola S.A. (Electric Utilities)	20,000	423,167
Telefonica S.A. (Integrated Telecommunication Services)	60,905	902,425
		1,325,592
United Kingdom–4.99%		
Centrica PLC (Gas Utilities)	374,700	1,530,482
National Grid Transco PLC (Multi-Utilities & Unregulated Power)	173,995	1,346,990
Vodafone Group PLC (Wireless Telecommunication Services)	621,923	1,366,318
Vodafone Group PLC-ADR (Wireless Telecommunication Services)	32,200	711,620
		4,955,410
Total Foreign Stocks & Other Equity Interests (Cost $13,586,380)		14,172,266
	Principal Amount	
Bonds & Notes–0.32%		
Electric Utilities–0.21%		
AmerenEnergy Generating Co.-Series C, Sr. Unsec. Global Notes, 7.75%, 11/01/05	$ 100,000	106,598
Kansas City Power & Light Co., Sr. Unsec. Notes, 7.13%, 12/15/05	100,000	105,864
		212,462

	Principal Amount	Market Value
Integrated Telecommunication Services–0.11%		
British Telecommunications PLC (United Kingdom), Global Notes, 7.88%, 12/15/05	$ 100,000	$ 106,923
Total Bonds & Notes (Cost $319,728)		319,385
Money Market Funds–6.94%		
INVESCO Treasurer's Money Market Reserve Fund (Cost $6,903,768) [(b)]	6,903,768	6,903,768
TOTAL INVESTMENTS–99.78% (Cost $92,567,577)		99,182,431
OTHER ASSETS LESS LIABILITIES–0.22%		218,333
NET ASSETS–100.00%		$99,400,764

Investment Abbreviations:

ADR –American Depositary Receipt
Sr. –Senior
Unsec. –Unsecured

Notes to Schedule of Investments:

(a) Non-income producing security.
(b) The money market fund and the Fund are affiliated by having the same investment advisor. See Note 3.

See accompanying notes which are an integral part of the financial statements.

Statement of Assets and Liabilities

June 30, 2004
(Unaudited)

Assets:	
Investments, at market value (cost $85,663,809)	$ 92,278,663
Investments in affiliated money market funds (cost $6,903,768)	6,903,768
Total investments (cost $92,567,577)	99,182,431
Foreign currencies, at value (cost $1,082,652)	1,091,252
Cash	388,810
Receivables for:	
Fund shares sold	107,946
Dividends and interest	235,264
Investments matured (Note 8)	20,233
Investment for deferred compensation and retirement plans	46,174
Other assets	3,619
Total assets	101,075,729
Liabilities:	
Payables for:	
Investments purchased	1,481,153
Fund shares reacquired	63,367
Deferred compensation and retirement plans	47,293
Accrued administrative services fees	39,869
Accrued distribution fees–Series II	198
Accrued transfer agent fees	1,658
Accrued operating expenses	41,427
Total liabilities	1,674,965
Net assets applicable to shares outstanding	$ 99,400,764
Net assets consist of:	
Shares of beneficial interest	$ 98,153,874
Undistributed net investment income	468,727
Undistributed net realized gain (loss) from investment securities and foreign currencies	(5,841,558)
Unrealized appreciation of investment securities and foreign currencies	6,619,721
	$ 99,400,764
Net Assets:	
Series I	$ 98,907,067
Series II	$ 493,697
Shares outstanding, $0.01 par value per share, unlimited number of shares authorized:	
Series I	7,624,649
Series II	38,091
Series I:	
Net asset value per share	$ 12.97
Series II:	
Net asset value per share	$ 12.96

See accompanying notes which are an integral part of the financial statements.

Statement of Operations

For the six months ended June 30, 2004
(Unaudited)

Investment income:	
Dividends (net of foreign withholding tax of $48,885)	$ 1,442,193
Dividends from affiliated money market funds	28,413
Interest	6,414
Total investment income	1,477,020
Expenses:	
Advisory fees	230,880
Administrative services fees	111,191
Custodian fees	11,655
Distribution fees–Series II	198
Transfer agent fees	5,002
Trustees' fees	4,868
Printing and postage fees	21,479
Professional fees	23,773
Other	3,634
Total expenses	412,680
Less: Fees waived and expense offset arrangement	(956)
Net expenses	411,724
Net investment income	1,065,296
Realized and unrealized gain (loss) from investment securities and foreign currencies:	
Net realized gain from:	
Investment securities	2,723,513
Foreign currencies	7,554
	2,731,067
Change in net unrealized appreciation (depreciation) of:	
Investment securities	(1,387,444)
Foreign currencies	3,230
	(1,384,214)
Net gain from investment securities and foreign currencies	1,346,853
Net increase in net assets resulting from operations	$ 2,412,149

Statement of Changes in Net Assets

For the six months ended June 30, 2004 and the year ended December 31, 2003
(Unaudited)

	June 30, 2004	December 31, 2003
Operations:		
Net investment income	$ 1,065,296	$ 1,222,923
Net realized gain from investment securities, foreign currencies and foreign currency contracts	2,731,067	142,852
Change in net unrealized appreciation (depreciation) of investment securities and foreign currencies	(1,384,214)	6,184,975
Net increase in net assets resulting from operations	2,412,149	7,550,750
Distributions to shareholders from net investment income —		
Series I	(1,790,572)	(670,647)
Share transactions–net:		
Series I	35,786,894	24,426,328
Series II	481,871	—
Net increase in net assets resulting from share transactions	36,268,765	24,426,328
Net increase in net assets	36,890,342	31,306,431
Net assets:		
Beginning of period	62,510,422	31,203,991
End of period (including undistributed net investment income of $468,727 and $1,194,003 for 2004 and 2003, respectively)	$99,400,764	$62,510,422

See accompanying notes which are an integral part of the financial statements.

Notes to Financial Statements

June 30, 2004
(Unaudited)

NOTE 1—Significant Accounting Policies

INVESCO VIF-Utilities Fund (the "Fund") is a series portfolio of AIM Variable Insurance Funds (the "Trust"). The Trust is a Delaware statutory trust registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end series management investment company consisting of twenty-eight separate portfolios. The Fund currently offers two classes of shares, Series I and Series II, both of which are offered to insurance company separate accounts funding variable annuity contracts and variable life insurance policies. Matters affecting each portfolio or class will be voted on exclusively by the shareholders of such portfolio or class. Current Securities and Exchange Commission ("SEC") guidance, however, requires participating insurance companies offering separate accounts to vote shares proportionally in accordance with the instructions of the contract owners whose investments are funded by shares of each portfolio or class. The assets, liabilities and operations of each portfolio are accounted for separately. Information presented in these financial statements pertains only to the Fund. On April 30, 2004, the Fund was restructured from a separate series of INVESCO Variable Investment Funds, Inc. to a new series portfolio of the Trust.

The Fund's investment objective is to seek capital growth and current income. Each company listed in the Schedule of Investments is organized in the United States of America unless otherwise noted.

Under the Trust's organizational documents, the Fund's officers, trustees, employees and agents are indemnified against certain liabilities that may arise out of performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts that contain a variety of indemnification clauses. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, the Fund has not had prior claims or losses pursuant to these contracts.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 those estimates. The following is a summary of the significant accounting policies followed by the Fund in the preparation of its financial statements.

A. Security Valuations — Securities, including restricted securities, are valued according to the following policy. A security listed or traded on an exchange (except convertible bonds) is valued at its last sales price as of the close of the customary trading session on the exchange where the security is principally traded, or lacking any sales on a particular day, the security is valued at the closing bid price on that day. Each security traded in the over-the-counter market (but not securities reported on the NASDAQ National Market System) is valued on the basis of prices furnished by independent pricing services or market makers. Each security reported on the NASDAQ National Market System is valued at the NASDAQ Official Closing Price ("NOCP") as of the close of the customary trading session on the valuation date or absent a NOCP, at the closing bid price. Debt obligations (including convertible bonds) are valued on the basis of prices provided by an independent pricing service. Prices provided by the pricing service may be determined without exclusive reliance on quoted prices, and may reflect appropriate factors such as institution-size trading in similar groups of securities, developments related to specific securities, dividend rate, yield, quality, type of issue, coupon rate, maturity, individual trading characteristics and other market data. Securities for which market prices are not provided by any of the above methods are valued based upon quotes furnished by independent sources and are valued at the last bid price in the case of equity securities and in the case of debt obligations, the mean between the last bid and asked prices. Securities for which market quotations are not readily available or are questionable are valued at fair value as determined in good faith by or under the supervision of the Trust's officers in a manner specifically authorized by the Board of Trustees. Issuer specific events, market trends, bid/ask quotes of brokers and information providers and other market data may be reviewed in the course of making a good faith determination of a security's fair value. Short-term obligations having 60 days or less to maturity and commercial paper are valued at amortized cost which approximates market value. For purposes of determining net asset value per share, futures and option contracts generally will be valued 15 minutes after the close of the customary trading session of the New York Stock Exchange ("NYSE"). Futures contracts are valued at the final settlement price set by an exchange on which they are principally traded. Listed options are valued at the mean between the last bid and the ask prices from the exchange on which they are principally traded. Options not listed on an exchange are valued by an independent source at the mean between the last bid and ask prices. Investments in open-end registered investment companies and closed-end registered investment companies that do not trade on an exchange are valued at the end of day net asset value per share. Investments in closed-end registered investment companies that trade on an exchange are valued at the last sales price as of the close of the customary trading session on the exchange where the security is principally traded.

Foreign securities (including foreign exchange contracts) are converted into U.S. dollar amounts using the applicable exchange rates as of the close of the NYSE. Generally, trading in foreign securities is substantially completed each day at various times prior to the close of the NYSE. The values of such securities used in computing the net asset value of the Fund's shares are determined as of the close of the respective markets. Events affecting the values of such foreign securities may occur between the times at which the particular foreign market closes and the close of the customary trading session of the NYSE which would not ordinarily be reflected in the computation of the Fund's net asset value. If a development/event is so significant such that there is a reasonably high degree of certainty as to both the effect and the degree of effect that the development/event has actually caused that closing price to no longer reflect actual value, the closing prices, as determined at the close of the applicable foreign market, may be adjusted to reflect the fair value of the affected foreign securities as of the close of the NYSE as determined in good faith by or under the supervision of the Board of Trustees. Adjustments to closing prices to reflect fair value on affected foreign securities may be provided by an independent pricing service. Multiple factors may be considered by the independent pricing service in determining adjustments to reflect fair value and may include information relating to sector indices, ADRs, domestic and foreign index futures and exchange-traded funds.

B. Securities Transactions and Investment Income — Securities transactions are accounted for on a trade date basis. Realized gains or losses on sales are computed on the basis of specific identification of the securities sold. Interest income is recorded on the accrual basis from settlement date. Dividend income is recorded on the ex-dividend date.

Brokerage commissions and mark ups are considered transaction costs and are recorded as an increase to the cost basis of securities purchased and/or a reduction of proceeds on a sale of securities. Such transaction costs are included in the determination of realized and unrealized gain (loss) from investment securities reported in the Statement of Operations and the Statement of Changes in Net Assets and the realized and unrealized net gains (losses) on securities per share in the Financial Highlights. Transaction costs are included in the calculation of the Fund's net asset value and, accordingly, they reduce the Fund's total returns. These transaction costs are not considered operating expenses and are not reflected in net investment income reported in the Statement of Operations and Statement of Changes in Net Assets, or the net investment income per share and ratios of expenses and net investment income reported in the Financial Highlights, nor are they limited by any expense limitation arrangements between the Fund and the advisor.

The Fund allocates income and realized and unrealized capital gains and losses to a class based on the relative net assets of each class.

C. Distributions — Distributions from income and net realized capital gain, if any, are generally paid to separate accounts of participating insurance companies annually and recorded on ex-dividend date.

D. Federal Income Taxes — The Fund intends to comply with the requirements of Subchapter M of the Internal Revenue Code necessary to qualify as a regulated investment company and, as such, will not be subject to federal income taxes on otherwise taxable income (including net realized capital gain) which is distributed to shareholders. Therefore, no provision for federal income taxes is recorded in the financial statements.

E. Expenses — Fees provided for under the Rule 12b-1 plan of a particular class of the Fund and which are directly attributable to that class are charged to the operations of such class. All other expenses are allocated among the classes based on relative net assets.

F. Repurchase Agreements — The Fund may enter into repurchase agreements. Collateral on repurchase agreements, including the Fund's pro-rata interest in joint repurchase agreements, is taken into possession by the Fund upon entering into the repurchase agreement. Eligible securities for collateral are U.S. Government Securities, U.S. Government Agency Securities and/or Investment Grade Debt Securities. Collateral consisting of U.S. Government Securities and U.S. Government Agency Securities is marked to market daily to ensure its market value is at least 102% of the sales price of the repurchase agreement. Collateral consisting of Investment Grade Debt Securities is marked to market daily to ensure its market value is at least 105% of the sales price of the repurchase agreement. The investments in some repurchase agreements, pursuant to an exemptive order from the SEC, are through participation with other mutual funds, private accounts and certain non-registered investment companies managed by the investment advisor or its affiliates ("Joint repurchase agreements"). If the seller of a repurchase agreement fails to repurchase the security in accordance with the terms of the agreement, the Fund might incur expenses in enforcing its rights, and could experience losses, including a decline in the value of the underlying security and loss of income.

G. Foreign Currency Translations — Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at date of valuation. Purchases and sales of portfolio securities (net of foreign taxes withheld on disposition) and income items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions. The Fund does not separately account for the portion of the results of operations resulting from changes in foreign exchange rates on investments and the fluctuations arising from changes in market prices of securities held. The combined results of changes in foreign exchange rates and the fluctuation of market prices on investments (net of estimated foreign tax withholding) are included with the net realized and unrealized gain or loss from investments in the Statement of Operations. Reported net realized foreign currency gains or losses arise from, (i) sales of foreign currencies, (ii) currency gains or losses realized between the trade and settlement dates on securities transactions, and (iii) the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign currency gains and losses arise from changes in the fair values of assets and liabilities, other than investments in securities at fiscal period end, resulting from changes in exchange rates.

H. Foreign Currency Contracts — A foreign currency contract is an obligation to purchase or sell a specific currency for an agreed-upon price at a future date. The Fund may enter into a foreign currency contract to attempt to minimize the risk to the Fund from adverse changes in the relationship between currencies. The Fund may also enter into a foreign currency contract for the purchase or sale of a security denominated in a foreign currency in order to "lock in" the U.S. dollar price of that security. The Fund could be exposed to risk if counterparties to the contracts are unable to meet the terms of their contracts or if the value of the foreign currency changes unfavorably.

NOTE 2—Advisory Fees and Other Fees Paid to Affiliates

The Trust has entered into a master investment advisory agreement with A I M Advisors, Inc. ("AIM"). Under the terms of the investment advisory agreement, the Fund pays an advisory fee to based on the annual rate of 0.60% of the Fund's average net assets.

For the period May 1, 2004 through June 30, 2004, the Fund paid advisory fees to AIM of $95,686. Prior to May 1, 2004, the Trust had an investment advisory agreement with INVESCO Funds Group, Inc. ("IFG"). For the period January 1, 2004 through April 30, 2004, the Fund paid advisory fees under similar terms to IFG of $135,194. AIM has entered into sub-advisory agreement with INVESCO Institutional (N.A.), Inc. ("INVESCO") whereby AIM pays INVESCO 40% of the fee paid by the Fund to AIM.

The Fund's advisor has contractually agreed to waive advisory fees and/or reimburse expenses to the extent necessary to limit Total Annual Fund Operating Expenses (excluding certain items discussed below) of each Series to 1.30%. Prior to May 1, 2004, the Fund's advisor had agreed to waive advisory fees and/or reimburse expense of Series I shares to the extent necessary to limit Total Annual Fund Operating Expenses (excluding certain items discussed below) to 1.15%. In determining the advisor's obligation to waive advisory fees and/or reimburse expenses, the following expenses are not taken into account, and could cause the Total Annual Fund Operating Expenses to exceed the cap stated above: (i) Rule 12b-1 plan fees, if any (ii) interest; (iii) taxes; (iv) dividend expense on short sales; (v) extraordinary items (these are expenses that are not anticipated to arise from the Fund's day-to-day operations), as defined in the Financial Accounting Standard's Board's Generally Accepted Accounting Principles or items designated as such by the Fund's board of trustees; (vi) expenses related to a merger or reorganization, as approved by the Fund's board of trustees; (vii) expenses that the Fund has incurred but did not actually pay because of an expense offset arrangement. Currently, the only expense offset arrangements from which the Fund benefits are in the form of credits that the Fund receives from banks where the Fund or its transfer agent has deposit accounts in which it holds uninvested cash. Those credits are used to pay certain expenses incurred by the Fund. To the extent that the annualized expense ratio does not exceed the expense limitation, AIM will retain its ability to be reimbursed for such fee waivers or reimbursements prior to the end of each fiscal year. Further, AIM has voluntarily agreed to waive advisory fees of the Fund in the amount of 25% of the advisory fee AIM receives from the affiliated money market funds on investments by the Fund in such affiliated money market funds. For the six months ended June 30, 2004, AIM waived fees of $603.

Pursuant to a master administrative services agreement with AIM, the Fund has agreed to pay AIM a fee for costs incurred in providing accounting services and certain administrative services to the Fund and to reimburse AIM for administrative services fees paid to insurance companies that have agreed to provide administrative services to the participants of separate accounts to the Fund. For the period May 1, 2004 through June 30, 2004, the Fund paid AIM $48,175 for such services, of which AIM retained $8,333 for services provided by AIM. Prior to May 1, 2004, the Fund had an administrative services agreement with IFG. For the period January 1, 2004 through April 30, 2004, under similar terms, the Fund paid IFG $63,016 for such services, of which IFG retained $6,686 for services provided by IFG.

The Fund, pursuant to a transfer agency and service agreement, has agreed to pay AIM Investment Services, Inc. ("AISI"), formerly known as A I M Fund Services, Inc., a fee for providing transfer agency and shareholder services to the Fund. During the six months ended June 30, 2004, AISI retained $3,449 for such services.

The Trust has entered into a master distribution agreement with A I M Distributors, Inc. ("AIM Distributors") to serve as the distributor for the Fund. The Trust has adopted a plan pursuant to Rule 12b-1 under the 1940 Act with respect to the Fund's Series II shares (the "Plan"). The Fund, pursuant to the Plan, pays AIM Distributors compensation at the annual rate of 0.25% of the Fund's average daily net assets of Series II shares. Of this amount, AIM Distributors may pay a service fee up to 0.25% of the average daily net assets of the Series II shares to insurance companies who furnish continuing personal shareholder services to their customers who purchase and own Series II shares of the Fund. AIM Distributors has agreed to reimburse the Fund's Rule 12b-1 distribution plan fees to the extent necessary to limit Total Annual Operating Expenses (excluding items (ii) through (vii) discussed above) of Series II shares to 1.45%. Pursuant to the Plan, for the period April 30, 2004 through June 30, 2004, the Series II shares paid $198.

Certain officers and trustees of the Trust are also officers and directors of AIM, AISI, INVESCO and/or AIM Distributors.

NOTE 3—Investments in Affiliates

The Fund is permitted, pursuant to an exemptive order from the SEC and approved procedures by the Board of Trustees, to invest daily available cash balances in affiliated money market funds. The Fund and the money market fund below have the same investment advisor and therefore, are considered to be affiliated. Each day the prior day's balance invested in the affiliated money market fund is redeemed in full and a new purchase amount is submitted to invest the current day's available cash. The table below shows the transactions in and earnings from investments in affiliated money market funds for the period ended June 30, 2004.

Investments of Daily Available Cash Balances:

Fund	Market Value 12/31/03	Purchases At Cost	Proceeds from Sales	Unrealized Appreciation (Depreciation)	Market Value 06/30/04	Dividend Income	Realized Gain (Loss)
INVESCO Treasurer's Series Money Market Reserve Fund	$3,151,179	$40,888,711	$(37,136,122)	$—	$6,903,768	$28,413	$—

NOTE 4—Expense Offset Arrangement

The expense offset arrangement is comprised of transfer agency credits which result from balances in Demand Deposit Accounts (DDA) used by the transfer agent for clearing shareholder transactions. For the six months ended June 30, 2004, the Fund received credits in transfer agency fees of $353, which resulted in a reduction of the Fund's total expenses of $353.

NOTE 5—Trustees' Fees

Trustees' fees represent remuneration paid to each Trustee of the Trust who is not an "interested person" of AIM. Trustees have the option to defer compensation payable by the Trust. Those Trustees who defer compensation have the option to select various AIM Funds and INVESCO Funds in which their deferral accounts shall be deemed to be invested.

Current Trustees are eligible to participate in a retirement plan that provides for benefits to be paid upon retirement to Trustees over a period of time based on the number of years of service. The Fund may have certain former Trustees that also participate in a retirement plan and receive benefits under such plan.

Obligations under the deferred compensation and retirement plans represent unsecured claims against the general assets of the Fund.

During the six months ended June 30, 2004, the Fund paid legal fees of $380 for services rendered by Kramer, Levin, Naftalis & Frankel LLP as counsel to the Independent Trustees. A member of that firm is a Trustee of the Trust.

NOTE 6—Borrowings

Pursuant to an exemptive order from the SEC, the Fund may participate in an interfund lending facility that AIM has established for temporary borrowings by the AIM Funds and the INVESCO Funds. An interfund loan will be made under this facility only if the loan rate (an average of the rate available on bank loans and the rate available on investments in overnight repurchase agreements) is favorable to both the lending fund and the borrowing fund. Under certain circumstances, a loan will be secured by collateral. To the extent that the loan is required to be secured by collateral, the collateral is marked to market daily to ensure that the market value is at least 102% of the outstanding principal value of the loan.

The Fund is a participant in an uncommitted unsecured revolving credit facility with State Street Bank and Trust Company ("SSB"). The Fund may borrow up to the lesser of (i) $125,000,000, or (ii) the limits set by its prospectus for borrowings. The Fund and other funds advised by AIM which are parties to the credit facility can borrow on a first come, first served basis. Principal on each loan outstanding shall bear interest at the bid rate quoted by SSB at the time of the request for the loan.

During the six months ended June 30, 2004, the Fund did not borrow or lend under the interfund lending facility or borrow under the uncommitted unsecured revolving line of credit facility.

Additionally, the Fund is permitted to temporarily carry a negative or overdrawn balance in its account with SSB, the custodian bank. To compensate the custodian bank for such overdrafts, the overdrawn Fund may either (i) leave funds in the account so the custodian can be compensated by earning the additional interest; or (ii) compensate by paying the custodian bank. In either case, the custodian bank will be compensated an amount equal to the Federal Funds rate plus 100 basis points.

NOTE 7—Tax Information

The amount and character of income and gains to be distributed are determined in accordance with income tax regulations, which may differ from generally accepted accounting principles. Reclassifications are made to the Fund's capital accounts to reflect income and gains available for distribution (or available capital loss carryforward) under income tax regulations. The tax character of distributions paid during the year and the tax components of net assets will be reported at the Fund's fiscal year-end.

Capital loss carryforward is calculated and reported as of a specific date. Results of transactions and other activity after that date may affect the amount of capital loss carryforward actually available for the Fund to utilize. The ability to use capital loss carryforward may be limited under the Internal Revenue Code and related regulations.

The Fund has a capital loss carryforward for tax purposes as of December 31, 2003 which expires as follows:

Expiration	Capital Loss Carryforward*
December 31, 2009	$ 826,994
December 31, 2010	7,135,592
Total capital loss carryforward	$7,962,586

* Capital loss carryforward as of the date listed above is reduced for limitations, if any, to the extent required by the Internal Revenue Code.

NOTE 8—Investment Securities

The aggregate amount of investment securities (other than short-term securities and money market funds) purchased and sold by the Fund during the six months ended June 30, 2004 was $47,998,859 and $37,382,683, respectively.

Receivable for investments matured represents the estimated proceeds to the fund by Candescent Technologies Corp. which is in default with respect to the principal payments on $20,233,000 par value, Senior Unsecured Guaranteed Subordinated Debentures, 8.00%, which were due May 1, 2003. This estimate was determined in accordance with the fair valuation procedures authorized by the Board of Trustees.

Unrealized Appreciation (Depreciation) of Investment Securities on a Tax Basis

Aggregate unrealized appreciation of investment securities	$ 7,171,691
Aggregate unrealized (depreciation) of investment securities	(1,514,162)
Net unrealized appreciation of investment securities	$ 5,657,529

Cost of investments for tax purposes is $93,524,902.

NOTE 9—Share Information

Changes in Shares Outstanding

	Six months ended June 30, 2004		Year ended December 31, 2003	
	Shares	Amount	Shares	Amount
Sold:				
Series I	1,941,552	$ 25,141,987	3,270,616	$ 38,622,032
Series II*	3,594	45,625	—	—
Issued as reinvestment of dividends:				
Series I	141,547	1,790,572	53,910	670,647
Issued in connection with acquisitions: **				
Series I	1,651,306	20,891,460	—	—
Series II*	35,261	445,966	—	—
Reacquired:				
Series I	(935,786)	(12,037,125)	(1,294,779)	(14,866,351)
Series II*	(764)	(9,720)	—	—
	2,836,710	$ 36,268,765	2,029,747	$ 24,426,328

* Series II shares commenced sales on April 30, 2004.

** As of the opening of business on April 30, 2004, the Fund acquired all of the nets assets of AIM V.I. Global Utilities Fund pursuant to a plan of reorganization approved by the Trustees of the Fund on December 9, 2003 and AIM V.I. Global Utilities Fund shareholders on April 2, 2004. The acquisition was accomplished by a tax-free exchange of 1,686,567 shares of the Fund for 1,960,982 shares of AIM V.I. Global Utilities Fund outstanding as of the close of business on April 29, 2004. AIM V.I. Global Utilities Fund's net assets at that date of $21,337,426, including $1,651,275 of unrealized appreciation, were combined with those of the Fund. The aggregate net assets of the Fund immediately before the acquisition were $69,390,372.

NOTE 10—Financial Highlights

The following schedule presents financial highlights for a share of the Fund outstanding throughout the periods indicated.

	Series I					
	Six months ended June 30, 2004	Year ended December 31,				
		2003	2002	2001	2000	1999
Net asset value, beginning of period	$ 12.95	$ 11.16	$ 14.08	$ 21.06	$ 20.97	$17.78
Income from investment operations:						
Net investment income	0.18[a]	0.33[a]	0.19	0.00	0.17	0.22
Net gains (losses) on securities (both realized and unrealized)	0.17	1.60	(3.05)	(6.83)	0.87	3.17
Total from investment operations	0.35	1.93	(2.86)	(6.83)	1.04	3.39
Less distributions:						
Dividends from net investment income	(0.33)	(0.14)	(0.06)	(0.07)	(0.03)	(0.20)
Distributions from net realized gains	—	—	—	(0.08)	(0.92)	—
Total distributions	(0.33)	(0.14)	(0.06)	(0.15)	(0.95)	(0.20)
Net asset value, end of period	$ 12.97	$ 12.95	$ 11.16	$ 14.08	$ 21.06	$20.97
Total return[b]	2.74%	17.38%	(20.32)%	(32.41)%	5.28%	19.13%
Ratios/supplemental data:						
Net assets, end of period (000s omitted)	$98,907	$62,510	$31,204	$20,947	$12,300	$9,137
Ratio of expenses to average net assets	1.07%[c]	1.08%	1.15%	1.15%	1.22%	1.20%
Ratio of net investment income to average net assets	2.77%[c]	2.84%	2.59%	1.13%	0.94%	1.15%
Portfolio turnover rate[d]	58%	58%	102%	33%	50%	40%

(a) Calculated using average shares outstanding.
(b) Includes adjustments in accordance with accounting principles generally accepted in the United States of America, and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Total returns are not annualized for periods less than one year and do not reflect charges at the separate account level which if included would reduce total returns for all periods shown.
(c) Ratios are annualized and based on average daily net assets of $77,223,496.
(d) Not annualized for periods less than one year.

	Series II
	April 30, 2004 (Date sales commenced) to June 30, 2004
Net asset value, beginning of period	$12.63
Income from investment operations:	
Net investment income	0.05[a]
Net gains on securities (both realized and unrealized)	0.28
Total from investment operations	0.33
Net asset value, end of period	$12.96
Total return[b]	2.61%
Ratios/supplemental data:	
Net assets, end of period (000s omitted)	$ 494
Ratio of expenses to average net assets	1.40%[c]
Ratio of net investment income to average net assets	2.44%[c]
Portfolio turnover rate[d]	58%

(a) Calculated using average shares outstanding.
(b) Includes adjustments in accordance with accounting principles generally accepted in the United States of America, and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Total returns are not annualized for periods less than one year and do not reflect charges at the separate account level which if included would reduce total returns for all periods shown.
(c) Ratios are annualized and based on average daily net assets of $467,410.
(d) Not annualized for period shown.

NOTE 11—Legal Proceedings

The mutual fund industry as a whole is currently subject to regulatory inquiries and litigation related to a wide range of issues. These issues include, among others, market timing activity, late trading, fair value pricing, excessive or improper advisory and/or distribution fees, mutual fund sales practices, including revenue sharing and directed-brokerage arrangements, investments in securities of other registered investment companies and issues related to Section 529 college savings plans.

As described more fully below, INVESCO Funds Group, Inc. ("IFG"), the former investment advisor to the INVESCO Funds, is the subject of three regulatory actions concerning market timing activity in the INVESCO Funds. In addition, IFG and A I M Advisors, Inc. ("AIM"), the Fund's investment advisor, are the subject of a number of regulatory inquiries and civil lawsuits, as described more fully below. Both IFG and AIM are indirect wholly owned subsidiaries of AMVESCAP PLC ("AMVESCAP"). Additional regulatory actions and/or civil lawsuits related to the above or other issues may be filed against IFG, AIM and/or related entities and individuals in the future. Additional regulatory inquiries related to the above or other issues also may be received by IFG, AIM and/or related entities and individuals in the future.

As a result of the regulatory actions and inquiries and civil lawsuits discussed below, investors in the AIM and INVESCO Funds might react by redeeming their investments. This might require the Funds to sell investments to provide for sufficient liquidity and could also have an adverse effect on the investment performance of the Funds.

Regulatory Actions Pending Against IFG

On December 2, 2003 each of the Securities and Exchange Commission ("SEC") and the Office of the Attorney General of the State of New York ("NYAG") filed civil proceedings against IFG and Raymond R. Cunningham, in his former capacity as the chief executive officer of IFG. Mr. Cunningham also formerly held the positions of Chief Operating Officer and Senior Vice President of A I M Management Group Inc. ("AIM Management"), the parent of AIM, and the position of Senior Vice President of AIM. In addition, on December 2, 2003, the State of Colorado filed civil proceedings against IFG. Neither the Fund nor any of the other AIM or INVESCO Funds has been named as a defendant in any of these proceedings. There can be no assurance that the SEC, NYAG or State of Colorado will not file additional charges against IFG or Mr. Cunningham or civil proceedings against other current or former officers or employees of IFG.

The SEC complaint alleges that IFG failed to disclose in the INVESCO Funds' prospectuses and to the INVESCO Funds' independent directors that IFG had entered into certain arrangements permitting market timing of the INVESCO Funds. The SEC is seeking injunctions, including permanent injunctions from serving as an investment advisor, officer or director of an investment company; an accounting of all market timing as well as certain fees and compensation received; disgorgement; civil monetary penalties; and other relief.

The NYAG and Colorado complaints make substantially similar allegations. The NYAG is seeking injunctions, including permanent injunctions from directly or indirectly selling or distributing shares of mutual funds; disgorgement of all profits obtained, including fees collected, and payment of all restitution and damages caused, directly or indirectly from the alleged illegal activities; civil monetary penalties; and other relief. The State of Colorado is seeking injunctions; restitution, disgorgement and other equitable relief; civil monetary penalties; and other relief.

Response of AMVESCAP

AMVESCAP is seeking to resolve both the pending regulatory complaints against IFG alleging market timing and the ongoing market timing investigations with respect to IFG and AIM. AMVESCAP found, in its ongoing review of these matters, that shareholders were not always effectively protected from the potential adverse impact of market timing and illegal late trading through intermediaries. These findings were based, in part, on an extensive economic analysis by outside experts who have been retained by AMVESCAP to examine the impact of these activities. In light of these findings, AMVESCAP has publicly stated that any AIM or INVESCO Fund, or any shareholders thereof, harmed by these activities will receive full restitution. AMVESCAP has informed regulators of these findings. AMVESCAP has retained outside counsel to represent its subsidiaries in connection with the market timing regulatory inquiries and certain other matters. As part of this representation, this outside counsel has been conducting a review of IFG's and AIM's conduct with respect to market timing and related matters. In addition, AMVESCAP has retained separate outside counsel to undertake a comprehensive review of AIM's and IFG's policies, procedures and practices, with the objective that they rank among the most effective in the fund industry.

At the direction of the trustees of the AIM and INVESCO Funds, AMVESCAP has agreed to pay all of the expenses incurred by the AIM and INVESCO Funds related to the market timing investigations, including expenses incurred in connection with the pending regulatory complaints against IFG alleging market timing and the ongoing market timing investigations with respect to IFG and AIM.

There can be no assurance that AMVESCAP will be able to reach a satisfactory settlement with the regulators, or that any such settlement will not include terms which would have the effect of barring either or both of IFG and AIM, or any other investment advisor directly or indirectly owned by AMVESCAP, including but not limited to A I M Capital Management, Inc. ("AIM Capital"), AIM Funds Management Inc., INVESCO Institutional (N.A.), Inc. ("IINA"), INVESCO Global Asset Management (N.A.), Inc. and INVESCO Senior Secured Management, Inc., from serving as an investment advisor to any investment company registered under the Investment Company Act of 1940, including the Fund. The Fund has been informed by AIM that, if AIM is so barred, AIM will seek exemptive relief from the SEC to permit it to continue to serve as the Fund's investment advisor. There can be no assurance that such exemptive relief will be granted

Regulatory Inquiries Concerning IFG

IFG, certain related entities, certain of their current and former officers and/or certain of the INVESCO Funds have received regulatory inquiries in the form of subpoenas or other oral or written requests for information and/or documents related to one or more of the following issues, some of which concern one or more INVESCO Funds: market timing activity, late trading, fair value pricing, excessive or improper advisory and/or distribution fees, mutual fund sales practices,

NOTE 11—Legal Proceedings (continued)

including revenue sharing and directed-brokerage arrangements, and investments in securities of other registered investment companies. These regulators include the Securities and Exchange Commission ("SEC"), the NASD, Inc. ("NASD"), the Florida Department of Financial Services, the Commissioner of Securities for the State of Georgia, the Attorney General of the State of West Virginia, the West Virginia Securities Commission, the Colorado Securities Division and the Bureau of Securities of the State of New Jersey. IFG and certain of these other parties also have received more limited inquiries from the United States Department of Labor ("DOL") and the United States Attorney's Office for the Southern District of New York, some of which concern one or more INVESCO Funds. IFG is providing full cooperation with respect to these inquiries.

Regulatory Inquiries Concerning AIM

AIM, certain related entities, certain of their current and former officers and/or certain of the AIM Funds have received regulatory inquiries in the form of subpoenas or other oral or written requests for information and/or documents related to one or more of the following issues, some of which concern one or more AIM Funds: market timing activity, late trading, fair value pricing, excessive or improper advisory and/or distribution fees, mutual fund sales practices, including revenue sharing and directed-brokerage arrangements, investments in securities of other registered investment companies and issues related to Section 529 college savings plans. These regulators include the SEC, the NASD, the Department of Banking for the State of Connecticut, the NYAG, the Commissioner of Securities for the State of Georgia, the Attorney General of the State of West Virginia, the West Virginia Securities Commission and the Bureau of Securities of the State of New Jersey. AIM and certain of these other parties also have received more limited inquiries from the DOL, the Internal Revenue Service, the United States Attorney's Office for the Southern District of New York, the United States Attorney's Office for the Central District of California, the United States Attorney's Office for the District of Massachusetts, the Massachusetts Securities Division and the U.S. Postal Inspection Service, some of which concern one or more AIM Funds. AIM is providing full cooperation with respect to these inquiries.

Private Civil Actions Alleging Market Timing

Multiple civil lawsuits, including purported class action and shareholder derivative suits, have been filed against various parties (including, depending on the lawsuit, certain INVESCO Funds, certain AIM Funds, IFG, AIM, AIM Management, AMVESCAP, certain related entities and/or certain of their current and former officers) making allegations substantially similar to the allegations in the three regulatory actions concerning market timing activity in the INVESCO Funds that have been filed by the SEC, the NYAG and the State of Colorado against these parties. These lawsuits allege a variety of theories of recovery, including but not limited to: (i) violation of various provisions of the Federal and state securities laws; (ii) violation of various provisions of the Employee Retirement Income Security Act ("ERISA"); (iii) breach of fiduciary duty; and/or (iv) breach of contract. These lawsuits were initiated in both Federal and state courts and seek such remedies as compensatory damages; restitution; rescission; accounting for wrongfully gotten gains, profits and compensation; injunctive relief; disgorgement; equitable relief; various corrective measures under ERISA; rescission of certain Funds' advisory agreements; declaration that the advisory agreement is unenforceable or void; refund of advisory fees; interest; and attorneys' and experts' fees.

The Judicial Panel on Multidistrict Litigation (the "Panel") has ruled that all actions pending in Federal court that allege market timing and/or late trading be transferred to the United States District Court for the District of Maryland for coordinated pre-trial proceedings. All such cases against IFG and the other AMVESCAP defendants filed to date have been conditionally or finally transferred to the District of Maryland in accordance with the Panel's directive. In addition, the proceedings initiated in state court have been removed by IFG to Federal court and transferred to the District of Maryland. The plaintiff in one such action continues to seek remand to state court.

Private Civil Actions Alleging Improper Use of Fair Value Pricing

Multiple civil class action lawsuits have been filed against various parties (including, depending on the lawsuit, certain INVESCO Funds, certain AIM Funds, IFG and/or AIM) alleging that certain AIM and INVESCO Funds inadequately employed fair value pricing. These lawsuits allege a variety of theories of recovery, including but not limited to: (i) violations of various provisions of the Federal securities laws; (ii) common law breach of duty; and (iii) common law negligence and gross negligence. These lawsuits have been filed in both Federal and state courts and seek such remedies as compensatory and punitive damages; interest; and attorneys' fees and costs.

Private Civil Actions Alleging Excessive Advisory and Distribution Fees

Multiple civil lawsuits, including purported class action and shareholder derivative suits, have been filed against various parties (including, depending on the lawsuit, IFG, AIM, IINA, A I M Distributors, Inc. ("AIM Distributors") and/or INVESCO Distributors, Inc. ("INVESCO Distributors")) alleging that the defendants charged excessive advisory and distribution fees and failed to pass on to shareholders the perceived savings generated by economies of scale. Certain of these lawsuits also allege that the defendants adopted unlawful distribution plans. These lawsuits allege a variety of theories of recovery, including but not limited to: (i) violation of various provisions of the Federal securities laws; (ii) breach of fiduciary duty; and/or (iii) breach of contract. These lawsuits have been filed in both Federal and state courts and seek such remedies as damages; injunctive relief; rescission of certain Funds' advisory agreements and distribution plans; interest; prospective relief in the form of reduced fees; and attorneys' and experts' fees.

NOTE 11—Legal Proceedings (continued)

Private Civil Actions Alleging Improper Distribution Fees Charged to Closed Funds

Multiple civil lawsuits, including purported class action and shareholder derivative suits, have been filed against various parties (including, depending on the lawsuit, IFG, AIM, AIM Distributors and/or certain of the trustees of the AIM and INVESCO Funds) alleging that the defendants breached their fiduciary duties by charging distribution fees while funds and/or specific share classes were closed generally to new investors and/or while other share classes of the same fund were not charged the same distribution fees. These lawsuits allege a variety of theories of recovery, including but not limited to: (i) violation of various provisions of the Federal securities laws; and (ii) breach of fiduciary duty. These lawsuits have been filed in both Federal and state courts and seek such remedies as damages; injunctive relief; and attorneys' and experts' fees.

Private Civil Actions Alleging Improper Mutual Fund Sales Practices and Directed-Brokerage Arrangements

Multiple civil lawsuits, including purported class action and shareholder derivative suits, have been filed against various parties (including, depending on the lawsuit, AIM Management, IFG, AIM, AIM Investment Services, Inc. ("AIS") and/or certain of the trustees of the AIM and INVESCO Funds) alleging that the defendants improperly used the assets of the AIM and INVESCO Funds to pay brokers to aggressively push the AIM and INVESCO Funds over other mutual funds and that the defendants concealed such payments from investors by disguising them as brokerage commissions. These lawsuits allege a variety of theories of recovery, including but not limited to: (i) violation of various provisions of the Federal securities laws; (ii) breach of fiduciary duty; and (iii) aiding and abetting a breach of fiduciary duty. These lawsuits have been filed in Federal courts and seek such remedies as compensatory and punitive damages; rescission of certain Funds' advisory agreements and distribution plans and recovery of all fees paid; an accounting of all fund-related fees, commissions and soft dollar payments; restitution of all unlawfully or discriminatorily obtained fees and charges; and attorneys' and experts' fees.

At the present time, management of AIM and the Fund are unable to estimate the impact, if any, that the outcome of the matters described above may have on AIM or the Fund.

Proxy Results (Unaudited)

A Special Meeting of Shareholders of INVESCO VIF-Utilities Fund, an investment portfolio of AIM Variable Insurance Funds, a Delaware statutory trust, ("Trust"), (formerly a portfolio of INVESCO Variable Investment Funds, Inc., a Maryland corporation), ("Company")), was held on April 2, 2004. The meeting was held for the following purposes:

(1)* To elect sixteen individuals to the Board, each of whom will serve until his or her successor is elected and qualified: Bob R. Baker, Frank S. Bayley, James T. Bunch, Bruce L. Crockett, Albert R. Dowden, Edward K. Dunn, Jr., Jack M. Fields, Carl Frischling, Robert H. Graham, Gerald J. Lewis, Prema Mathai-Davis, Lewis F. Pennock, Ruth H. Quigley, Louis S. Sklar, Larry Soll, Ph. D. and Mark H. Williamson.

(2) Approval of a new Investment Advisory Agreement with A I M Advisors, Inc.

(3) Approval of a new Sub-Advisory Agreement between A I M Advisors, Inc. and INVESCO Institutional (N.A.), Inc.

(4)* Approval of an Agreement and Plan of Reorganization to redomesticate each series portfolio of Company as a new series portfolio of AIM Variable Insurance Funds, an existing Delaware statutory trust.

The results of the voting on the above matters were as follows:

	Trustees/Matter	Votes For	Withholding Authority
(1)*	Bob R. Baker	93,545,754	4,458,528
	Frank S. Bayley	93,653,161	4,351,121
	James T. Bunch	93,688,828	4,315,454
	Bruce L. Crockett	93,737,421	4,266,861
	Albert R. Dowden	93,716,317	4,287,965
	Edward K. Dunn, Jr.	93,623,043	4,381,239
	Jack M. Fields	93,746,928	4,257,354
	Carl Frischling	93,654,819	4,349,463
	Robert H. Graham	93,716,756	4,287,526
	Gerald J. Lewis	93,594,018	4,410,264
	Prema Mathai-Davis	93,482,582	4,521,700
	Lewis F. Pennock	93,664,049	4,340,233
	Ruth H. Quigley	93,518,516	4,485,766
	Louis S. Sklar	93,623,163	4,381,119
	Larry Soll, Ph.D.	93,521,612	4,482,670
	Mark H. Williamson	93,642,072	4,362,210

	Matter	Votes For	Votes Against	Withheld/ Abstentions
(2)	Approval of a new Investment Advisory Agreement with A I M Advisors, Inc.	4,401,770	65,324	343,234
(3)	Approval of a new Sub-Advisory Agreement between A I M Advisors, Inc. and INVESCO Institutional (N.A.), Inc.	4,379,458	73,048	357,822
(4)*	Approval of an Agreement and Plan of Reorganization to redomesticate each series portfolio of Company as a new series portfolio of AIM Variable Insurance Funds, an existing Delaware statutory trust.	88,123,016	3,299,467	6,581,799

* Proposal required approval by a combined vote of all the portfolios of INVESCO Variable Investment Funds, Inc.

Trustees and Officers

Board of Trustees
Bob R. Baker

Frank S. Bayley

James T. Bunch

Bruce L. Crockett

Albert R. Dowden

Edward K. Dunn, Jr.

Jack M. Fields

Carl Frischling

Robert H. Graham

Gerald J. Lewis

Prema Mathai-Davis

Lewis F. Pennock

Ruth H. Quigley

Louis S. Sklar

Larry Soll, Ph.D.

Mark H. Williamson

Officers
Robert H. Graham
Chairman and President

Mark H. Williamson
Executive Vice President

Kevin M. Carome
Senior Vice President, Secretary and Chief Legal Officer

Sidney M. Dilgren
Vice President and Treasurer

Robert G. Alley
Vice President

Stuart W. Coco
Vice President

Melville B. Cox
Vice President

Karen Dunn Kelley
Vice President

Edgar M. Larsen
Vice President

Office of the Fund
11 Greenway Plaza
Suite 100
Houston, TX 77046-1173

Investment Advisor
A I M Advisors, Inc.
11 Greenway Plaza
Suite 100
Houston, TX 77046-1173

Sub-Advisor
INVESCO Institutional (N.A.), Inc.
Denver division
4350 South Monaco Street
Denver, CO 80237-3400

Transfer Agent
AIM Investment Services, Inc.
P.O. Box 4739
Houston, TX 77210-4739

Custodian
State Street Bank and Trust Company
225 Franklin Street
Boston, MA 02110-2801

Counsel to the Fund
Foley & Lardner LLP
3000 K N.W., Suite 500
Washington, D.C. 20007-5111

Counsel to the Trustees
Kramer, Levin, Naftalis & Frankel LLP
919 Third Avenue
New York, NY 10022-3852

Distributor
A I M Distributors, Inc.
11 Greenway Plaza
Suite 100
Houston, TX 77046-1173

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The Alger American Fund

Alger American
Balanced Portfolio

Semi-Annual Report

June 30, 2004
(Unaudited)

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Dear Shareholders,

July 20, 2004

Early in 2004, the economy shifted into high gear. In addition to some of the strongest economic data in four years, an unusually large number of companies beat Wall Street's earnings expectations. Consumer spending continued to fuel various aspects of the economy; industrial production soared; and after a multi-year drought, companies ramped up their spending.

The housing market also remained strong, as people took advantage of low interest rates. Even the employment situation improved, although job growth lagged the economic recovery and did not begin to show signs of real strength until March.

The equity markets, however, had an ambivalent reaction to the positive economic data. Initially, there was some exuberance, and the markets rose steadily through February. Then, the difficult situation in Iraq, oil price increases, and a fear of rising interest rates led to a cooling of investor sentiment. Even with the pullback in early spring, for the six months ended June 30, 2004, the Dow rose 0.80%, the S&P 500 was up 3.44%, and the NASDAQ gained 2.43%.

As we enter the heart of the 2004 presidential election, politics will dominate the headlines in what is likely to be an extremely close contest. High-profile events including the political conventions in New York and Boston and the 2004 Olympic Games in Athens are likely to distract investors. And recent government warnings of possible terrorist attacks during these events and during the lead-up to the election will, in all likelihood, keep the public mood subdued.

Nevertheless, we believe that the economy and the markets remain strong. Rising interest rates have largely been factored into the market, and we believe economic activity over the next six months will continue at a healthy clip. In fact, we believe that many of the growth companies we follow will experience as much as 15% to 25% annual earnings growth between 2004 and 2006. Over time, shareholders of those companies should reap the benefits of that growth.

Finally, we want to thank you for the confidence you have placed in Alger. It is our goal not only to find the best investments for you, but also to continue to earn your trust in every aspect of our business.

Respectfully submitted,

Dan C. Chung
Chief Investment Officer

THE ALGER AMERICAN FUND
ALGER AMERICAN BALANCED PORTFOLIO
SCHEDULE OF INVESTMENTS—JUNE 30, 2004 (UNAUDITED)

Shares	COMMON STOCKS—65.1%	Value
	BEVERAGES—1.4%	
88,500	Anheuser-Busch Companies, Inc.	$ 4,779,000
	BIOTECHNOLOGY—3.4%	
91,800	Biogen Idec Inc.*	5,806,350
44,600	Genentech, Inc.*	2,506,520
21,800	ImClone Systems Incorporated*	1,870,222
140,400	Millennium Pharmaceuticals, Inc*	1,937,520
		12,120,612
	CAPITAL MARKETS—1.4%	
26,550	Affiliated Managers Group, Inc.*	1,337,323
69,000	T. Rowe Price Group Inc.	3,477,600
		4,814,923
	CHEMICALS—.8%	
68,900	Dow Chemical Co.	2,804,230
	COMMERCIAL SERVICES & SUPPLIES—1.1%	
87,600	First Data Corporation	3,899,952
	COMMUNICATION EQUIPMENT—2.0%	
300,300	Cisco Systems, Inc.*	7,117,110
	COMPUTERS & PERIPHERALS—.4%	
129,400	EMC Corporation*	1,475,160
	CONSUMER FINANCE—1.0%	
65,900	American Express Company	3,385,942
	FOOD & STAPLES RETAILING—2.0%	
53,100	CVS Corp.	2,231,262
87,300	Wal-Mart Stores, Inc.	4,605,948
		6,837,210
	HEALTH CARE EQUIPMENT & SUPPLIES—2.5%	
107,550	Boston Scientific Corporation*	4,603,140
76,400	Medtronic, Inc.	3,722,208
10,500	Stryker Corporation	577,500
		8,902,848
	HEALTH CARE PROVIDERS & SERVICES—4.9%	
45,800	Aetna Inc.	3,893,000
25,200	Anthem, Inc.*	2,256,912
117,400	Caremark Rx, Inc.*	3,867,156
124,100	HCA Inc.	5,161,319
57,400	PacifiCare Health Systems, Inc.*	2,219,084
		17,397,471
	HOTELS, RESTAURANTS & LEISURE—3.3%	
50,300	Carnival Corporation	2,364,100
107,800	Royal Caribbean Cruises Ltd.	4,679,598
102,500	Starwood Hotels & Resorts Worldwide, Inc.	4,597,125
		11,640,823

Shares		Value
	HOUSEHOLD PRODUCTS—.8%	
36,900	Fortune Brands, Inc.	$ 2,783,367
	INDUSTRIAL CONGLOMERATES—3.6%	
142,850	General Electric Company	4,628,340
246,350	Tyco International Ltd.	8,164,039
		12,792,379
	INFORMATION TECHNOLOGY SERVICES—1.8%	
154,950	Automatic Data Processing, Inc.	6,489,306
	INSURANCE—2.1%	
82,700	AFLAC INCORPORATED	3,374,987
54,400	American International Group, Inc.	3,877,632
		7,252,619
	INTERNET & CATALOG RETAIL—3.5%	
73,200	eBay Inc.*	6,730,740
154,400	NetFlix Inc.*	5,550,680
		12,281,420
	INTERNET SOFTWARE & SERVICES—2.5%	
246,300	Yahoo! Inc.*	8,948,079
	MEDIA—3.9%	
119,000	Comcast Corporation Special Cl. A*	3,285,590
71,350	Disney (Walt) Company	1,818,711
20,350	Gannett Co., Inc.	1,726,698
41,000	Viacom Inc. Cl. B	1,464,520
202,350	XM Satellite Radio Holdings Inc. Cl. A*	5,522,132
		13,817,651
	MULTILINE RETAIL—1.7%	
143,350	Target Corporation	6,088,075
	OIL & GAS—1.0%	
36,240	Devon Energy Corporation	2,391,840
19,100	EOG Resources, Inc.	1,140,461
		3,532,301
	PHARMACEUTICALS—3.7%	
52,200	Abbott Laboratories	2,127,672
251,850	Pfizer Inc.	8,633,418
31,750	Teva Pharmaceutical Industries Ltd. ADR#	2,136,456
		12,897,546
	SEMICONDUCTORS & SEMICONDUCTOR EQUIPMENT—10.0%	
160,800	Advanced Micro Devices, Inc.*	2,556,720
203,600	Altera Corporation*	4,523,992
84,550	Analog Devices, Inc.	3,980,614
420,500	Applied Materials, Inc.*	8,250,210
66,300	Broadcom Corporation Cl. A *	3,100,851
147,300	Linear Technology Corporation	5,813,931
22,600	Maxim Integrated Products, Inc.	1,184,692
254,400	Teradyne, Inc.*	5,774,880
		35,185,890

Shares	COMMON STOCKS—(Cont'd)	Value
	SOFTWARE—4.7%	
331,700	Microsoft Corporation	$ 9,473,352
354,150	Oracle Corporation*	4,225,010
107,850	VERITAS Software Corporation*	2,987,445
		16,685,807
	SPECIALTY RETAIL—.9%	
44,700	Bed Bath & Beyond Inc.*	1,718,715
37,800	Home Depot, Inc.	1,330,560
		3,049,275
	TEXTILES, APPAREL & LUXURY GOODS—.7%	
32,200	NIKE, Inc. Cl. B	2,439,150
	Total Common Stocks (Cost $210,919,424)	229,418,146

Principal Amount	CORPORATE BONDS—14.2%	Value
	AEROSPACE & DEFENSE—.7%	
$ 555,000	Boeing Capital Corp., 6.50%, 2/15/12	598,989
550,000	Northrop Grumman Corporation, 7.125%, 2/15/11	618,897
1,038,000	United Technologies, 4.875%, 11/1/06	1,076,962
		2,294,848
	AUTOMOTIVE—1.4%	
790,000	DaimlerChrysler N. A. Holding Corp., 4.05%, 6/4/08	775,307
1,540,000	Ford Motor Credit Company, 6.50%, 1/25/07	1,619,070
875,000	Ford Motor Credit Company, 7.875%, 6/15/10	953,190
1,000,000	General Motors Acceptance Corp., 4.50%, 7/15/06	1,011,152
507,000	General Motors Acceptance Corp., 8.25%, 7/15/23	532,251
		4,890,970
	AUTOMOTIVE EQUIPMENT & SERVICES—.2%	
600,000	Hertz Corp., 4.70%, 10/2/06	606,853
	BEVERAGES—.2%	
825,000	Anheuser-Busch Companies, Inc., 7.00%, 12/1/25	877,640

Principal Amount		Value
	CAPITAL MARKETS—.8%	
$1,000,000	Goldman Sachs Group, Inc., 6.60%, 1/15/12	$ 1,077,692
1,000,000	Morgan Stanley, 6.75%, 4/15/11	1,097,370
850,000	J.P. Morgan Chase & Co., 3.625%, 5/1/08	841,333
		3,016,395
	COMMERCIAL BANKS—.5%	
925,000	Associates Corp. of North America, 6.95%, 11/1/18	1,025,313
551,000	US Bancorp National Association, Minneapolis, 6.50%, 2/1/08	600,127
		1,625,440
	COMMUNICATION SERVICES—.6%	
1,925,000	AT&T Wireless Services Inc., 7.50%, 5/1/07	2,112,014
	COMPUTERS & PERIPHERALS—.3%	
801,000	International Business Machines Corp., 8.375%, 11/1/19	1,008,599
	CONSUMER FINANCE—.3%	
1,000,000	American Express Credit Corp., 3.00%, 5/16/08	963,527
	DIVERSIFIED FINANCIAL SERVICES—.5%	
500,000	Block Financial Corp., 8.50%, 4/15/07	561,500
1,225,000	Household Finance Corp., 4.625%, 1/15/08	1,248,010
		1,809,510
	DIVERSIFIED TELECOMMUNICATION SERVICES—1.0%	
1,110,000	Sprint Capital Corp., 6.00%, 1/15/07	1,163,100
1,068,000	Verizon New York Inc., Series A, 6.875%, 4/1/12	1,146,741
1,250,000	Verizon Wireless Capital LLC Note, 5.375%, 12/15/26	1,303,917
		3,613,758
	ELECTRIC UTILITIES—1.0%	
660,000	AEP Texas North Company Senior Notes, 5.50%, 3/1/13	659,408
1,500,000	Con Edison Company Of New York, 5.625%, 7/1/12	1,554,900
873,000	Dominion Resources, Inc., 5.00%, 3/15/13	835,416
500,000	Washington Gas Light Co., 6.51%, 8/18/08	539,639
		3,589,363

Principal Amount	CORPORATE BONDS—(Cont'd)	Value
	ENERGY EQUIPMENT & SERVICES—.4%	
$1,500,000	Baker Hughes Inc., 6.25%, 1/15/09	$ 1,618,776
	FINANCIAL SERVICES—.6%	
2,250,000	Core Investment Grade Bond Trust I 2002, 4.727%, 11/30/07	2,298,060
	FOOD CHAINS—.2%	
480,000	Fred Meyer, Inc. Senior Notes, 7.45%, 3/1/08	533,076
	FOOD PRODUCTS—.3%	
1,025,000	Kraft Foods Inc., 6.25%, 6/1/12	1,080,998
	FOOD & STAPLES RETAILING—.6%	
1,000,000	Safeway Inc., 6.15%, 3/1/06	1,045,994
1,000,000	Wal-Mart Stores, Inc., 4.55%, 5/1/13	965,151
		2,011,145
	INDUSTRIAL CONGLOMERATES—.7%	
870,000	General Electric Company, 5.00%, 2/1/13	857,705
800,000	Tyco International Group SA, 5.80%, 8/1/06	834,725
650,000	Tyco International Group SA, 6.00%, 11/15/13	669,401
		2,361,831
	INSURANCE—.2%	
750,000	Safeco Corporation, 7.25%, 9/1/12	844,408
	MEDIA—1.1%	
900,000	AOL Time Warner Inc., 6.875%, 5/1/12	974,014
748,000	Comcast Corporation, 6.50%, 1/15/15	776,740
777,000	Cox Enterprises, Inc., 4.375%, 5/1/08 (a)	774,911
645,000	Liberty Media Corporation Floating Rate Note, 3.02%, 9/17/06	657,113
551,000	News America Inc., 6.625%, 1/09/08	596,341
		3,779,119
	OIL & GAS—.5%	
1,500,000	Conoco Funding Co., 6.35%, 10/15/11	1,634,482
	PAPER PACKAGING & FOREST PRODUCTS—.6%	
1,810,000	Domtar Inc., 8.75%, 8/1/06	1,991,056

Principal Amount		Value
	PHARMACEUTICALS—.3%	
$1,000,000	Pharmacia Corporation, 6.50%, 12/1/18	$ 1,099,049
	TELEPHONES—.3%	
1,000,000	Deutsche Telek International Finance, B V Gtd Notes, 8.50%, 6/15/10	1,169,950
	THRIFTS & MORTGAGE FINANCE—.4%	
1,300,000	Washington Mutual, Inc., 4.375%, 1/15/08	1,309,327
	UTILITIES—.2%	
914,000	Southern California Edison Co., 5.00%, 1/15/14	890,889
	WIRELESS TELECOMMUNICATION SERVICES—.3%	
1,000,000	Vodafone Group PLC, 7.75%, 2/15/10	1,147,918
	Total Corporate Bonds (Cost $49,742,132)	50,179,001
	U.S.GOVERMENT & AGENCY OBLIGATIONS—18.0%	
	Federal Farm Credit Banks,	
1,300,000	2.125%, 8/15/05	1,297,119
2,000,000	5.87%, 9/2/08	2,146,038
	Federal Home Loan Banks,	
1,500,000	7.25%, 5/13/05	1,567,649
1,000,000	6.375% 8/15/06	1,067,257
1,000,000	6.75%, 8/15/07	1,093,979
	Federal Home Loan Mortgage Corporation,	
1,189,000	4.25%, 7/15/09	1,187,510
	Federal National Mortgage Association,	
50,000	7.40%, 7/1/04	50,000
1,000,000	7.125%, 2/15/05	1,032,740
4,110,000	1.875%, 9/15/05	4,084,789
1,740,000	2.30%, 1/20/06	1,730,200
1,230,000	3.125%, 7/15/06	1,232,184
500,000	6.96%, 4/2/07	546,473
1,300,000	6.625%, 10/15/07	1,418,582
1,380,000	3.25%, 8/15/08	1,344,356
1,515,000	3.25%, 2/15/09	1,461,178
	Student Loan Marketing Association,	
1,000,000	5.25%, 3/15/06	1,040,731
	U.S. Treasury Bonds,	
2,123,000	7.25%, 5/15/16	2,567,255
4,094,000	7.50%, 11/15/16	5,048,254
7,860,000	6.25%, 8/15/23	8,706,184
2,749,000	6.875%, 8/15/25	3,270,024
6,352,000	6.00%, 2/15/26	6,846,516
2,542,000	5.375% 2/15/31	2,564,542

Principal Amount	U.S. GOVERNMENT & AGENCY OBLIGATIONS—(Cont'd)	Value
	U.S. Treasury Notes,	
$6,982,000	1.125%, 6/30/05	$ 6,920,091
1,550,000	6.50%, 8/15/05	1,624,716
626,000	5.75%, 11/15/05	654,733
230,000	4.375%, 5/15/07	237,799
1,073,000	3.125%, 9/15/08	1,053,259
1,626,000	3.125%, 4/15/09	1,580,334
	Total U.S. Government & Agency Obligations (Cost $63,835,737)	63,374,492

Principal Amount	SHORT-TERM INVESTMENTS—2.6%		Value
	U.S. AGENCY OBLIGATIONS		
$9,000,000	Federal Home Loan Mortgage Corporation, 1.16%, 7/1/04 **(Cost $9,000,000)**		$ 9,000,000
	SECURITIES HELD UNDER REPURCHASE AGREEMENTS		
	Securities Held Under Repurchase Agreements, 1.25%, 7/1/04, with Bear Stearns & Co. Inc., dtd 6/30/04, repurchase price $60,306; collateralized by U. S. Treasury Bonds (par value $50,000 due 4/15/32)		60,304
	Total Short-Term Investments (Cost $9,060,304)		9,060,304
Total Investments (Cost $333,557,597) (b)		99.9%	352,031,943
Other Assets in Excess of Liabilities		.1	475,549
Net Assets		100.0%	$352,507,492

* Non-income producing security.
\# American Depository Receipts.
(a) Pursuant to Securities and Exchange Commission Rule 144A, these securities are liquid and may be sold prior to their maturity only to qualified institutional buyers. These securities represent .2% of net assets of the Portfolio.
(b) At June 30, 2004, the net unrealized appreciation on investments, based on cost for federal income tax purposes of $334,902,963, amounted to $17,128,980 which consisted of aggregate gross unrealized appreciation of $25,196,069 and aggregate gross unrealized depreciation of $8,067,089.

See Notes to Financial Statements.

The Alger American Fund
Alger American Balanced Portfolio
Financial Highlights

For a share outstanding throughout the period

		Income from Investment Operations				
	Net Asset Value, Beginning of Period	**Net Investment Income (Loss)**	**Net Realized and Unrealized Gain (Loss) on Investments**	**Total from Investment Operations**	**Dividends from Net Investment Income**	**Distributions from Net Realized Gains**
Class O						
Six months ended 6/30/04(i)(ii)	$13.16	$ 0.08	$ 0.12	$ 0.20	$(0.20)	$ —
Year ended 12/31/03	11.29	0.19	1.94	2.13	(0.26)	—
Year ended 12/31/02	13.08	0.20	(1.79)	(1.59)	(0.20)	—
Year ended 12/31/01	13.77	0.18	(0.43)	(0.25)	(0.20)	(0.24)
Year ended 12/31/00	15.57	0.20	(0.61)	(0.41)	(0.13)	(1.26)
Year ended 12/31/99	12.98	0.15	3.45	3.60	(0.17)	(0.84)
Class S						
Six months ended 6/30/04(i)(ii)	$13.34	$ 0.07	$ 0.11	$ 0.18	$(0.19)	$ —
Year ended 12/31/03	11.47	0.23	1.90	2.13	(0.26)	—
Eight months ended 12/31/02(i)(iii)	12.50	0.02	(1.05)	(1.03)	—	—

(i) Ratios have been annualized; total return has not been annualized.
(ii) Unaudited.
(iii) Commenced operations May 1, 2002.

See Notes to Financial Statements.

Total Distributions	Net Asset Value, End of Period	Total Return	Ratios/Supplemental Data: Net Assets, End of Period (000's omitted)	Ratio of Expenses to Average Net Assets	Ratio of Net Investment Income (Loss) to Average Net Assets	Portfolio Turnover Rate
$ (0.20)	$13.16	1.56%	$ 311,911	0.86%	1.16%	76.29%
(0.26)	13.16	19.03	308,990	0.87	1.60	135.67
(0.20)	11.29	(12.29)	254,290	0.87	2.16	188.76
(0.44)	13.08	(1.93)	224,959	0.85	2.53	62.93
(1.39)	13.77	(2.76)	115,894	0.88	2.40	63.37
(1.01)	15.57	29.21	56,327	0.93	1.66	118.74
$ (0.19)	$13.33	1.38%	$ 40,596	1.11%	0.91%	76.29%
(0.26)	13.34	18.73	28,680	1.11	1.25	135.67
—	11.47	(8.24)	494	1.17	1.67	188.76

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

June 30, 2004

Assets:	
Investments in securities, at value (identified cost*)—see accompanying schedules of investments	$352,031,943
Receivable for investment securities sold	584,973
Receivable for shares of beneficial interest sold	97,010
Interest and dividends receivable	1,761,535
Prepaid expenses	10,8358
Total Assets	354,486,296
Liabilities:	
Payable for investment securities purchased	1,029,732
Payable for shares of beneficial interest redeemed	669,108
Accrued investment management fees	213,076
Accrued expenses	66,888
Total Liabilities	1,978,804
Net Assets	$352,507,492
Net Assets Consist of:	
Paid-in capital	$348,481,231
Undistributed net investment income (accumulated loss)	1,325,813
Undistributed net realized gain (accumulated loss)	(15,773,898)
Net unrealized appreciation	18,474,346
Net Assets	$352,507,492
Class O	
Net Asset Value Per Share	$ 13.16
Class S	
Net Asset Value Per Share	$ 13.33
Shares of beneficial interest outstanding—Note 5	
Class O	23,709,744
Class S	3,046,572
*Identified cost	$333,557,597

See Notes to Financial Statements.

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

For the six months ended June 30, 2004

INVESTMENT INCOME	
Income:	
Interest	$ 2,943,481
Dividends	538,847
Total Income	3,482,328
Expenses:	
Management fees—Note 3(a)	1,294,478
Custodian fees	60,174
Transfer agent fees	86,299
Professional fees	9,575
Trustees' fees	1,302
Miscellaneous	68,975
Total Expenses	1,520,803
Net Investment Income	1,961,525
REALIZED AND UNREALIZED GAIN ON INVESTMENTS	
Net realized gain on investments	18,438,513
Net change in unrealized appreciation (depreciation) on investments	(15,431,233)
Net realized and unrealized gain on investments	3,007,280
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	$ 4,968,805

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, 2004

Net investment income	$ 1,961,525
Net realized gain on investments	18,438,513
Net change in unrealized appreciation (depreciation) on investments	(15,431,233)
Net increase in net assets resulting from operations	4,968,805
Dividends to shareholders from:	
Net investment income	
Class O	(4,594,189)
Class S	(515,970)
Total dividends to shareholders	(5,110,159)
Increase from shares of beneficial interest transactions:	
Class O	2,976,167
Class S	12,003,010
Net increase from shares of beneficial interest transactions—Note 5	14,979,177
Total increase	14,837,823
Net Assets	
Beginning of period	337,669,669
End of period	$352,507,492
Undistributed net investment income (accumulated loss)	$ 1,325,813

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

For the year ended December 31, 2003

Net investment income	$ 4,593,192
Net realized gain on investments	17,967,071
Net change in unrealized appreciation (depreciation) on investments	28,325,706
Net increase in net assets resulting from operations	50,885,969
Dividends to shareholders from:	
Net investment income	
Class O	(5,765,586)
Class S	(156,618)
Total dividends to shareholders	(5,922,204)
Increase from shares of beneficial interest transactions:	
Class O	11,701,375
Class S	26,220,988
Net increase from shares of beneficial interest transactions—Note 6	37,922,363
Total increase	82,886,128
Net Assets	
Beginning of year	254,783,541
End of year	$337,669,669
Undistributed net investment income (accumulated loss)	$ 4,474,447

See Notes to Financial Statements.

June 30, 2004

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.

The Portfolio offers Class O and Class S shares. Each class has identical rights to assets and earnings except that only Class S shares have a plan of distribution and bear the related expenses.

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 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 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 included within the Nasdaq market are valued at the Nasdaq official closing price ("NOCP") on the day of valuation, or if there is no NOCP issued, at the last sale price on such day. Securities included within the Nasdaq market for which there is no NOCP and no last sale price on the day of valuation are valued at the mean between the last bid and asked prices on such day.

Securities for which market quotations are not readily available are valued at fair value, as determined in good faith pursuant to procedures established by the Board of Trustees.

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 or accreted 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 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.

Each class is treated separately in determining the amounts of dividends of net investment income and capital gains payable to holders of its shares.

The characterization of dividends 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.

At December 31, 2003, the Portfolio reclassified $135,895 from undistributed net investment income (accumulated loss) and $135,895 from undistributed net realized gain (accumulated loss) to paid-in capital. Reclassifications result primarily from the difference in tax treatment of net operating losses. The reclassification had no impact on the net asset value of the Portfolio and is designed to present the Portfolio's capital accounts on a tax basis.

(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. At December 31, 2003 the net capital loss carryforward of the Portfolio, which may be used to offset future net realized gains, was $32,867,045 and expires between 2009 and 2010.

(g) ***Allocation Methods:*** 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 based on net assets. Income, realized and unrealized gains and losses, and expenses of each portfolio are allocated among the portfolio's classes based on relative net assets, with the exception of distribution fees, which are only applicable to Class S shares.

(h) ***Indemnification:*** The Fund enters into contracts that contain a variety of indemnification provisions. The Fund's maximum exposure under these arrangements is unknown. The Fund does not anticipate recognizing any loss related to these arrangements.

(i) ***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) ***Distribution Fees:*** Class S shares—The Fund has adopted a Distribution Plan pursuant to which Class S shares of each Portfolio pay Fred Alger & Company, Incorporated, the Fund's distributor (the "Distributor"), a fee at the annual rate of .25% of the respective average daily net assets of the Class S shares of the designated Portfolio to compensate the Distributor for its activities and expenses incurred in distributing the Class S shares. The fees paid may be more or less than the expenses incurred by the Distributor.

(c) ***Brokerage Commissions:*** During the six months ended June 30, 2004, the Portfolio paid the Distributor $322,128 in connection with securities transactions.

(d) ***Transfer Agency Fees:*** The Fund 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.

(e) ***Other:*** Certain trustees and officers of the Fund are directors and officers of Alger Management, the Distributor 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, 2004, were $267,604,708 and $257,828,667, 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, 2004, transactions of shares of beneficial interest were as follows:

	Shares	Amount
Class O:		
Shares sold	1,243,879	$ 16,545,513
Dividends reinvested	364,618	4,594,189
Shares redeemed	(1,370,011)	(18,163,535)
Net increase	238,486	$ 2,976,167
Class S:		
Shares sold	973,760	$ 13,055,910
Dividends reinvested	40,405	515,970
Shares redeemed	(117,814)	(1,568,870)
Net increase	896,351	$12,003,010

During the year ended December 31, 2003, transactions of shares of beneficial interest were as follows:

	Shares	Amount
Class O:		
Shares sold	3,145,502	$ 38,141,693
Dividends reinvested	474,925	5,765,586
Shares redeemed	(2,674,121)	(32,205,904)
Net increase	946,306	$ 11,701,375
Class S:		
Shares sold	2,170,538	$ 27,030,327
Dividends reinvested	12,712	156,618
Shares redeemed	(76,071)	(965,957)
Net increase	2,107,179	$26,220,988

NOTE 6—Tax Character of Distributions to Shareholders:

Distributions paid by the Portfolio during the six months ended June 30, 2004, and the year ended December 31, 2003, consisted entirely of ordinary income.

As of December 31, 2003, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	$ 5,099,694
Undistributed long-term gain	—
Capital and other losses	32,867,045
Unrealized appreciation (depreciation)	31,935,050

The difference between book-basis and tax-basis unrealized appreciation (depreciation) is attributable primarily to the tax deferral of losses on wash sales.

NOTE 7—Regulatory Matters:

The Office of the New York State Attorney General, the Attorney General of West Virginia, the Massachusetts Securities Division of the Office of the Secretary of the Commonwealth, and the United States Securities and Exchange Commission ("SEC") have contacted Alger Management in connection with their investigation of practices in the mutual fund industry identified as "market timing" and "late trading" of mutual fund shares. In response to these inquiries, Alger Management and its counsel have been investigating certain shareholder trading practices, both in the Fund and in other mutual funds that it manages. Alger Management has assured the board that if it is determined that improper trading practices in the Fund detrimentally affected its performance, Alger Management will make appropriate restitution. At the present time, Alger Management is unable to estimate the impact, if any, that the outcome of these investigations may have on the Fund's results of operations or financial condition.

On October 16, 2003, the SEC commenced and settled a civil proceeding against a former vice chairman of Alger Management's immediate parent, in connection with alleged market timing arrangements with certain investors in The Alger Fund. That settlement specifically provided: "The findings herein are made pursuant to [the former vice chairman's settlement] Offer and are not binding on any other person or entity in this or any other proceeding." Neither Alger Management nor any of the funds it manages was a party to this proceeding.

On October 31, 2003, Peter D. DeMayo, as Custodian for James Liam DeMayo, identifying himself as a shareholder of Spectra Fund, filed a purported class action lawsuit against Alger Management, The Alger Fund, Spectra Fund, various portfolios of The Alger Fund, the former vice chairman and Veras Management Partners, LLP in the United States District Court for the Southern District of New York, and served the complaint in the lawsuit on Alger Management and the fund defendants on November 10, 2003. The suit, based primarily upon the SEC settlement with the former vice chairman, alleges, among other things, that the fund defendants made false and misleading statements in their prospectuses in violation of Section 11 of the Securities Act of 1933, that other defendants violated the "control person" provisions of Section 15 of the Securities Act and Section 20(a) of the Securities Exchange Act of 1934, that all defendants committed fraud in violation of Section 10(b) of the Securities Exchange Act and Rule 10b-5 thereunder, and that Alger Management breached a fiduciary duty to plaintiffs. The suit seeks, among other things, compensatory damages, recovery of advisory fees paid to Alger Management, and payment of the plaintiff's counsel and expert fees.

Other related class actions have been commenced making substantially similar allegations on behalf of the same putative class. All these related class actions have been consolidated in accordance with the provisions of the Private Securities Litigation Reform Act. Among these related class actions is one entitled Garfield v. Fred Alger Management Inc., et al., originally brought in the U.S. District Court for the Southern District of New York, in which "Alger American Growth" is named as a defendant.

On November 25, 2003, plaintiff, Michael Bernstein, as custodian for Judith Bernstein, commenced an action derivatively on behalf of "the Alger Funds" against Alger Management, a former vice chairman of its parent and Veras Management Partners, LLP in the U.S. District Court for the Eastern District of New York. In this shareholder derivative action, plaintiff seeks to recover monies on behalf of "the Alger Funds" for the purportedly wrongful conduct of defendants, including an alleged violation of Section 36 of the Investment

Company Act by Alger Management and the former vice chairman and an alleged breach of fiduciary duty by Alger Management and the former vice chairman.

Alger Management does not believe that the foregoing lawsuits, all of which have been transferred to the District of Maryland, will materially affect its ability to perform its management contracts with any of the funds that it manages, and the management of the Fund believes that it will not be materially adversely affected by the pending lawsuits.

Proxy Voting Policies:

A description of the policies and procedures the Fund uses to determine how to vote proxies related to portfolio securities is available, without charge, by calling (800) 922-3863.

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The Alger American Fund

Alger American
Leveraged AllCap Portfolio

Semi-Annual Report

June 30, 2004

(Unaudited)

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Dear Shareholders,

July 20, 2004

Early in 2004, the economy shifted into high gear. In addition to some of the strongest economic data in four years, an unusually large number of companies beat Wall Street's earnings expectations. Consumer spending continued to fuel various aspects of the economy; industrial production soared; and after a multi-year drought, companies ramped up their spending.

The housing market also remained strong, as people took advantage of low interest rates. Even the employment situation improved, although job growth lagged the economic recovery and did not begin to show signs of real strength until March.

The equity markets, however, had an ambivalent reaction to the positive economic data. Initially, there was some exuberance, and the markets rose steadily through February. Then, the difficult situation in Iraq, oil price increases, and a fear of rising interest rates led to a cooling of investor sentiment. Even with the pullback in early spring, for the six months ended June 30, 2004, the Dow rose 0.80%, the S&P 500 was up 3.44%, and the NASDAQ gained 2.43%.

As we enter the heart of the 2004 presidential election, politics will dominate the headlines in what is likely to be an extremely close contest. High-profile events including the political conventions in New York and Boston and the 2004 Olympic Games in Athens are likely to distract investors. And recent government warnings of possible terrorist attacks during these events and during the lead-up to the election will, in all likelihood, keep the public mood subdued.

Nevertheless, we believe that the economy and the markets remain strong. Rising interest rates have largely been factored into the market, and we believe economic activity over the next six months will continue at a healthy clip. In fact, we believe that many of the growth companies we follow will experience as much as 15% to 25% annual earnings growth between 2004 and 2006. Over time, shareholders of those companies should reap the benefits of that growth.

Finally, we want to thank you for the confidence you have placed in Alger. It is our goal not only to find the best investments for you, but also to continue to earn your trust in every aspect of our business.

Respectfully submitted,

Dan C. Chung
Chief Investment Officer

The Alger American Fund
Alger American Leveraged AllCap Portfolio
Schedule of Investments—June 30, 2004 (Unaudited)

Shares	COMMON STOCKS—93.8%	Value
	AEROSPACE & DEFENSE—1.0%	
76,900	Lockheed Martin Corporation	$ 4,004,952
	BIOTECHNOLOGY—8.3%	
148,300	Biogen Idec Inc.*	9,379,975
148,000	Genentech, Inc.*	8,317,600
71,500	Invitrogen Corporation*	5,147,285
332,700	Millennium Pharmaceuticals, Inc.*	4,591,260
44,000	OSI Pharmaceuticals, Inc.*	3,099,360
76,000	Protein Design Labs, Inc.*	1,453,880
103,100	QLT Inc.*	2,064,062
		34,053,422
	COMMERCIAL SERVICES & SUPPLIES—2.6%	
86,400	First Data Corporation	3,846,528
79,500	First Marblehead Corporation (The)	3,200,670
145,000	Monster Worldwide Inc.*	3,729,400
		10,776,598
	COMMUNICATION EQUIPMENT—5.6%	
262,400	Cisco Systems, Inc.*	6,218,880
618,100	Corning Incorporated*	8,072,386
171,500	Juniper Networks, Inc.*	4,213,755
122,300	Sierra Wireless Inc.*	4,528,769
		23,033,790
	COMPUTERS & PERIPHERALS—1.7%	
193,900	PalmOne, Inc.*	6,741,903
	COMPUTER SOFTWARE—1.6%	
241,000	Check Point Software Technologies LTD. *	6,504,590
	COMPUTER TECHNOLOGY—3.1%	
69,100	Gentex Corp.	2,741,888
145,200	Research in Motion Limited*	9,937,488
		12,679,376
	CONSUMER FINANCE—1.3%	
79,500	Capital One Financial Corporation	5,436,210
	ELECTRONIC EQUIPMENT & INSTRUMENTS—2.4%	
284,400	Celestica Inc.*	5,673,780
279,200	Symbol Technologies, Inc.	4,115,408
		9,789,188
	ENERGY EQUIPMENT & SERVICES—1.0%	
64,500	National-Oilwell, Inc.*	2,031,105
36,500	Peabody Energy Corporation	2,043,635
		4,074,740

Shares		Value
	FINANCIAL SERVICES—.6%	
52,500	Piper Jaffray Companies, Inc.*	$ 2,374,575
	HEALTH CARE EQUIPMENT & SUPPLIES—5.3%	
191,190	Boston Scientific Corporation*	8,182,932
57,500	Given Imaging Ltd.*	2,036,075
83,200	Kinetic Concepts, Inc.*	4,151,680
30,900	Varian Medical Systems, Inc.*	2,451,915
57,100	Zimmer Holdings, Inc.*	5,036,220
		21,858,822
	HEALTH CARE PROVIDERS & SERVICES—5.4%	
46,200	Aetna Inc.	3,927,000
29,300	AMERIGROUP Corporation*	1,441,560
62,300	Anthem, Inc.*	5,579,588
103,800	PacifiCare Health Systems, Inc.*	4,012,908
84,500	Quest Diagnostics Incorporated	7,178,275
		22,139,331
	HOTELS, RESTAURANTS & LEISURE—1.5%	
50,600	International Game Technology	1,953,160
93,550	Royal Caribbean Cruises Ltd.	4,061,005
		6,014,165
	INDUSTRIAL CONGLOMERATES—1.0%	
127,500	Tyco International Ltd.	4,225,350
	INFORMATION TECHNOLOGY SERVICES—.9%	
146,200	Cognizant Technology Solutions Corporation Cl. A*	3,714,942
	INSURANCE—2.6%	
93,300	AFLAC INCORPORATED	3,807,573
92,400	MGIC Investment Corporation	7,009,464
		10,817,037
	INTERNET & CATALOG RETAIL—6.3%	
182,500	eBay Inc.*	16,780,875
172,500	NetFlix Inc.*	6,201,375
104,500	Priceline.com*	2,814,185
		25,796,435
	INTERNET SOFTWARE & SERVICES—5.0%	
565,200	Yahoo! Inc.*	20,533,716
	MEDIA—5.2%	
61,600	Pixar, Inc.*	4,281,816
905,800	Sirius Satellite Radio Inc.*	2,789,864
458,500	Time Warner Inc.*	8,060,430
231,300	XM Satellite Radio Holdings Inc. Cl. A*	6,312,177
		21,444,287

Shares	COMMON STOCKS—(Cont'd)	Value
	MEDICAL DEVICES—.8%	
78,800	Advanced Medical Optics, Inc.*	$ 3,354,516
	OIL & GAS—1.5%	
101,000	EOG Resources, Inc.	6,030,710
	PHARMACEUTICALS—6.1%	
70,300	Allergan, Inc.	6,293,256
361,000	Pfizer Inc.	12,375,080
92,800	Teva Pharmaceutical Industries Ltd. ADR	6,244,512
		24,912,848
	SEMICONDUCTORS & SEMICONDUCTOR EQUIPMENT—8.0%	
211,000	Applied Materials, Inc.*	4,139,820
294,600	Broadcom Corporation Cl. A*	13,778,442
423,300	Kulicke & Soffa Industries, Inc.*	4,639,368
280,400	National Semiconductor Corporation*	6,165,996
133,000	Novellus Systems, Inc. *	4,181,520
		32,905,146
	SPECIALTY RETAIL—3.2%	
133,950	Aeropostale, Inc.*	3,604,595
104,700	Bed Bath & Beyond Inc.*	4,025,715
58,600	Sharper Image Corporation*	1,839,454
96,400	Tiffany & Co.	3,552,340
		13,022,104
	SOFTWARE—9.9%	
251,500	Activision, Inc.*	3,998,850
457,000	Microsoft Corporation	13,051,920
562,600	Oracle Corporation*	6,711,818
518,100	Red Hat, Inc.*	11,900,757
156,400	Take-Two Interactive Software, Inc.*	4,792,096
		40,455,441
	TEXTILES, APPAREL & LUXURY GOODS—1.3%	
120,000	Coach, Inc.*	5,422,800
	WIRELESS TELECOMMUNICATION SERVICES—.6%	
52,900	SpectraSite, Inc.*	2,286,338
	Total Common Stocks (Cost $325,478,873)	384,403,332

Principal Amount	SHORT-TERM INVESTMENTS—5.7%		Value
	U.S. AGENCY OBLIGATIONS—5.7%		
$23,200,000	Federal Home Loan Mortgage Corporation, 1.16%, 7/1/04 (Cost $23,200,000)		$ 23,200,000
	SECURITIES HELD UNDER REPURCHASE AGREEMENTS		
	Securities Held Under Repurchase Agreements, 1.25%, 7/1/04, with Bear Stearns & Co. Inc., dtd 6/30/04, repurchase price $105,775: collateralized by U.S. Treasury Bonds (par value $85,000 due 4/15/32)		105,772
	Total Short-Term Investments (Cost $23,305,772)		23,305,772
Total Investments (Cost $348,784,645)(a)		99.5%	407,709,104
Other Assets In Excess of Liabilities		.5	2,176,872
Net Assets		100.0%	$409,885,976

* Non-income producing security.
\# American Depository Receipts.
(a) At June 30, 2004, the net unrealized appreciation on investments, based on cost for federal income tax purposes of $348,784,645, amounted to $58,924,459 which consisted of aggregate gross unrealized appreciation of $66,721,562 and aggregate gross unrealized depreciation of $7,797,103.

See Notes to Financial Statements.

The Alger American Fund
Alger American Leveraged AllCap Portfolio
Financial Highlights

For a share outstanding throughout the period

		Income from Investment Operations				
	Net Asset Value, Beginning of Period	Net Investment Income (Loss)	Net Realized and Unrealized Gain (Loss) on Investments	Total from Investment Operations	Dividends from Net Investment Income	Distributions from Net Realized Gains
Class O						
Six months ended 6/30/04(i)(ii)	$28.09	$(0.09)	$ 1.77	$ 1.68	$ —	$ —
Year ended 12/31/03	20.85	(0.07)	7.31	7.24	—	—
Year ended 12/31/02	31.55	(0.14)	(10.56)	(10.70)	—	—
Year ended 12/31/01	38.80	0.00(iv)	(6.06)	(6.06)	—	(1.19)
Year ended 12/31/00	57.97	(0.02)(iv)	(13.77)	(13.79)	—	(5.38)
Year ended 12/31/99	34.90	(0.09)	25.93	25.84	—	(2.77)
Class S						
Six months ended 6/30/04(i)(ii)	$27.96	$(0.08)	$ 1.71	$ 1.63	$ —	$ —
Year ended 12/31/03	20.83	(0.16)	7.29	7.13	—	—
Eight months ended 12/31/02(i)(iii)	28.46	(0.02)	(7.61)	(7.63)	—	—

(i) Ratios have been annualized; total return has not been annualized.
(ii) Unaudited.
(iii) Commenced operations May 1, 2002.
(iv) Amount was computed based on average shares outstanding during the period.

See Notes to Financial Statements.

			Ratios/Supplemental Data			
Total Distributions	Net Asset Value, End of Period	Total Return	Net Assets, End of Period (000's omitted)	Ratio of Expenses to Average Net Assets	Ratio of Net Investment Income (Loss) to Average Net Assets	Portfolio Turnover Rate
$ —	$29.77	5.98%	$ 397,979	0.96%	(0.60)%	72.25%
—	28.09	34.72	382,289	0.97	(0.36)	161.71
—	20.85	(33.91)	271,373	0.96	(0.49)	203.05
(1.19)	31.55	(15.93)	443,209	0.92	0.00	103.03
(5.38)	38.80	(24.83)	476,517	0.90	(0.03)	132.28
(2.77)	57.97	78.06	362,500	0.93	(0.49)	155.74
$ —	$29.59	5.83%	$ 11,907	1.20%	(0.86)%	72.25%
—	27.96	34.23	7,328	1.21	(0.63)	161.71
—	20.83	(26.81)	281	1.32	(0.92)	203.05

The Alger American Fund
Alger American Leveraged AllCap Portfolio
Statement of Assets and Liabilities (Unaudited)

June 30, 2004

Assets:	
Investments in securities, at value (identified cost*)—see accompanying schedules of investments	$407,709,104
Receivable for investment securities sold	6,138,819
Receivable for shares of beneficial interest sold	116,183
Interest and dividends receivable	14,169
Prepaid expenses	10,578
Total Assets	413,988,853
Liabilities:	
Payable for investment securities purchased	3,495,934
Payable for shares of beneficial interest redeemed	236,443
Accrued investment management fees	278,033
Accrued expenses	92,467
Total Liabilities	4,102,877
Net Assets	$409,885,976
Net Assets Consist of:	
Paid-in capital	$582,627,018
Undistributed net investment income (accumulated loss)	(1,204,103)
Undistributed net realized gain (accumulated loss)	(230,461,398)
Net unrealized appreciation	58,924,459
Net Assets	$409,885,976
Class O	
Net Asset Value Per Share	$ 29.77
Class S	
Net Asset Value Per Share	$ 29.59
Shares of beneficial interest outstanding—Note 6	
Class O	13,368,911
Class S	402,412
*Identified cost	$348,784,645

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, 2004

INVESTMENT INCOME	
Income:	
Interest	$ 71,124
Dividends	631,553
Total Income	702,677
Expenses:	
Management fees—Note 3(a)	1,685,427
Custodian fees	53,674
Transfer agent fees	99,143
Professional fees	11,085
Trustees' fees	1,302
Miscellaneous	56,149
Total Expenses	1,906,780
Net Investment Loss	(1,204,103)
REALIZED AND UNREALIZED GAIN ON INVESTMENTS	
Net realized gain on investments	19,595,804
Net change in unrealized appreciation (depreciation) on investments	4,421,691
Net realized and unrealized gain on investments	24,017,495
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	$22,813,392

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, 2004

Net investment loss	$ (1,204,103)
Net realized gain on investments	19,595,804
Net change in unrealized appreciation (depreciation) on investments	4,421,691
Net increase in net assets resulting from operations	22,813,392
Increase (decrease) from shares of beneficial interest transactions:	
Class O	(6,590,133)
Class S	4,046,023
Net decrease from shares of beneficial interest transactions—Note 6	(2,544,110)
Total increase	20,269,282
Net Assets	
Beginning of period	389,616,694
End of period	$409,885,976
Undistributed net investment income (accumulated loss)	$ (1,204,103)

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

For the year ended December 31, 2003

Net investment loss	$ (1,172,886)
Net realized gain on investments	30,410,378
Net change in unrealized appreciation (depreciation) on investments	65,817,117
Net increase in net assets resulting from operations	95,054,609
Increase from shares of beneficial interest transactions:	
Class O	16,562,284
Class S	6,346,039
Net increase from shares of beneficial interest transactions—Note 6	22,908,323
Total increase	117,962,932
Net Assets	
Beginning of year	271,653,762
End of year	$389,616,694
Undistributed net investment income (accumulated loss)	$ —

See Notes to Financial Statements.

June 30, 2004

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.

The Portfolio offers Class O and Class S shares. Each class has identical rights to assets and earnings except that only Class S shares have a plan of distribution and bear the related expenses.

NOTE 2—Significant Accounting Policies:

(a) ***Investment Valuation:*** Investments of the Portfolio are valued on each day the New York Stock Exchange (the "NYSE") is open as of the close of the NYSE (normally 4:00 p.m. Eastern time). Listed 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 included within the Nasdaq market are valued at the Nasdaq official closing price ("NOCP") on the day of valuation, or if there is no NOCP issued, at the last sale price on such day. Securities included within the Nasdaq market for which there is no NOCP and no last sale price on the day of valuation are valued at the mean between the last bid and asked prices on such day.

Securities for which market quotations are not readily available are valued at fair value, as determined in good faith pursuant to procedures established by the Board of Trustees.

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 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.

Each class is treated separately in determining the amounts of dividends of net investment income and capital gains payable to holders of its shares.

The characterization of dividends 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.

At December 31, 2003, the Portfolio reclassified $1,172,886 from undistributed net investment income (accumulated loss) to paid-in capital. Reclassifications result primarily from the difference in tax treatment of net operating losses. The reclassification had no impact on the net asset value of the Portfolio and is designed to present the Portfolio's capital accounts on a tax basis.

(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. At December 31, 2003, the net capital loss carryforward of the Portfolio, which may be used to offset future net realized gains, was $250,057,203 and expires between 2009 and 2010.

(g) ***Allocation Methods:*** 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 based on net assets. Income, realized and unrealized gains and losses, and expenses of each portfolio are allocated among the portfolio's classes based on relative net assets, with the exception of distribution fees, which are only applicable to Class S shares.

(h) ***Indemnification:*** The Fund enters into contracts that contain a variety of indemnification provisions. The Fund's maximum exposure under these arrangements is unknown. The Fund does not anticipate recognizing any loss related to these arrangements.

(i) ***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) ***Distribution Fees:*** Class S shares—The Fund has adopted a Distribution Plan pursuant to which Class S shares of each Portfolio pay Fred Alger & Company, Incorporated, the Fund's distributor (the "Distributor"), a fee at the annual rate of .25% of the respective average daily net assets of the Class S shares of the designated Portfolio to compensate the Distributor for its activities and expenses incurred in distributing the Class S shares. The fees paid may be more or less than the expenses incurred by the Distributor.

(c) ***Brokerage Commissions:*** During the six months ended June 30, 2004, the Portfolio paid the Distributor $446,973 in connection with securities transactions.

(d) ***Transfer Agency Fees:*** The Fund 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.

(e) ***Other:*** Certain trustees and officers of the Fund are directors and officers of Alger Management, the Distributor 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, 2004, were $276,386,636 and $291,232,585, 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, 2004, the Portfolio had borrowings which averaged $468,043 at a weighted average interest rate of 2.25%.

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, 2004, transactions of shares of beneficial interest were as follows:

	Shares	Amount
Class O:		
Shares sold	1,141,080	$ 33,127,473
Shares redeemed	(1,381,663)	(39,717,606)
Net decrease	(240,583)	$ (6,590,133
Class S:		
Shares sold	151,404	$ 4,363,287
Shares redeemed	(11,139)	(317,264)
Net increase	140,265	$ 4,046,023

During the year ended December 31, 2003, transactions of shares of beneficial interest were as follows:

	Shares	Amount
Class O:		
Shares sold	3,780,537	$ 92,613,034
Shares redeemed	(3,183,882)	(76,050,750)
Net increase	596,655	$ 16,562,284
Class S:		
Shares sold	261,088	$ 6,645,894
Shares redeemed	(12,407)	(299,855)
Net increase	248,681	$ 6,346,039

NOTE 7—Tax Character of Distributions to Shareholders:

For the six months ended June 30, 2004, and for the year ended December 31, 2003, there were no distributions paid by the Portfolio.

As of December 31, 2003, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	—
Undistributed long-term gain	—
Capital and other losses	$250,057,203
Unrealized appreciation (depreciation)	54,502,768

The difference between book-basis and tax-basis unrealized appreciation (depreciation) is attributable primarily to the tax deferral of losses on wash sales.

Note 8—Regulatory Matters:

The Office of the New York State Attorney General, the Attorney General of West Virginia, the Massachusetts Securities Division of the Office of the Secretary of the Commonwealth, and the United States Securities and Exchange Commission ("SEC") have contacted Alger Management in connection with their investigation of practices in the mutual fund industry identified as "market timing" and "late trading" of mutual fund shares. In response to these inquiries, Alger Management and its counsel have been investigating certain shareholder trading practices, both in the Fund and in other mutual funds that it manages. Alger Management has assured the board that if it is determined that improper trading practices in the Fund detrimentally affected its performance, Alger Management will make appropriate restitution. At the present time, Alger Management is unable to estimate the impact, if any, that the outcome of these investigations may have on the Fund's results of operations or financial condition.

On October 16, 2003, the SEC commenced and settled a civil proceeding against a former vice chairman of Alger Management's immediate parent, in connection with alleged market timing arrangements with certain investors in The Alger Fund. That settlement specifically provided: "The findings herein are made pursuant to [the former vice chairman's settlement] Offer and are not binding on any other person or entity in this or any other proceeding." Neither Alger Management nor any of the funds it manages was a party to this proceeding.

On October 31, 2003, Peter D. DeMayo, as Custodian for James Liam DeMayo, identifying himself as a shareholder of Spectra Fund, filed a purported class action lawsuit against Alger Management, The Alger Fund, Spectra Fund, various portfolios of The Alger Fund, the former vice chairman and Veras Management Partners, LLP in the United States District Court for the Southern District of New York, and served the complaint in the lawsuit on Alger Management and the fund defendants on November 10, 2003. The suit, based primarily upon the SEC settlement with the former vice chairman, alleges, among other things, that the fund defendants made false and misleading statements in their prospectuses in violation of Section 11 of the Securities Act of 1933, that other defendants violated the "control person" provisions of Section 15 of the Securities Act and Section 20(a) of the Securities Exchange Act of 1934, that all defendants committed fraud in violation of Section 10(b) of the Securities Exchange Act and Rule 10b-5 thereunder, and that Alger Management breached a fiduciary duty to plaintiffs. The suit seeks, among other things, compensatory damages, recovery of advisory fees paid to Alger Management, and payment of the plaintiff's counsel and expert fees.

Other related class actions have been commenced making substantially similar allegations on behalf of the same putative class. All these related class actions have been consolidated in accordance with the provisions of the Private Securities Litigation Reform Act. Among these related class actions is one entitled Garfield v. Fred Alger Management Inc., et al., originally brought in the U.S. District Court for the Southern District of New York, in which "Alger American Growth" is named as a defendant.

On November 25, 2003, plaintiff, Michael Bernstein, as custodian for Judith Bernstein, commenced an action derivatively on behalf of "the Alger Funds" against Alger Management, a former vice chairman of its parent and Veras Management Partners, LLP in the U.S. District Court for the Eastern District of New York. In this shareholder derivative action, plaintiff seeks to recover monies on behalf of "the Alger Funds" for the purportedly wrongful conduct of defendants, including an alleged violation of Section 36 of the Investment Company Act by Alger Management and the former vice chairman and an alleged breach of fiduciary duty by Alger Management and the former vice chairman.

Alger Management does not believe that the foregoing lawsuits, all of which have been transferred to the District of Maryland, will materially affect its ability to perform its management contracts with any of the funds that it manages, and the management of the Fund believes that it will not be materially adversely affected by the pending lawsuits.

Proxy Voting Policies:

A description of the policies and procedures the Fund uses to determine how to vote proxies related to portfolio securities is available, without charge, by calling (800) 922-3863.

CREDIT SUISSE | ASSET MANAGEMENT

CREDIT SUISSE FUNDS

Semiannual Report

June 30, 2004
(unaudited)

CREDIT SUISSE TRUST
▪ EMERGING MARKETS PORTFOLIO

Credit Suisse 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.

The Trust's investment objectives, risks, charges and expenses (which should be considered carefully before investing), and more complete information about the Trust, are provided in the *Prospectus*, which should be read carefully before investing. You may obtain additional copies by calling 800-222-8977 or by writing to Credit Suisse Trust, P.O. Box 55030, Boston, MA 02205-5030.

Credit Suisse Asset Management Securities, Inc., Distributor, is located at 466 Lexington Ave., New York, NY 10017-3140. The Trust is advised by Credit Suisse Asset Management, LLC.

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, 2004; these views and Portfolio holdings may have changed subsequent to these dates. Nothing in this document is a recommendation to purchase or sell securities.

Portfolio shares are not deposits or other obligations of Credit Suisse Asset Management, LLC ("CSAM") or any affiliate, are not FDIC-insured and are not guaranteed by CSAM or any affiliate. Portfolio investments are subject to investment risk, including loss of your investment.

August 3, 2004

Dear Shareholder:

For the six months ended June 30, 2004, Credit Suisse Trust — Emerging Markets Portfolio[1] (the "Portfolio") had a gain of 0.47%, versus a decline of 0.78% for the Morgan Stanley Capital International Emerging Markets Index.[2]

The period was ultimately a lackluster one for emerging markets in terms of return, though this belied a fair degree of volatility. Emerging market stocks initially rose, continuing a rally begun in March 2003 on hopes that a global economic rebound would especially benefit emerging market companies. However, the group turned down in late April and May, hindered by fears of rising U.S. interest rates, along with concern that China's economy would slow too much, too fast. In June, emerging equity markets stabilized, as did markets generally, due in part to receding interest rate worries.

Performance: Slight gain in difficult environment

In this environment the Portfolio posted a gain, outperforming its benchmark. The Portfolio's holdings from the Europe/Middle East/Africa segment contributed most positively to its return. Good performers included its South African and Russian stocks, which were supported by high commodity prices. The Portfolio's position in Latin America outperformed, aided by favorable stock selection in Mexico. In Asia, the Portfolio's holdings had a collective decline but nonetheless fared better than its benchmark's Asian component. By sector, the Portfolio's telecommunications, consumer discretionary and energy companies added value, while its financial services and healthcare holdings underperformed.

The Portfolio: More focus on domestic demand

With respect to noteworthy recent portfolio activity, we reduced our weighting in South Korea due to domestic growth uncertainty. We modestly added to Brazil, and in Mexico we shifted our focus a little more toward home building stocks, raising our exposure to a company with exposure to infrastructure spending. We added back to Turkey after its market sold off (we had trimmed this weighting earlier in the period), encouraged by progress being made toward the country's discussions on inclusion in the European Union.

In general, as of the end of the period, we were underweighted in global cyclical stocks, focusing more on companies we believe are poised to benefit from domestic improvements. We were overweighted in the financial services and consumer discretionary sectors, and underweighted in the materials, energy and technology areas.

Going forward, we believe that emerging markets could remain volatile, with further downside potential, at least until the U.S. interest-rate and Chinese economy stories become clearer (although as noted these fears receded somewhat in June). That aside, we continue to have a favorable longer-term outlook on a number of emerging market stocks, based on valuations and company-specific factors and believe that the macroeconomic fundamentals of emerging markets remain strong. We are currently looking for opportunities to purchase companies whose stocks have become more attractive on the back of market declines.

The Credit Suisse Emerging Markets Team

Neil Gregson
Emily Alejos
Annabel Betz
Matthew J.K. Hickman

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 Portfolio may involve a greater degree of risk than other funds that seek capital growth by investing in larger, more-developed markets.

In addition to historical information, this report contains forward-looking statements, which may concern, among other things, domestic and foreign market, industry and economic trends and developments and government regulation and their potential impact on the Portfolio's investments. These statements are subject to risks and uncertainties and actual trends, developments and regulations in the future and their impact on the Portfolio could be materially different from those projected, anticipated or implied. The Portfolio has no obligation to update or revise forward-looking statements.

Average Annual Returns as of June 30, 2004[1]

1 Year	5 Years	Since Inception	Inception Date
30.24%	1.24%	2.55%	12/31/97

Returns represents past performance and include change in share price and reinvestment of dividends and capital gains. ***Past performance cannot guarantee future results.*** *Due to market volatility, the performance of the Portfolio may be lower or higher than the figures shown. Returns and share price will fluctuate, and redemption value may be more or less than original cost. The performance results do not reflect the deduction of taxes that a shareholder would pay on Portfolio distributions or the redemption of Portfolio shares. Performance includes the effect of deducting expenses, but does not include charges and expenses attributable to any particular variable contract or Plan. Accordingly, the Prospectus of the sponsoring Participating Insurance Company separate account or Plan documents or other informational materials supplied by Plan sponsors should be carefully reviewed for information on relevant charges and expenses. Excluding these charges and expenses from quotations of performance has the effect of increasing the performance quoted, and the effect of these charges should be considered when comparing performance to that of other mutual funds. Performance information current to the most recent month-end is available at www.csam.com/us.*

[1] Fee waivers and/or expenses reimbursements reduced expenses for the Portfolio, without which performance would be lower. Waivers and/or reimbursements may be discontinued at any time.

[2] The Morgan Stanley Capital International Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. It is the exclusive property of Morgan Stanley Capital International Inc. Investors cannot invest directly in an index.

Credit Suisse Trust — Emerging Markets Portfolio
Schedule of Investments
June 30, 2004 (unaudited)

	Number of Shares	Value
COMMON STOCKS (93.2%)		
Brazil (5.7%)		
Airlines (0.7%)		
Gol-Linhas Aereas Inteligentes SA ADR*	33,200	$ 564,400
Banks (0.4%)		
Unibanco - Uniao de Bancos Brasileiros SA GDR	18,000	355,860
Diversified Telecommunication Services (1.1%)		
Tele Norte Leste Participacoes SA ADR	56,400	717,972
Tele Norte Lests Participacoes SA	18,000,000	194,065
		912,037
Metals & Mining (0.2%)		
Companhia Vale do Rio Doce ADR	3,800	180,690
Oil & Gas (2.6%)		
Petroleo Brasileiro SA - Petrobras ADR	85,500	2,222,906
Paper & Forest Products (0.7%)		
Aracruz Celulose SA ADR	18,600	607,476
TOTAL BRAZIL		4,843,369
Chile (0.9%)		
Banks (0.5%)		
Banco Santander Chile SA ADR	15,200	405,840
Electric Utilities (0.4%)		
Empresa Nacional de Electricidad SA	930,000	382,963
TOTAL CHILE		788,803
China (3.2%)		
Diversified Telecommunication Services (1.8%)		
China Telecom Corporation, Ltd. Series H	4,318,000	1,508,571
Household Durables (0.4%)		
Guangdong Kelon Electrical Holdings Company, Ltd. Series H*	884,000	311,675
Oil & Gas (1.0%)		
China Petroleum and Chemical Corp. ADR§	12,600	465,570
China Petroleum and Chemical Corp. Series H	1,158,000	423,126
		888,696
TOTAL CHINA		2,708,942
Hong Kong (2.2%)		
Industrial Conglomerates (0.4%)		
Golden Meditech Company, Ltd.	924,000	355,394
Oil & Gas (0.5%)		
CNOOC, Ltd.	977,000	413,357
Textiles & Apparel (0.7%)		
Ports Design, Ltd.	312,500	608,990
Transportation Infrastructure (0.6%)		
Hopewell Highway Infrastucture, Ltd.	875,000	518,843
TOTAL HONG KONG		1,896,584

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
Hungary (1.4%)		
Banks (0.6%)		
OTP Bank Rt.	25,000	$ 510,627
Oil & Gas (0.8%)		
MOL Magyar Olaj-es Gazipari Rt.*	16,200	644,874
TOTAL HUNGARY		1,155,501
India (1.0%)		
Chemicals (1.0%)		
Reliance Industries, Ltd. GDR, Rule 144A‡	42,600	849,870
TOTAL INDIA		849,870
Indonesia (1.5%)		
Banks (0.7%)		
PT Bank Danamon Indonesia Tbk	1,346,500	404,559
PT Bank Rakyat Indonesia*	955,500	170,217
		574,776
Diversified Telecommunication Services (0.4%)		
PT Telekomunikasi Indonesia*	456,000	358,883
Tobacco (0.4%)		
PT Gudang Garam Tbk	224,000	326,381
TOTAL INDONESIA		1,260,040
Israel (4.6%)		
Banks (0.5%)		
Bank Hapoalim, Ltd.	153,000	406,889
Diversified Financials (0.5%)		
IDB Development Corporation, Ltd.	16,000	404,177
Internet Software & Services (1.2%)		
Check Point Software Technologies, Ltd.*§	36,900	995,931
Pharmaceuticals (2.4%)		
Teva Pharmaceutical Industries, Ltd. ADR§	30,500	2,052,345
TOTAL ISRAEL		3,859,342
Malaysia (5.7%)		
Banks (3.7%)		
Commerce Asset-Holding Berhad	997,900	1,276,262
Public Bank Berhad	1,047,897	1,820,031
		3,096,293
Diversified Telecommunication Services (1.3%)		
Telekom Malaysia Berhad	418,000	1,133,000
Media (0.7%)		
Astro All Asia Networks PLC*	533,200	642,646
TOTAL MALAYSIA		4,871,939

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Emerging Markets Portfolio
Schedule of Investments (continued)
June 30, 2004 (unaudited)

	Number of Shares	Value
COMMON STOCKS		
Mexico (8.5%)		
Beverages (0.8%)		
Fomento Economico Mexicano SA de CV ADR	9,700	$ 444,648
Grupo Modelo SA de CV Series C	81,400	203,976
		648,624
Construction & Engineering (0.5%)		
Empresas ICA Sociedad Controladora SA de CV*	1,348,000	410,256
Construction Materials (1.3%)		
Cemex SA de CV ADR	36,861	1,072,655
Diversified Telecommunication Services (1.3%)		
Telefonos de Mexico SA de CV ADR	33,300	1,107,891
Household Durables (1.0%)		
Consorcio ARA SA de CV*	150,000	431,154
Corporacion GEO SA de CV Series B*	322,300	423,380
		854,534
Media (0.8%)		
Grupo Televisa SA ADR	14,800	669,996
Metals & Mining (0.2%)		
Grupo Mexico SA de CV Series B	61,000	190,410
Multiline Retail (0.4%)		
Wal-Mart de Mexico SA de CV Series V	123,000	364,745
Real Estate (0.1%)		
Desarrolladora Homex SA de CV ADR*	7,100	122,901
Wireless Telecommunication Services (2.1%)		
America Movil SA de CV ADR, Series L	47,958	1,744,233
TOTAL MEXICO		7,186,245
Russia (6.9%)		
Industrial Conglomerates (0.5%)		
Mining and Metallurgical Company Norilsk Nickel ADR§	8,400	460,320
Investment Company (1.8%)		
Novy Neft II, Ltd.*	136,500	1,500,135
Oil & Gas (1.6%)		
Lukoil ADR	12,600	1,316,700
Wireless Telecommunication Services (3.0%)		
AO VimpelCom ADR*	10,500	1,012,725
Mobile Telesystems ADR	12,400	1,512,800
		2,525,525
TOTAL RUSSIA		5,802,680

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Emerging Markets Portfolio
Schedule of Investments (continued)
June 30, 2004 (unaudited)

	Number of Shares	Value
COMMON STOCKS		
Singapore (1.2%)		
Chemicals (1.2%)		
Hi-P International, Ltd.	1,222,000	$ 993,236
TOTAL SINGAPORE		993,236
South Africa (8.5%)		
Banks (2.3%)		
FirstRand, Ltd.	191,600	314,283
Standard Bank Group, Ltd.	229,889	1,591,247
		1,905,530
Diversified Telecommunication Services (1.0%)		
Telkom South Africa, Ltd.	63,870	817,877
Household Durables (1.1%)		
Steinhoff International Holdings, Ltd.	672,597	904,050
Industrial Conglomerates (0.8%)		
Bidvest Group, Ltd.	77,000	650,731
Insurance (0.8%)		
Sanlam, Ltd.	506,000	716,777
Media (1.0%)		
Naspers, Ltd. N Shares	119,000	878,289
Oil & Gas (1.0%)		
Sasol	56,000	866,289
Specialty Retail (0.5%)		
JD Group, Ltd.	66,500	458,159
TOTAL SOUTH AFRICA		7,197,702
South Korea (17.4%)		
Auto Components (1.7%)		
Hankook Tire Company, Ltd.	164,600	1,438,737
Automobiles (1.3%)		
Hyundai Motor Company, Ltd.	28,880	1,110,962
Banks (1.8%)		
Daegu Bank	182,150	974,199
Industrial Bank of Korea	95,390	556,407
		1,530,606
Household Durables (1.7%)		
LG Electronics, Inc.§	30,300	1,436,988
Internet Software & Services (0.6%)		
NCsoft Corp.*	6,000	497,966
Metals & Mining (0.6%)		
POSCO ADR	15,400	516,054

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
Semiconductor Equipment & Products (8.1%)		
Samsung Electronics Company, Ltd.	14,380	$ 5,936,183
Samsung Techwin Company, Ltd.*	115,700	902,170
		6,838,353
Wireless Telecommunication Services (1.6%)		
KT Freetel Company, Ltd.	40,000	694,072
SK Telecom Company, Ltd.	4,100	674,167
		1,368,239
TOTAL SOUTH KOREA		14,737,905
Taiwan (12.0%)		
Banks (3.9%)		
Chinatrust Financial Holding Company, Ltd.	568,000	633,175
Mega Financial Holding Company, Ltd.	2,284,000	1,507,277
Taishin Financial Holdings Company, Ltd.	1,422,000	1,170,910
		3,311,362
Computers & Peripherals (3.7%)		
Acer, Inc.	904,000	1,271,082
Advantech Company, Ltd.	566,000	1,152,527
Compeq Manufacturing Company, Ltd.*	2,162,000	678,035
		3,101,644
Diversified Financials (0.7%)		
First Financial Holding Company, Ltd.*	845,000	612,901
Insurance (1.2%)		
Cathay Financial Holding Company, Ltd.	582,000	1,046,700
Real Estate (1.2%)		
Cathay Real Estate Development Company, Ltd.	1,788,000	967,348
Semiconductor Equipment & Products (1.3%)		
Taiwan Semiconductor Manufacturing Company, Ltd.*	376,552	541,769
United Microelectronics Corp.	785,799	583,977
		1,125,746
TOTAL TAIWAN		10,165,701
Thailand (4.5%)		
Banks (2.1%)		
Krung Thai Bank Public Company, Ltd.	2,508,700	674,959
Siam City Bank Public Company, Ltd.	1,790,300	1,085,959
		1,760,918
Construction Materials (1.8%)		
Siam Cement Public Company, Ltd.	258,900	1,558,719

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
Wireless Telecommunication Services (0.6%)		
Advanced Info Service Public Company, Ltd.	212,100	$ 472,083
TOTAL THAILAND		3,791,720
Turkey (1.1%)		
Banks (0.7%)		
Akbank T.A.S.	162,458,011	596,628
Diversified Financials (0.4%)		
Koc Holding AS	74,000,000	334,097
TOTAL TURKEY		930,725
United Kingdom (3.3%)		
Metals & Mining (3.3%)		
Anglo American PLC	136,500	2,792,732
TOTAL UNITED KINGDOM		2,792,732
United States (2.6%)		
Investment Companies (2.6%)		
iShares MSCI Emerging Markets Index	10,900	1,761,767
iShares MSCI Taiwan Index Fund§	35,100	379,431
TOTAL UNITED STATES		2,141,198
Venezuela (1.0%)		
Diversified Telecommunication Services (1.0%)		
Compania Anonima Nacional Telefonos de Venezuela ADR	43,700	880,555
TOTAL VENEZUELA		880,555
TOTAL COMMON STOCKS (Cost $67,548,407)		78,854,789
PREFERRED STOCKS (2.8%)		
Brazil (2.8%)		
Banks (0.7%)		
Banco Itau Holding Financeira	6,370,000	592,367
Diversified Telecommunication Services (0.5%)		
Telesp-Telecomunicacoes de Sao Paulo SA	31,200,000	454,551
Electric Utilities (0.4%)		
Companhia Energetica de Minas Gerais	19,600,000	292,386
Metals & Mining (1.2%)		
Companhia Vale do Rio Doce ADR§	25,400	993,140
TOTAL PREFERRED STOCKS (Cost $1,880,507)		2,332,444
WARRANT (0.9%)		
United Kingdom (0.9%)		
Diversified Financials (0.9%)		
UBS AG* expires May 20, 2005 (Cost $896,649)	86,700	760,437

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Emerging Markets Portfolio
Schedule of Investments (continued)
June 30, 2004 (unaudited)

	Number of Shares	Value
RIGHTS (0.0%)		
Thailand (0.0%)		
Diversified Telecommunication Services (0.0%)		
TelecomAsia Corp. Public Company, Ltd.* (Cost $0)	50,021	$ 0
SHORT-TERM INVESTMENTS (9.8%)		
State Street Navigator Prime Fund §§	5,763,558	5,763,558
	Par (000)	
State Street Bank and Trust Co. Euro Time Deposit, 0.750%, 7/01/04	$2,535	2,535,000
TOTAL SHORT-TERM INVESTMENTS (Cost $8,298,558)		8,298,558
TOTAL INVESTMENTS AT VALUE (106.7%) (Cost $78,624,121)		90,246,228
LIABILITIES IN EXCESS OF OTHER ASSETS (-6.7%)		(5,683,708)
NET ASSETS (100.0%)		$84,562,520

INVESTMENT ABBREVIATIONS

ADR = American Depositary Receipt
GDR = Global Depositary Receipt

* Non-income producing security.

‡ Security exempt from registration under Rule 144A of the Securites Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At June 30, 2004, these securities amounted to $849,870 or 1.00% of net assets.

§ Security or portion thereof is out on loan.

§§ Represents security purchased with cash collateral received for securities on loan.

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Emerging Markets Portfolio
Statement of Assets and Liabilities
June 30, 2004 (unaudited)

Assets	
Investments at value, including collateral for securities on loan of $5,763,558 (Cost $78,624,121) (Note 1)	$ 90,246,228[1]
Cash	539
Foreign currency at value (Cost $232,133)	232,043
Dividend and interest receivable	143,851
Receivable for portfolio shares sold	51,991
Prepaid expenses and other assets	9,586
Total Assets	90,684,238
Liabilities	
Advisory fee payable (Note 2)	67,724
Administrative services fee payable (Note 2)	15,050
Payable upon return of securities loaned (Note 1)	5,763,558
Payable for investments purchased	215,981
Payable for portfolio shares redeemed	11,856
Trustees' fee payable	62
Other accrued expenses payable	47,487
Total Liabilities	6,121,718
Net Assets	
Capital stock, $0.001 par value (Note 5)	7,919
Paid-in capital (Note 5)	84,371,289
Undistributed net investment income	746,131
Accumulated net realized loss on investments and foreign currency transactions	(12,080,225)
Net unrealized appreciation from investments and foreign currency translations	11,517,406
Net Assets	$ 84,562,520
Shares outstanding	7,919,320
Net asset value, offering price, and redemption price per share	$10.68

[1] Including $5,603,795 of securities on loan.

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Emerging Markets Portfolio
Statement of Operations
For the Six Months Ended June 30, 2004 (unaudited)

Investment Income (Note 1)	
Dividends	$ 1,218,008
Interest	12,694
Securities lending	7,604
Foreign taxes withheld	(139,493)
Total investment income	1,098,813
Expenses	
Investment advisory fees (Note 2)	526,395
Administrative services fees (Note 2)	68,536
Custodian fees	36,609
Printing fees (Note 2)	19,383
Legal fees	13,548
Insurance expense	9,990
Audit fees	7,122
Transfer agent fees	3,521
Registration fees	2,141
Trustees' fees	1,380
Commitment fees (Note 3)	909
Miscellaneous expense	3,985
Total expenses	693,519
Less: fees waived (Note 2)	(103,956)
Net expenses	589,563
Net investment income	509,250
Net Realized and Unrealized Gain (Loss) from Investments and Foreign Currency Related Items	
Net realized gain from investments (including Thailand Capital Gain Tax of $304,124)	6,006,378
Net realized loss from foreign currency transactions	(79,968)
Net change in unrealized appreciation (depreciation) from investments	(7,059,502)
Net change in unrealized appreciation (depreciation) from foreign currency translations	197,502
Net realized and unrealized loss from investments and foreign currency related items	(935,590)
Net decrease in net assets resulting from operations	$ (426,340)

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Emerging Markets Portfolio
Statements of Changes in Net Assets

	For the Six Months Ended June 30, 2004 (unaudited)	For the Year Ended December 31, 2003
From Operations		
Net investment income	$ 509,250	$ 492,551
Net realized gain from investments and foreign currency transactions	5,926,410	2,835,837
Net change in unrealized appreciation (depreciation) from investments and foreign currency translations	(6,862,000)	16,797,513
Net increase (decrease) in net assets resulting from operations	(426,340)	20,125,901
From Capital Share Transactions (Note 5)		
Proceeds from sale of shares	26,756,015	51,362,392
Net asset value of shares redeemed	(15,549,046)	(41,573,809)
Net increase in net assets from capital share transactions	11,206,969	9,788,583
Net increase in net assets	10,780,629	29,914,484
Net Assets		
Beginning of Period	73,781,891	43,867,407
End of Period	$ 84,562,520	$ 73,781,891
Undistributed Net Investment Income	$ 746,131	$ 236,881

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Emerging Markets Portfolio
Financial Highlights
(For a Share of the Portfolio Outstanding Throughout Each Period)

	For the Six Months Ended June 30, 2004 (unaudited)	For the Year Ended December 31, 2003	2002	2001	2000	1999
Per share data						
Net asset value, beginning of period	$ 10.63	$ 7.44	$ 8.43	$ 9.33	$ 14.18	$ 8.19
INVESTMENT OPERATIONS						
Net investment income	0.06	0.07	0.01	0.06	0.23	0.05[1]
Net gain (loss) on investments and foreign currency related items (both realized and unrealized)	(0.01)	3.12	(0.98)	(0.96)	(4.70)	6.56
Total from investment operations	0.05	3.19	(0.97)	(0.90)	(4.47)	6.61
LESS DIVIDENDS AND DISTRIBUTIONS						
Dividends from net investment income	—	—	(0.02)	—	(0.20)	(0.04)
Distributions from net realized gains	—	—	—	—	(0.15)	(0.58)
Return of capital	—	—	—	—	(0.03)	—
Total dividends and distributions	—	—	(0.02)	—	(0.38)	(0.62)
Net asset value, end of period	$ 10.68	$ 10.63	$ 7.44	$ 8.43	$ 9.33	$ 14.18
Total return[2]	0.47%	42.88%	(11.56)%	(9.65)%	(31.55)%	81.40%
RATIOS AND SUPPLEMENTAL DATA						
Net assets, end of period (000s omitted)	$84,563	$73,782	$43,867	$38,331	$32,604	$16,781
Ratio of expenses to average net assets[3]	1.40%[4]	1.40%	1.40%	1.40%	1.42%	1.42%
Ratio of net investment income (loss) to average net assets	1.21%[4]	0.94%	0.13%	0.63%	2.45%	(0.19)%
Decrease reflected in above operating expense ratios due to waivers/reimbursements	0.25%[4]	0.41%	0.44%	0.49%	0.27%	1.73%
Portfolio turnover rate	63%	167%	128%	130%	208%	145%

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

[2] Total returns are historical and assume changes in share price and reinvestment of all dividends and distributions. Had certain expenses not been reduced during the periods shown, total returns would have been lower. Total returns for periods less than one year are not annualized.

[3] Interest earned on uninvested cash balances may be used to offset portions of the transfer agent expense. These arrangements resulted in a reduction to the Portfolio's net expense ratio by .02% and .02% for the years ended December 31, 2000 and 1999, respectively. The Portfolio's net operating expense ratio after reflecting these arrangements was 1.40% for the years ended December 31, 2000 and 1999. For the six months ended June 30, 2004 and the years ended December 31, 2003, 2002 and 2001, there was no effect on the net operating expense ratio because of transfer agent credits.

[4] Annualized.

See Accompanying Notes to Financial Statements.

Note 1. Summary of Significant Accounting Policies

Credit Suisse Trust (the "Trust") is an open-end management investment company registered under the Investment Company Act of 1940, as amended, and currently offers eight managed investment portfolios of which one, the Emerging Markets 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. The Trust was organized under the laws of the Commonwealth of Massachusetts as a business trust on March 15, 1995.

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, Inc. (the "Exchange") on each day the Exchange is open for business. The Portfolio's equity investments are valued at market value, which is generally determined using the closing price on the exchange or market on which the security is primarily traded at the time of valuation (the "Valuation Time"). If no sales are reported, equity investments are generally valued at the most recent bid quotation as of the Valuation Time or at the lowest asked quotation in the case of a short sale of securities. Debt securities with a remaining maturity greater than 60 days are valued in accordance with the price supplied by a pricing service, which may use a matrix, formula or other objective method that takes into consideration market indices, yield curves and other specific adjustments. Debt obligations that will mature in 60 days or less are valued on the basis of amortized cost, which approximates market value, unless it is determined that using this method would not represent fair value. Securities and other assets for which market quotations are not readily available, or whose values have been materially affected by events occurring before the Portfolio's Valuation Time but after the close of the securities' primary markets, are valued at fair value as determined in good faith by, or under the direction of, the Board of Trustees under procedures established by the Board of Trustees. The Portfolio may utilize a service provided by an independent third party which has been approved by the Board of Trustees to fair value certain securities.

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

Note 1. Summary of Significant Accounting Policies

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 is 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 carryforward, such gain will not be distributed. Income and capital gain distributions are determined in accordance with federal income tax regulations, which may differ from accounting principles generally accepted in the United States of America ("GAAP").

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 GAAP 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 revenues and expenses during the reporting period. Actual results could differ from these estimates.

Note 1. Summary of Significant Accounting Policies

G) SHORT-TERM INVESTMENTS — The Portfolio, together with other funds/portfolios advised by Credit Suisse Asset Management, LLC ("CSAM"), an indirect, wholly-owned subsidiary of Credit Suisse Group, pools available cash into either a short-term variable rate time deposit issued by State Street Bank and Trust Company ("SSB"), the Portfolio's custodian, or a money market fund advised by CSAM. The short-term time deposit issued by SSB is a variable rate account classified as a short-term investment.

H) FORWARD FOREIGN CURRENCY CONTRACTS — The Portfolio may enter into forward foreign 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 counterparties to meet the terms of their contracts and from unanticipated movements in the value of a foreign currency. 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, 2004, the Portfolio had no open forward foreign currency contracts.

I) SECURITIES LENDING — Loans of securities are required at all times to be secured by collateral at least equal to 102% of the market value of domestic securities on loan (including any accrued interest thereon) and 105% of the market value of foreign securities on loan (including any accrued interest thereon). Cash collateral received by the Portfolio in connection with securities lending activity may be pooled together with cash collateral for other funds/portfolios advised by CSAM and may be invested in a variety of investments, including certain CSAM-advised funds, funds advised by SSB, the Portfolio's securities lending agent or money market instruments. However, in the event of default or bankruptcy by the other party to the agreement, realization and/or retention of the collateral may be subject to legal proceedings.

Note 1. Summary of Significant Accounting Policies

The market value of securities on loan to brokers and the value of collateral held by the Portfolio with respect to such loans at June 30, 2004 is as follows:

Market Value of Securities Loaned	Value of Collateral Received
$5,603,795	$5,763,558

Prior to March 17, 2004, Credit Suisse First Boston ("CSFB"), an affiliate of CSAM, had been engaged by the Portfolio to act as the Portfolio's securities lending agent.

Effective March 17, 2004, SSB has been engaged by the Portfolio to act as the Portfolio's securities lending agent. The Portfolio's securities lending arrangement provides that the Portfolio and SSB will share the net income earned from the securities lending activities with the Portfolio receiving 70% and SSB receiving 30% of the earnings from the investment of cash collateral or any other securities lending income in accordance with the provisions of the securities lending agency agreement. Securities lending income is accrued as earned.

J) 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, nationalization or the imposition of capital or currency controls or punitive taxes). Other risks of investing in foreign securities include liquidity and valuation risks.

The 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 investment opportunities. Additionally, emerging markets often face serious economic problems (such as high external debt, inflation and unemployment) that could subject the Portfolio to increased volatility or substantial declines in value.

Note 1. Summary of Significant Accounting Policies

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 serves as investment adviser for the Portfolio. For its investment advisory services, CSAM is entitled to receive 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, 2004, investment advisory fees earned and voluntarily waived were $526,395 and $103,956, respectively.

Credit Suisse Asset Management Limited (CSAM U.K.) ("CSAM Ltd. U.K.") and Credit Suisse Asset Management Limited (CSAM Australia) ("CSAM Ltd. Australia"), affiliates of CSAM, are sub-investment advisers to the Portfolio. CSAM Ltd. U.K. and CSAM Ltd. Australia's sub-investment advisory fees are paid by CSAM out of CSAM's net investment advisory fee and are not paid by the Portfolio.

Credit Suisse Asset Management Securities, Inc. ("CSAMSI"), an affiliate of CSAM, and SSB serve as co-administrators to the Portfolio.

For its co-administrative services, CSAMSI currently receives a fee calculated at an annual rate of 0.10% of the Portfolio's average daily net assets. For the six months ended June 30, 2004, co-administrative services fees earned by CSAMSI were $42,112.

For its co-administrative services, SSB receives a fee, exclusive of out-of-pocket expenses, based upon the following fee schedule calculated in total for all the Credit Suisse funds/portfolios co-administered by SSB and allocated based upon relative average net assets of each fund/portfolio subject to an annual minimum fee.

Average Daily Net Assets	Annual Rate
First $5 billion	0.050% of average daily net assets
Next $5 billion	0.035% of average daily net assets
Over $10 billion	0.020% of average daily net assets

For the six months ended June 30, 2004, co-administrative services fees earned by SSB (including out-of-pocket expenses) were $26,424.

Note 2. Transactions with Affiliates and Related Parties

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

Merrill Corporation ("Merrill"), an affiliate of CSAM, has been engaged by the Portfolio to provide certain financial printing and fulfillment services. For the six months ended June 30, 2004, Merrill was paid $7,017 for its services to the Portfolio.

Note 3. Line of Credit

The Portfolio, together with other funds/portfolios advised by CSAM (collectively, the "Participating Funds"), participates in a $75 million committed, unsecured line of credit facility ("Credit Facility") for temporary or emergency purposes with Deutsche Bank, A.G. as administrative agent and syndication agent and SSB as operations agent. Under the terms of the Credit Facility, the Participating Funds pay an aggregate commitment fee at a rate of 0.10% per annum on the average unused amount of the Credit Facility, which is allocated among the Participating Funds in such manner as is determined by the governing Boards of the Participating Funds. In addition, the Participating Funds pay interest on borrowings at the Federal Funds rate plus 0.50%. At June 30, 2004 and during the six months ended June 30, 2004, the Portfolio had no borrowings under the Credit Facility.

Note 4. Purchases and Sales of Securities

For the six months ended June 30, 2004, purchases and sales of investment securities (excluding short-term investments) were $61,271,189 and $50,477,209, respectively.

At June 30, 2004, the identified cost for federal income tax purposes, as well as the gross unrealized appreciation from investments for those securities having an excess of value over cost, gross unrealized depreciation from investments for those securities having an excess of cost over value and the net unrealized appreciation from investments were: $78,624,121, $14,085,752 $(2,463,645) and $11,622,107, respectively.

Note 5. Capital Share Transactions

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

	For the Six Months Ended June 30, 2004 (unaudited)	For the Year Ended December 31, 2003
Shares sold	2,372,507	6,273,517
Shares redeemed	(1,393,494)	(5,226,878)
Net increase	979,013	1,046,639

On June 30, 2004, the number of shareholders that held 5% or more of the outstanding shares were as follows:

Number of Shareholders	Approximate Percentage of Outstanding Shares
5	91%

Some of the shareholders are omnibus accounts, which hold shares on behalf of individual shareholders.

Note 6. Contingencies

In the normal course of business, the Portfolio may provide general indemnifications pursuant to certain contracts and organizational documents. The Portfolio's maximum exposure under these arrangements is dependent on future claims that may be made against the Portfolio and, therefore, cannot be estimated; however, based on experience, the risk of loss from such claims is considered remote.

Important Privacy Choices for Consumers

We are committed to maintaining the privacy of every current and prospective customer. We recognize that you entrust important personal information to us, and we wish to assure you that we take seriously our responsibilities in protecting and safeguarding this information.

In connection with making available investment products and services to current and potential customers, we may obtain nonpublic personal information about you. This information may include your name, address, e-mail address, social security number, account number, assets, income, financial situation, transaction history and other personal information.

We may collect nonpublic information about you from the following sources:

- Information we receive on applications, forms, questionnaires, web sites, agreements or in the course of establishing or maintaining a customer relationship; and
- Information about your transactions with us, our affiliates, or others.

We do not disclose any nonpublic personal information about our customers or former customers to anyone, except with your consent or as otherwise permitted by law.

Restrict Information Sharing with Affiliates: In cases where we believe that additional products and services may be of interest to you, we may share the information described above with our affiliates unless you say "No."

☐ No, please do not share personal and financial information with your affiliated companies. [If you check this box, you must send this notice back to us with your name, address and account number to Credit Suisse Funds, 466 Lexington Avenue, New York, New York 10017.]

We may also disclose this information to firms that perform services on our behalf. These agents and service providers are required to treat the information confidentially and use it only for the purpose for which it is provided.

We restrict access to nonpublic personal information about you to those employees, agents or other parties who need to know that information to provide products or services to you or in connection with your investments with or through us. We maintain physical, electronic and procedural safeguards that comply with federal standards to guard your nonpublic personal information.

Note: This Notice is provided to clients and prospective clients of Credit Suisse Asset Management, LLC ("CSAM"), CSAM Capital Inc., and Credit Suisse Asset Management Securities, Inc., and shareholders and prospective shareholders in CSAM-sponsored and-advised investment companies, including Credit Suisse Funds, and other consumers and customers, as applicable. This Notice is not intended to be incorporated in any offering materials but is merely a statement of our current Privacy Policy, and may be amended from time to time upon notice to you. This Notice is dated as of May 19, 2004.

Proxy Voting (unaudited)

The policies and procedures that the Portfolio uses to determine how to vote proxies relating to its portfolio securities are available:

- By calling 1-800-222-8977
- On the Portfolio's website, www.csam.com/us
- On the website of the Securities and Exchange Commission, http://www.sec.gov.

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P.O. Box 55030, Boston, MA 02205-5030
800-222-8977 ■ www.csam.com/us

CREDIT SUISSE | ASSET MANAGEMENT

CREDIT SUISSE ASSET MANAGEMENT SECURITIES, INC., DISTRIBUTOR. TREMK-3-0604

CREDIT SUISSE | ASSET MANAGEMENT

CREDIT SUISSE FUNDS

Semiannual Report

June 30, 2004
(unaudited)

CREDIT SUISSE TRUST
▪ GLOBAL POST-VENTURE CAPITAL PORTFOLIO

Credit Suisse 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.

The Trust's investment objectives, risks, charges and expenses (which should be considered carefully before investing), and more complete information about the Trust, are provided in the Prospectus, which should be read carefully before investing. You may obtain additional copies by calling 800-222-8977 or by writing to Credit Suisse Trust, P.O. Box 55030, Boston, MA 02205-5030.

Credit Suisse Asset Management Securities, Inc., Distributor, is located at 466 Lexington Ave., New York, NY 10017-3140. The Trust is advised by Credit Suisse Asset Management, LLC.

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, 2004; these views and Portfolio holdings may have changed subsequent to these dates. Nothing in this document is a recommendation to purchase or sell securities.

Portfolio shares are not deposits or other obligations of Credit Suisse Asset Management, LLC ("CSAM") or any affiliate, are not FDIC-insured and are not guaranteed by CSAM or any affiliate. Portfolio investments are subject to investment risks, including loss of your investment.

July 28, 2004

Dear Shareholder:

For the six months ended June 30, 2004, Credit Suisse Trust — Global Post-Venture Capital Portfolio[1] (the "Portfolio") had a gain of 7.72%, versus increases of 5.94% for the Russell MidCap® Growth Index[2] and 2.53% for the Morgan Stanley Capital International World Index.[3]

The period was positive for equities. After reaching their low points for the six month period in mid May, pressured by interest rate and geopolitical uncertainty, stocks had a positive finish. The mix of economic data indicated a steady growth with rising but still modest inflation. Investors widely concluded that the Federal Reserve would raise interest rates by 25 basis points at its June 30 meeting (which it did), easing worries of a sudden economic slowdown and a related softening in profits.

Performance: Helped by stock selection

The Portfolio had a good showing in both absolute and relative terms, benefiting from favorable stock selection in the healthcare sector, with solid showings from services as well as pharmaceutical holdings. Healthcare accounted for almost a quarter of the Portfolio's assets in the period and our healthcare holdings collectively had double-digit gains. The Portfolio's consumer stocks also contributed positively to performance, led by retail names in the consumer discretionary sector and by exposure to grocers in the staples area. Energy, while a small part of the portfolio, aided the Portfolio's return as our position was up significantly.

The Portfolio: Continued focus on company fundamentals

We made no changes to our basic strategy, focusing on companies we believe have good business models and capable managements. From a sector perspective, technology was our largest area of concentration, and we maintained meaningful exposure to the healthcare, consumer and financial services areas.

Going forward, while our general view on the US economy and corporate profits is positive, we believe that market volatility could remain high for a spell, with stocks vulnerable to interest-rate worries and the ever-present threat of geopolitical tensions. Still, on a company-specific basis, we think that good opportunities exist in a variety of sectors, and we remain focused on companies we deem to have the financial wherewithal to execute their long-term business models.

The Credit Suisse Global Post-Venture Capital Team

Leo M. Bernstein
Calvin E. Chung
Harry M. Jaffe
Chris Matyszewski

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 post-venture-capital investments and certain aggressive strategies it may use, an investment in the Portfolio may not be appropriate for all investors.

In addition to historical information, this report contains forward-looking statements, which may concern, among other things, domestic and foreign market, industry and economic trends and developments and government regulation and their potential impact on the Portfolio's investments. These statements are subject to risks and uncertainties and actual trends, developments and regulations in the future and their impact on the Portfolio could be materially different from those projected, anticipated or implied. The Portfolio has no obligation to update or revise forward-looking statements.

Average Annual Returns as of June 30, 2004[1]

1 Year	5 Years	Since Inception	Inception Date
34.12%	(2.55)%	2.01%	9/30/96

Returns represents past performance and include change in share price and reinvestment of dividends and capital gains. ***Past performance cannot guarantee future results.*** *Due to market volatility, the performance of the Portfolio may be lower or higher than the figures shown. Returns and share price will fluctuate, and redemption value may be more or less than original cost. The performance results do not reflect the deduction of taxes that a shareholder would pay on Portfolio distributions or the redemption of Portfolio shares. Performance includes the effect of deducting expenses, but does not include charges and expenses attributable to any particular variable contract or Plan. Accordingly, the Prospectus of the sponsoring Participating Insurance Company separate account or Plan documents or other informational materials supplied by Plan sponsors should be carefully reviewed for information on relevant charges and expenses. Excluding these charges and expenses from quotations of performance has the effect of increasing the performance quoted, and the effect of these charges should be considered when comparing performance to that of other mutual funds. Performance information current to the most recent month-end is available at www.csam.com/us.*

[1] Fee waivers and/or expenses reimbursements reduced expenses for the Portfolio, without which performance would be lower. Waivers and/or reimbursements may be discontinued at any time.

[2] The Russell Midcap® Growth Index measures the performance of those companies in the Russell Midcap® Index with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000® Growth Index. It is an unmanaged index of common stocks that includes reinvestment of dividends and is compiled by Frank Russell Company. Investors cannot invest directly in an index.

[3] The Morgan Stanley Capital International World Index is a free float-adjusted market capitalization index that is designed to measure global developed-market equity performance. It is the exclusive property of Morgan Stanley Capital International Inc. Investors cannot invest directly in an index.

Credit Suisse Trust — Global Post-Venture Capital Portfolio
Schedule of Investments
June 30, 2004 (unaudited)

	Number of Shares	Value
COMMON STOCKS (93.6%)		
Canada (0.5%)		
Leisure Equipment & Products (0.5%)		
Mega Bloks, Rule 144A*‡	37,100	$ 606,550
TOTAL CANADA		606,550
China (1.4%)		
Internet Software & Services (1.4%)		
Shanda Interactive Entertainment, Ltd. ADR*	68,900	1,062,438
SINA Corp.*	17,900	590,521
TOTAL CHINA		1,652,959
Denmark (1.6%)		
Electrical Equipment (1.6%)		
Vestas Wind Systems AS*	123,800	1,818,726
TOTAL DENMARK		1,818,726
France (2.2%)		
Office Electronics (2.2%)		
Neopost SA	42,535	2,514,025
TOTAL FRANCE		2,514,025
Hong Kong (1.0%)		
Electronic Equipment & Instruments (1.0%)		
Techtronic Industries Company, Ltd.	684,900	1,093,234
TOTAL HONG KONG		1,093,234
Ireland (1.4%)		
Airlines (1.4%)		
Ryanair Holdings PLC*	80,300	454,291
Ryanair Holdings PLC ADR*§	33,580	1,100,753
TOTAL IRELAND		1,555,044
Israel (1.4%)		
Internet Software & Services (1.4%)		
Check Point Software Technologies, Ltd.*	57,200	1,543,828
TOTAL ISRAEL		1,543,828
Japan (5.2%)		
Diversified Financials (1.7%)		
JAFCO Company, Ltd.	25,500	1,946,708
Hotels, Restaurants & Leisure (1.7%)		
Round One Corp.	924	1,973,074
Specialty Retail (1.8%)		
USS Company, Ltd.	23,610	2,031,782
TOTAL JAPAN		5,951,564

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Global Post-Venture Capital Portfolio
Schedule of Investments (continued)
June 30, 2004 (unaudited)

	Number of Shares	Value
COMMON STOCKS		
Netherlands (1.5%)		
Food Products (1.5%)		
Nutreco Holdings NV	52,207	$ 1,721,328
TOTAL NETHERLANDS		1,721,328
Norway (1.1%)		
Electronic Equipment & Instruments (1.0%)		
Tandberg ASA§	108,330	1,144,799
Internet Software & Services (0.1%)		
Opera Software ASA*§	115,950	150,552
TOTAL NORWAY		1,295,351
Sweden (4.0%)		
Healthcare Equipment & Supplies (2.5%)		
Getinge AB Class B§	246,400	2,911,157
Machinery (1.1%)		
Alfa Laval AB§	82,900	1,315,095
Personal Products (0.4%)		
Oriflame Cosmetics SA SDR*	11,275	402,628
TOTAL SWEDEN		4,628,880
Switzerland (1.5%)		
Healthcare Equipment & Supplies (1.5%)		
Nobel Biocare Holding AG	10,938	1,711,792
TOTAL SWITZERLAND		1,711,792
Taiwan (0.9%)		
Semiconductor Equipment & Products (0.9%)		
MediaTek, Inc.	132,300	1,053,995
TOTAL TAIWAN		1,053,995
United Kingdom (10.5%)		
Automobile Parts & Equipment (2.6%)		
Halfords Group PLC*	599,300	2,934,442
Commercial Services & Supplies (1.4%)		
Michael Page International PLC	513,770	1,667,782
Hotels, Restaurants & Leisure (2.4%)		
Enterprise Inns PLC	102,420	1,067,997
William Hill PLC	167,810	1,685,952
		2,753,949
Household Durables (1.0%)		
MFI Furniture Group PLC	428,280	1,174,737
Software (3.1%)		
Amdocs, Ltd.*	63,100	1,478,433
Sage Group PLC	612,600	2,071,921
		3,550,354
TOTAL UNITED KINGDOM		12,081,264

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Global Post-Venture Capital Portfolio
Schedule of Investments (continued)
June 30, 2004 (unaudited)

	Number of Shares	Value
COMMON STOCKS		
United States (59.4%)		
Commercial Services & Supplies (0.8%)		
BISYS Group, Inc.*	67,900	$ 954,674
Construction & Engineering (1.0%)		
Infrasource Services, Inc.*	89,200	1,093,592
Diversified Financials (6.9%)		
Affiliated Managers Group, Inc.*§	29,400	1,480,878
E*TRADE Financial Corp.*	337,600	3,764,240
Franklin Resources, Inc.	52,300	2,619,184
		7,864,302
Electronic Equipment & Instruments (1.3%)		
Sanmina-SCI Corp.*	162,700	1,480,570
Food & Drug Retailing (3.4%)		
Whole Foods Market, Inc.§	10,700	1,021,315
Wild Oats Markets, Inc.*§	205,000	2,884,350
		3,905,665
Healthcare Providers & Services (14.6%)		
Accredo Health, Inc.*	61,650	2,401,267
AMERIGROUP Corp.*	22,700	1,116,840
Centene Corp.*	48,600	1,873,530
Pediatrix Medical Group, Inc.*	48,600	3,394,710
Psychiatric Solutions, Inc.*	1,746	43,528
Select Medical Corp.	183,000	2,455,860
Triad Hospitals, Inc.*	66,000	2,457,180
United Surgical Partners International, Inc.*	76,500	3,019,455
		16,762,370
Hotels, Restaurants & Leisure (0.5%)		
Panera Bread Co. Class A*§	17,400	624,312
Household Durables (2.2%)		
Yankee Candle Company, Inc.*§	87,000	2,544,750
Internet Software & Services (1.2%)		
Corillian Corp.*§	128,200	646,128
Digitas, Inc.*	61,900	682,757
		1,328,885
Media (7.6%)		
Clear Channel Communications, Inc.	52,900	1,954,655
Journal Register Co.*	68,600	1,372,000
Netflix, Inc.*§	75,200	2,703,440
Radio One, Inc. Class A*	95,200	1,533,672
Univision Communications, Inc. Class A*§	34,500	1,101,585
		8,665,352
Multiline Retail (1.4%)		
Dollar Tree Stores, Inc.*	59,600	1,634,828

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Global Post-Venture Capital Portfolio
Schedule of Investments (continued)
June 30, 2004 (unaudited)

	Number of Shares	Value
COMMON STOCKS		
Oil & Gas (1.9%)		
Newfield Exploration Co.*	39,400	$ 2,196,156
Pharmaceuticals (1.9%)		
Sepracor, Inc.*§	42,100	2,227,090
Semiconductor Equipment & Products (5.5%)		
Artisan Components, Inc.*§	74,500	1,922,100
Conexant Systems, Inc.*	265,117	1,147,957
Cymer, Inc.*	50,300	1,883,232
Integrated Circuit Systems, Inc.*	48,400	1,314,544
		6,267,833
Software (3.9%)		
JDA Software Group, Inc.*§	168,000	2,212,560
Lawson Software, Inc.*	142,700	1,010,316
Micromuse, Inc.*	177,900	1,190,151
		4,413,027
Specialty Retail (5.3%)		
Aeropostale, Inc.*	76,950	2,070,724
Gymboree Corp.*	57,500	883,200
Hot Topic, Inc.*	39,500	809,355
Urban Outfitters, Inc.*§	37,700	2,296,307
		6,059,586
TOTAL UNITED STATES		68,022,992
TOTAL COMMON STOCKS (Cost $81,998,588)		107,251,532
PREFERRED STOCKS (0.9%)		
United States (0.9%)		
Consumer Services (0.9%)		
PRN Corp.*††	79,000	1,038,850
Internet Software & Services (0.0%)		
Planetweb, Inc.*††	183,800	4,283
TOTAL PREFERRED STOCKS (Cost $1,709,331)		1,043,133
WARRANT (0.0%)		
United States (0.0%)		
Consumer Services (0.0%)		
PRN Corp. strike $0.01, expires August 2011*†† (Cost $0)	18,283	0
LIMITED PARTNERSHIPS (1.6%)		
United States (1.6%)		
Venture Capital (1.6%)		
Austin Ventures VIII L.P.*††	243,336	246,579
CVC European Equity III L.P.*††	522,581	459,135
Madison Dearborn Capital Partners, Inc.*††	425,921	342,074
Oak Investment Partners X L.P.*††	993,846	724,976
TOTAL LIMITED PARTNERSHIPS (Cost $1,832,430)		1,772,764

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
SHORT-TERM INVESTMENTS (17.0%)		
State Street Navigator Prime Fund§§	14,959,675	$ 14,959,675
	Par (000)	
State Street Bank and Trust Co. Euro Time Deposit, 0.750%, 7/01/04	$4,573	4,573,000
TOTAL SHORT-TERM INVESTMENTS (Cost $19,532,675)		19,532,675
TOTAL INVESTMENTS AT VALUE (113.1%) (Cost $105,073,024)		129,600,104
LIABILITIES IN EXCESS OF OTHER ASSETS (-13.1%)		(14,979,974)
NET ASSETS (100.0%)		$114,620,130

INVESTMENT ABBREVIATIONS

ADR = American Depositary Receipt
SDR = Swedish Depositary Receipt

* Non-income producing security.
‡ Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At June 30, 2004, these securities amounted to a value of $606,550 or 0.5% of net assets.
†† Restricted security, not readily marketable; security is valued at fair value as determined in good faith by, or under the direction of, the Board of Trustees.
§ Security or portion thereof is out on loan.
§§ Represents security purchased with cash collateral received for securities on loan.

Credit Suisse Trust — Global Post-Venture Capital Portfolio
Statement of Assets and Liabilities
June 30, 2004 (unaudited)

Assets	
Investments at value, including collateral for securities on loan of $14,959,675 (Cost $105,073,024) (Note 1)	$129,600,104[1]
Cash	900
Foreign currency at value (cost $221,182)	219,729
Dividend and interest receivable	23,249
Receivable for portfolio shares sold	22,795
Prepaid expenses and other assets	9,038
Total Assets	129,875,815
Liabilities	
Advisory fee payable (Note 2)	99,023
Administrative services fee payable (Note 2)	19,913
Payable upon return of securities loaned (Note 1)	14,959,675
Payable for portfolio shares redeemed	127,943
Trustees' fee payable	63
Other accrued expenses payable	49,068
Total Liabilities	15,255,685
Net Assets	
Capital stock, $0.001 par value (Note 6)	11,256
Paid-in capital (Note 6)	166,951,749
Accumulated net investment loss	(455,190)
Accumulated net realized loss on investments and foreign currency transactions	(76,414,099)
Net unrealized appreciation from investments and foreign currency translations	24,526,414
Net Assets	$114,620,130
Shares outstanding	11,255,686
Net asset value, offering price, and redemption price per share	$10.18

[1] Including $14,547,750 of secutities on loan.

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Global Post-Venture Capital Portfolio
Statement of Operations
For the Six Months Ended June 30, 2004 (unaudited)

Investment Income *(Note 1)*	
Dividends	$ 311,140
Interest	20,059
Net investment income allocated from partnerships	11,893
Securities lending	11,058
Foreign taxes withheld	(34,939)
Total investment income	319,211
Expenses	
Investment advisory fees (Note 2)	697,298
Administrative services fees (Note 2)	88,752
Printing fees (Note 2)	28,368
Custodian fees	15,847
Legal fees	15,140
Insurance expense	10,116
Audit fees	7,481
Transfer agent fees	4,334
Trustees' fees	1,380
Commitment fees (Note 3)	1,260
Registration fees	786
Miscellaneous expense	3,328
Total expenses	874,090
Less: fees waived (Note 2)	(93,116)
Net expenses	780,974
Net investment loss	(461,763)
Net Realized and Unrealized Gain (Loss) from Investments and Foreign Currency Related Items	
Net realized gain from investments	5,428,311
Net realized gain on foreign currency transactions	38,724
Net change in unrealized appreciation (depreciation) from investments	2,376,162
Net change in unrealized appreciation (depreciation) from foreign currency translations	(2,468)
Net realized and unrealized gain from investments and foreign currency related items	7,840,729
Net increase in net assets resulting from operations	$7,378,966

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Global Post-Venture Capital Portfolio
Statements of Changes in Net Assets

	For the Six Months Ended June 30, 2004 (unaudited)	For the Year Ended December 31, 2003
From Operations		
Net investment loss	$ (461,763)	$ (683,327)
Net realized gain (loss) on investments and foreign currency transactions	5,467,035	(1,578,432)
Net change in unrealized appreciation (depreciation) from investments and foreign currency translations	2,373,694	30,798,126
Net increase in net assets resulting from operations	7,378,966	28,536,367
From Capital Share Transactions (Note 6)		
Proceeds from sale of shares	25,905,468	60,688,150
Net asset value of shares redeemed	(21,241,599)	(47,279,820)
Net increase in net assets from capital share transactions	4,663,869	13,408,330
Net increase in net assets	12,042,835	41,944,697
Net Assets		
Beginning of period	102,577,295	60,632,598
End of period	$114,620,130	$102,577,295
Undistributed Net Investment Income (Loss)	$ (455,190)	$ 6,573

See Accompanying Notes to Financial Statements.

Credit Suisse 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, 2004 (unaudited)	For the Year Ended December 31,				
		2003	2002	2001	2000[1]	1999
Per share data						
Net asset value, beginning of period	$ 9.45	$ 6.40	$ 9.72	$ 13.62	$ 19.26	$ 11.82
INVESTMENT OPERATIONS						
Net investment loss	(0.04)	(0.06)	(0.08)	(0.09)	(0.09)	(0.08)
Net gain (loss) on investments and foreign currency related items (both realized and unrealized)	0.77	3.11	(3.24)	(3.81)	(3.56)	7.52
Total from investment operations	0.73	3.05	(3.32)	(3.90)	(3.65)	7.44
LESS DISTRIBUTIONS						
Distributions from net realized gains	—	—	—	—	(1.99)	—
Net asset value, end of period	$ 10.18	$ 9.45	$ 6.40	$ 9.72	$ 13.62	$ 19.26
Total return[2]	7.72%	47.66%	(34.16)%	(28.63)%	(18.94)%	62.94%
RATIOS AND SUPPLEMENTAL DATA						
Net assets, end of period (000s omitted)	$114,620	$102,577	$60,633	$160,658	$168,034	$151,784
Ratio of expenses to average net assets[3]	1.40%[4]	1.40%	1.40%	1.40%	1.42%	1.41%
Ratio of net investment loss to average net assets	(0.83)%[4]	(0.94)%	(0.90)%	(0.84)%	(0.75)%	(0.87)%
Decrease reflected in above operating expense ratios due to waivers/reimbursements	0.17%[4]	0.23%	0.31%	0.21%	0.11%	0.18%
Portfolio turnover rate	31%	86%	86%	121%	69%	44%

[1] Certain distribution amounts have been reclassified to conform to the current year presentation.

[2] Total returns are historical and assume changes in share price and reinvestment of all dividends and distributions. Had certain expenses not been reduced during the periods shown, total returns would have been lower. Total returns for periods less than one year are not annualized.

[3] Interest earned on uninvested cash balances may be used to offset portions of the transfer agent expense. These arrangements resulted in a reduction to the Portfolio's net expense ratio by .02% and .01% for the years ended December 31, 2000 and 1999, respectively. The Portfolio's net operating expense ratio after reflecting these arrangements was 1.40% for the years ended December 31, 2000 and 1999, respectively. For the six months ended June 30, 2004, and the years ended December 31, 2003, 2002 and 2001, there was no effect on the net operating expense ratio because of transfer agent credits.

[4] Annualized.

See Accompanying Notes to Financial Statements.

Note 1. Summary of Significant Accounting Policies

Credit Suisse Trust, (the "Trust") is an open-end management investment company registered under the Investment Company Act of 1940, as amended, and currently offers eight managed investment portfolios 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. The Trust was organized under the laws of the Commonwealth of Massachusetts as a business trust on March 15, 1995.

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, Inc. (the "Exchange") on each day the Exchange is open for business. The Portfolio's equity investments are valued at market value, which is generally determined using the closing price on the exchange or market on which the security is primarily traded at the time of valuation (the "Valuation Time"). If no sales are reported, equity investments are generally valued at the most recent bid quotation as of the Valuation Time or at the lowest asked quotation in the case of a short sale of securities. Debt securities with a remaining maturity greater than 60 days are valued in accordance with the price supplied by a pricing service, which may use a matrix, formula or other objective method that takes into consideration market indices, yield curves and other specific adjustments. Debt obligations that will mature in 60 days or less are valued on the basis of amortized cost, which approximates market value, unless it is determined that using this method would not represent fair value. Securities and other assets for which market quotations are not readily available, or whose values have been materially affected by events occurring before the Portfolio's Valuation Time but after the close of the securities' primary markets, are valued at fair value as determined in good faith by, or under the direction of, the Board of Trustees under procedures established by the Board of Trustees. The Portfolio may utilize a service provided by an independent third party which has been approved by the Board of Trustees to fair value certain securities.

The Portfolio initially values its investments in private-equity portfolios ("Private Funds") at the amount invested in the Private Fund, less related expenses, where identifiable, unless and until Credit Suisse Asset Management, LLC ("CSAM") determines that such value does not represent

Note 1. Summary of Significant Accounting Policies

fair value, in which case fair value will be determined. Thereafter, investments in Private Funds held by the Portfolio are valued at their "fair values" using procedures approved by the Board of Trustees. CSAM shall review daily the Portfolio's fair valued securities.

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 is 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 carryforward, such gain will not be distributed. Income and capital gain distributions are determined in accordance with federal income tax regulations, which may differ from accounting principles generally accepted in the United States of America ("GAAP").

E) FEDERAL INCOME TAXES — No provision is made for federal taxes as it is the Trust's intention to 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.

Note 1. Summary of Significant Accounting Policies

F) USE OF ESTIMATES — The preparation of financial statements in conformity with GAAP 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 revenues and expenses during the reporting period. Actual results could differ from these estimates.

G) SHORT TERM INVESTMENTS — The Portfolio, together with other funds/portfolios advised by CSAM, an indirect, wholly-owned subsidiary of Credit Suisse Group, pools available cash into either a short-term variable rate time deposit issued by State Street Bank and Trust Company ("SSB"), the Portfolio's custodian, or a money market fund advised by CSAM. The short-term time deposit issued by SSB is a variable rate account classified as a short-term investment.

H) FORWARD FOREIGN CURRENCY CONTRACTS — The Portfolio may enter into forward foreign 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 counterparties to meet the terms of their contracts and from unanticipated movements in the value of a foreign currency. 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, 2004, the Portfolio had no open forward foreign currency contracts.

I) SECURITIES LENDING — Loans of securities are required at all times to be secured by collateral at least equal to 102% of the market value of domestic securities on loan (including any accrued interest thereon) and 105% of the market value of foreign securities on loan (including any accrued interest thereon). Cash collateral received by the Portfolio in connection with securities lending activity is pooled together with cash collateral for other funds/portfolios advised by CSAM and may be invested in a variety of investments, including certain CSAM–advised funds, funds advised by SSB, the Portfolio's securities lending agent or money market instruments. However, in the event of default or bankruptcy by the other party to the agreement, realization and/or retention of the collateral may be subject to legal proceedings.

Note 1. Summary of Significant Accounting Policies

The market value of securities on loan to brokers and the value of collateral held by the Portfolio with respect to such loans at June 30, 2004 is as follow:

Market Value of Securities Loaned	Value of Collateral Received
$14,547,750	$14,959,675

Prior to March 17, 2004, Credit Suisse First Boston ("CFSB"), an affiliate of CSAM, had been engaged by the Portfolio to act as the Portfolio's securities lending agent.

Effective March 17, 2004, SSB has been engaged by the Portfolio to act as the Portfolio's securities lending agent. The Portfolio's securities lending arrangement provides that the Portfolio and SSB will share the net income earned from securities lending activities with the Portfolio receiving 70% and SSB receiving 30% of the earnings from the investment of cash collateral or any other securities lending income in accordance with the provisions of the securities lending agency agreement. Securities lending income is accrued as earned.

J) 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, nationalization or the imposition of capital or currency controls or punitive taxes). Other risks of investing in foreign securities include liquidity 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 is earned or gains are realized.

The Portfolio may invest up to 15% of its net assets in restricted and other illiquid securities. Non-publicly traded securities may be less liquid than publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices realized from such sales could differ from the price originally paid by the Portfolio or the current carrying values, and the difference could be material.

Note 2. Transactions with Affiliates and Related Parties

CSAM serves as investment adviser for the Portfolio. For its investment advisory services, CSAM is entitled to receive 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, 2004, investment advisory fees earned and voluntarily waived were $697,298 and $93,116, respectively.

Credit Suisse Asset Management Limited (CSAM U.K.) ("CSAM Ltd. U.K."), Credit Suisse Asset Management Limited (CSAM Japan) ("CSAM Ltd. Japan") and Credit Suisse Asset Management Limited (CSAM Australia) ("CSAM Ltd. Australia"), affiliates of CSAM, are sub-investment advisers to the Portfolio. CSAM Ltd. U.K., CSAM Ltd. Japan and CSAM Ltd. Australia's sub-investment advisory fees are paid by CSAM out of CSAM's net investment advisory fee and are not paid by the Portfolio.

Abbott Capital Management, LLC ("Abbott Capital") serves as sub-investment adviser for the Portfolio's assets invested in Private Funds. Pursuant to the sub-advisory agreement between Abbott Capital and CSAM, Abbott Capital is entitled to a quarterly fee from CSAM at the annual rate of 1.00% of the value of the Portfolio's Private Funds as of the end of each calendar quarter, which fee amount or a portion thereof may be waived by Abbott Capital. No compensation is paid by the Portfolio to Abbott Capital for its sub-investment advisory services. Effective July 30, 2004 (the "Effective Date"), Abbott Capital will no longer serve as the Portfolio's sub-investment adviser. A portfolio management team at CSAM will make the Portfolio's day-to-day investment decisions with respect to Private Funds. After the Effective Date, CSAM will retain all fees previously payable to Abbott Capital under the sub-advisory agreement with Abbott Capital.

Credit Suisse Asset Management Securities, Inc. ("CSAMSI"), an affiliate of CSAM, and SSB serve as co-administrators to the Portfolio.

For its co-administrative services, CSAMSI currently receives a fee calculated at an annual rate of 0.10% of the Portfolio's average daily net assets. For the six months ended June 30, 2004, co-administrative services fees earned by CSAMSI were $55,784.

For its co-administrative services, SSB receives a fee, exclusive of out-of-pocket expenses, based upon the following fee schedule calculated in total for all the Credit Suisse funds/portfolios co-administered by SSB and allocated based upon relative average net assets of each fund/portfolio subject to an annual minimum fee.

Note 2. Transactions with Affiliates and Related Parties

Average Daily Net Assets	Annual Rate
First $5 billion	0.050% of average daily net assets
Next $5 billion	0.035% of average daily net assets
Over $10 billion	0.020% of average daily net assets

For the six months ended June 30, 2004, co-administrative services fees earned by SSB (including out-of-pocket expenses) were $32,968.

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

Merrill Corporation ("Merrill"), an affiliate of CSAM, has been engaged by the Portfolio to provide certain financial printing and fulfillment services. For the six months ended June 30, 2004, Merrill was paid $7,530 for its services to the Portfolio.

Note 3. Line of Credit

The Portfolio, together with other funds/portfolios advised by CSAM (collectively, the "Participating Funds"), participates in a $75 million committed, unsecured line of credit facility ("Credit Facility") for temporary or emergency purposes with Deutsche Bank, A.G. as administrative agent and syndication agent and SSB as operations agent. Under the terms of the Credit Facility, the Participating Funds pay an aggregate commitment fee at a rate of 0.10% per annum on the average unused amount of the Credit Facility, which is allocated among the Participating Funds in such manner as is determined by the governing Boards of the Participating Funds. In addition, the Participating Funds pay interest on borrowings at the Federal Funds rate plus 0.50%. At June 30, 2004, and during the six months ended June 30, 2004, the Portfolio had no borrowings under the Credit Facility.

Note 4. Purchases and Sales of Securities

For the six months ended June 30, 2004, purchases and sales of investment securities (excluding short-term investments) were $33,018,236 and $33,304,947, respectively.

At June 30, 2004, the identified cost for federal income tax purposes, as well as the gross unrealized appreciation from investments for those securities having an excess of value over cost, gross unrealized depreciation from investments for those securities having an excess of cost over value and the net unrealized appreciation from investments were: $105,073,024, $27,763,561, $(3,236,481) and $24,527,080, respectively.

Note 5. Restricted Securities

Certain investments of the Portfolio are restricted as to resale and are valued at fair value as determined in good faith by, or under the direction of, the Board of Trustees under procedures established by the Board of Trustees. The table below shows the number of shares held, the acquisition dates, aggregate cost, fair values as of June 30, 2004, the value per share of such securities and percentage of net assets which the securities represent. The final column represents the distributions received from each investment. The Portfolio does not have the right to demand that such securities be registered.

Security	Security Type	Number of Shares	Acquisition Date	Cost	Fair Value	Value per Share	Percentage of Net Assets	Distributions Received
Austin Ventures VIII L.P.	Ltd. Partnership	243,336	7/13/01	$ 209,675	$ 246,579	$ 1.01	0.22%	$ 39,584
CVC European Equity III L.P.	Ltd. Partnership	522,581	9/04/01	398,749	459,135	0.88	0.40%	162,693
Madison Dearborn Capital Partners, Inc.	Ltd. Partnership	425,921	4/02/01	358,221	342,074	0.80	0.30%	76,426
Oak Investment Partners X L.P.	Ltd. Partnership	993,846	1/18/01	865,785	724,976	0.73	0.63%	149,416
Planetweb, Inc.	Preferred Stock	183,800	9/08/00	998,331	4,283	0.02	0.00%	—
PRN Corp.	Preferred Stock	79,000	8/13/01	711,000	1,038,850	13.15	0.91%	—
PRN Corp.	Warrant	18,283	8/14/01	—	—	—	—	—
				$3,541,761	$2,815,897		2.46%	$428,119

Note 6. Capital Share Transactions

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

	For the Six Months Ended June 30, 2004 (unaudited)	For the Year Ended December 31, 2003
Shares sold	2,580,163	7,854,852
Shares redeemed	(2,179,207)	(6,480,897)
Net increase	400,956	1,373,955

On June 30, 2004, the number of shareholders that held 5% or more of the outstanding shares of the Portfolio were as follows:

Number of Shareholders	Approximate Percentage of Outstanding Shares
4	72%

Note 6. Capital Share Transactions

Some of the shareholders are omnibus accounts, which hold shares on behalf of individual shareholders.

Note 7. Contingencies

In the normal course of business, the Portfolio may provide general indemnifications pursuant to certain contracts and organizational documents. The Portfolio's maximum exposure under these arrangements is dependent on future claims that may be made against the Portfolio and, therefore, cannot be estimated; however, based on experience, the risk of loss from such claims is considered remote.

Important Privacy Choices for Consumers

We are committed to maintaining the privacy of every current and prospective customer. We recognize that you entrust important personal information to us, and we wish to assure you that we take seriously our responsibilities in protecting and safeguarding this information.

In connection with making available investment products and services to current and potential customers, we may obtain nonpublic personal information about you. This information may include your name, address, e-mail address, social security number, account number, assets, income, financial situation, transaction history and other personal information.

We may collect nonpublic information about you from the following sources:

- Information we receive on applications, forms, questionnaires, web sites, agreements or in the course of establishing or maintaining a customer relationship; and
- Information about your transactions with us, our affiliates, or others.

We do not disclose any nonpublic personal information about our customers or former customers to anyone, except with your consent or as otherwise permitted by law.

Restrict Information Sharing with Affiliates: In cases where we believe that additional products and services may be of interest to you, we may share the information described above with our affiliates unless you say "No."

☐ No, please do not share personal and financial information with your affiliated companies. [If you check this box, you must send this notice back to us with your name, address and account number to Credit Suisse Funds, 466 Lexington Avenue, New York, New York 10017.]

We may also disclose this information to firms that perform services on our behalf. These agents and service providers are required to treat the information confidentially and use it only for the purpose for which it is provided.

We restrict access to nonpublic personal information about you to those employees, agents or other parties who need to know that information to provide products or services to you or in connection with your investments with or through us. We maintain physical, electronic and procedural safeguards that comply with federal standards to guard your nonpublic personal information.

Note: This Notice is provided to clients and prospective clients of Credit Suisse Asset Management, LLC ("CSAM"), CSAM Capital Inc., and Credit Suisse Asset Management Securities, Inc., and shareholders and prospective shareholders in CSAM-sponsored and-advised investment companies, including Credit Suisse Funds, and other consumers and customers, as applicable. This Notice is not intended to be incorporated in any offering materials but is merely a statement of our current Privacy Policy, and may be amended from time to time upon notice to you. This Notice is dated as of May 19, 2004.

Credit Suisse Trust — Global Post-Venture Capital Portfolio
Proxy Voting (unaudited)

The policies and procedures that the Portfolio uses to determine how to vote proxies relating to its portfolio securities are available:

- By calling 1-800-222-8977
- On the Portfolio's website, www.csam.com/us
- On the website of the Securities and Exchange Commission, http://www.sec.gov.

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P.O. Box 55030, Boston, MA 02205-5030
800-222-8977 ■ www.csam.com/us

CREDIT SUISSE | ASSET MANAGEMENT

CREDIT SUISSE ASSET MANAGEMENT SECURITIES, INC., DISTRIBUTOR. TRGPV-3-0604

Dreyfus Investment Portfolios, MidCap Stock Portfolio

SEMIANNUAL REPORT June 30, 2004

YOU, YOUR ADVISOR AND

Dreyfus

A MELLON FINANCIAL COMPANY℠

The views expressed in this report reflect those of the portfolio manager only through the end of the period covered and do not necessarily represent the views of Dreyfus or any other person in the Dreyfus organization. Any such views are subject to change at any time based upon market or other conditions and Dreyfus disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Dreyfus portfolio are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any Dreyfus portfolio.

Not FDIC-Insured • Not Bank-Guaranteed • May Lose Value

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THE PORTFOLIO

FOR MORE INFORMATION

Dreyfus Investment Portfolios,
MidCap Stock Portfolio

The Portfolio

LETTER FROM THE CHAIRMAN

Dear Shareholder:

This semiannual report for Dreyfus Investment Portfolios, MidCap Stock Portfolio covers the six-month period from January 1, 2004, through June 30, 2004. 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.

Although the U.S. economy increasingly showed signs of sustainable growth during the first half of 2004, most major stock-market indices generally ended the reporting period only slightly higher than where they began. The positive effects of rising corporate earnings were largely offset by uncertainty related to the situation in Iraq, renewed inflationary pressures and potentially higher interest rates. In fact, on the last day of the reporting period, the Federal Reserve Board raised short-term rates in what many analysts believe is the first in a series of gradual increases.

To many investors, the move to a less accommodative monetary policy marks the beginning of a new phase in the economic cycle. At times such as these, when market conditions are in a period of transition, we believe it is especially important for you to stay in close contact with your financial advisor, who can help you position your portfolio in a way that is designed to respond to the challenges and opportunities of today's changing investment environment.

Thank you for your continued confidence and support.

Sincerely,

Stephen E. Canter
Chairman and Chief Executive Officer
The Dreyfus Corporation
July 15, 2004

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, 2004, the portfolio's Initial shares produced a total return of 3.42%, and its Service shares produced a total return of 3.30%.[1] This compares with the total return of 6.08% provided by the portfolio's benchmark, the Standard & Poor's MidCap 400 Index, for the same period.[2]

We attribute these results to a mildly positive environment for stocks, in which continued U.S. economic growth and reasonably good corporate earnings reports offset the effects of rising interest rates and instability in Iraq. Midcap stocks generally kept pace with the overall market, with the portfolio's midcap benchmark slightly outperforming its large-cap counterparts. While the portfolio participated in the market's overall rise, disappointments concentrated in technology and health care sectors caused the portfolio's performance returns to underperform its benchmark. During the final two months of the reporting period, the portfolio's performance relative to its benchmark improved, reflecting what we believe may have been a trend toward a more stable market environment that favored the portfolio's quantitatively driven stock valuation process.

What is the portfolio's investment approach?

The portfolio invests in a blend of growth and value stocks of midcapitalization 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 on 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 input based on 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 generated its greatest gains from investments in the energy sector, where it outperformed its benchmark during the reporting period. Geopolitical tensions, high commodity prices, rising demand and constrained supply created a profitable environment for holdings such as refinery operator Valero Energy and domestic exploration and production companies XTO Energy and Houston Exploration. The portfolio's performance also received a boost from its holdings of poultry processor Pilgrim's Pride, which benefited from increasing public acceptance of high-protein, low-carbohydrate diets. Based upon price appreciation, this holding was sold during the reporting period.

On the negative side, technology stocks gave up many of the gains they had produced during 2003. Though most companies in which the portfolio invested met or exceeded earnings forecasts during the first half of 2004, many technology stocks proved vulnerable to concerns that the pace of growth might slow. Semiconductor holdings such as Amkor Technology, Cypress Semiconductor and QLogic were hit particularly hard. Flash memory chip maker SanDisk also suffered a notable decline. As a whole, the portfolio's technology holdings underperformed the benchmark's technology stocks and, as a result, some of the portfolio's technology holdings were sold during the reporting period.

The portfolio's performance in health care proved relatively weak as well because we generally avoided high-flying biotechnology stocks that failed to meet our disciplined investment criteria for profitability and revenue growth. In addition, holdings in generic drug maker Pharmaceutical

Resources lost ground due to unexpectedly strong competitive pressures. As a result, the portfolio's holdings in this company were sold during the reporting period. Finally, the portfolio's financial sector suffered a disappointment when shares of Knight Trading Group declined upon growing investor concerns over declining trade volumes.

What is the portfolio's current strategy?

As of the end of the reporting period, the portfolio's disciplined stock selection process has led us to place a slightly greater emphasis on value-oriented midcap stocks than their growth-oriented counterparts. We are finding significant investment opportunities among companies trading at prices we consider attractive relative to their earnings and book values. This reflects our view that the current market environment is more likely to reward sustainable earnings growth than price momentum. For example, within the areas of technology and consumer cyclicals, we are finding more opportunities among steady-performing hardware distribution companies and department stores than among growth-leveraged semiconductor firms and specialty retailers. At the same time, we have continued to maintain the sector neutral, issue-by-issue stock selection process that is the hallmark of our disciplined investment approach.

July 15, 2004

The portfolio is only available as a funding vehicle under variable life insurance policies or variable annuity contracts issued by insurance companies. Individuals may not purchase shares of the portfolio directly. A variable annuity is an insurance contract issued by an insurance company that enables investors to accumulate assets on a tax-deferred basis for retirement or other long-term goals. The investment objective and policies of Dreyfus Investment Portfolios, MidCap Stock Portfolio made available through insurance products may be similar to other funds/portfolios managed or advised by Dreyfus. However, the investment results of the portfolio may be higher or lower than, and may not be comparable to, those of any other Dreyfus fund/portfolio.

1 *Total return includes reinvestment of dividends and any capital gains paid. Past performance is no guarantee of future results. Share price and investment return fluctuate such that upon redemption, portfolio shares may be worth more or less than their original cost. The portfolio's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in variable insurance contracts, which will reduce returns. Return figures provided reflect the absorption of portfolio expenses by The Dreyfus Corporation pursuant to an agreement in effect through December 31, 2004, at which time it may be extended, terminated or modified. Had these expenses not been absorbed, the portfolio's returns would have been lower.*

2 *SOURCE: LIPPER INC. — Reflects reinvestment of dividends and, where applicable, capital gain distributions. The Standard & Poor's MidCap 400 Index is a widely accepted, unmanaged total return index measuring the performance of the midsize-company segment of the U.S. market.*

STATEMENT OF INVESTMENTS

June 30, 2004 (Unaudited)

Common Stocks—96.8%	Shares		Value ($)
Consumer Cyclical—14.7%			
Abercrombie & Fitch, Cl. A	61,000		2,363,750
Applebee's International	97,500		2,244,450
Aztar	52,100	a	1,458,800
Bandag	26,600		1,184,498
Blyth	82,000	b	2,828,180
CBRL Group	81,100		2,501,935
Claire's Stores	151,400		3,285,380
Coach	112,100	a	5,065,799
GTECH Holdings	70,100		3,246,331
Gentex	68,400		2,714,112
HNI	37,700		1,595,841
La-Z-Boy	77,800		1,398,844
Lear	56,700		3,344,733
Michaels Stores	51,700		2,843,500
Movie Gallery	49,900		975,545
Nordstrom	73,800		3,144,618
Pep Boys-Manny, Moe & Jack	73,800		1,870,830
Pier 1 Imports	97,900		1,731,851
Polaris Industries	32,200		1,545,600
Saks	161,200		2,418,000
Timberland Co., Cl. A	31,400	a	2,028,126
Tuesday Morning	67,500	a	1,957,500
V. F	47,700		2,322,990
Zale	85,000	a	2,317,100
			56,388,313
Consumer Staples—3.8%			
Bunge	27,700		1,078,638
Del Monte Foods	116,600	a	1,184,656
Fresh Del Monte Produce	73,800	b	1,864,926
Jarden	41,500	a	1,493,585
Pactiv	81,200	a	2,025,128
Sensient Technologies	68,400		1,469,232
Smithfield Foods	70,000	a	2,058,000
Tyson Foods, Cl. A	163,200		3,419,040
			14,593,205

Common Stocks (continued)	Shares		Value ($)
Energy—8.7%			
CARBO Ceramics	23,200		1,583,400
Cal Dive International	62,100	a	1,882,872
Energen	42,500		2,039,575
Houston Exploration	50,300	a	2,607,552
Patina Oil & Gas	110,800		3,309,596
Questar	94,500		3,651,480
Southwestern Energy	73,800	a	2,115,846
Sunoco	27,700		1,762,274
TETRA Technologies	55,300	a	1,484,805
Transocean	70,100	a	2,028,694
Unit	99,700	a	3,135,565
Valero Energy	52,600		3,879,776
XTO Energy	136,300		4,060,377
			33,541,812
Health Care—11.3%			
Affymetrix	59,000	a	1,931,070
Apria Healthcare Group	79,400	a	2,278,780
Beckman Coulter	53,600		3,269,600
Charles River Laboratories International	46,000	a	2,248,020
Coventry Health Care	96,900	a	4,738,410
Diagnostic Products	38,300		1,682,902
Health Net	100,600	a	2,665,900
Henry Schein	44,300	a	2,797,102
Hillenbrand Industries	17,200		1,039,740
IVAX	151,700	a	3,639,283
ImClone Systems	20,900	a	1,793,011
Invacare	35,900		1,605,448
Millipore	24,000	a	1,352,880
Mylan Laboratories	94,300		1,909,575
Oxford Health Plans	47,100		2,592,384
PacifiCare Health Systems	72,700	a	2,810,582
Select Medical	88,600		1,189,012
Varian Medical Systems	46,200	a	3,665,970
			43,209,669

Common Stocks (continued)	Shares		Value ($)
Interest Sensitive—17.3%			
Bank of Hawaii	70,400		3,183,488
Bear Stearns Cos.	27,700		2,335,387
CIT Group	66,900		2,561,601
Cincinnati Financial	54,945		2,391,207
Commerce Bancshares	49,000		2,251,305
Dime Bancorp (warrants)	19,900	a	2,189
Doral Financial	54,300		1,873,350
Everest Re Group	46,200		3,712,632
Fidelity National Financial	121,880		4,550,999
First American	96,000		2,485,440
First Horizon National	46,700		2,123,449
Hibernia, Cl. A	138,600		3,367,980
Huntington Bancshares	89,800		2,056,420
IPC Holdings	44,300		1,635,999
Investors Financial Services	99,200		4,323,136
Knight Trading Group	204,200	a	2,046,084
Legg Mason	42,500	b	3,867,925
Lincoln National	56,200		2,655,450
New Century Financial	41,500	b	1,943,030
New York Community Bancorp	177,200		3,478,436
Northwest Bancorp	45,100		1,032,790
Phoenix Companies	140,600		1,722,350
Piper Jaffray	37,300	a	1,687,079
Popular	43,000		1,839,110
Provident Financial Services	98,100		1,721,655
RenaissanceRe Holdings	33,200		1,791,140
South Financial Group	68,600		1,944,124
Weingarten Realty Investors	55,500		1,736,040
			66,319,795
Producer Goods—14.2%			
Bemis	89,100		2,517,075
Briggs & Stratton	20,400		1,802,340
C.H. Robinson Worldwide	57,300		2,626,632
Cabot	66,200		2,694,340
Carlisle Cos.	30,500		1,898,625
Cleveland-Cliffs	23,700	a,b	1,336,443

Common Stocks (continued)	Shares		Value ($)
Producer Goods (continued)			
Cooper Industries, Cl. A	33,200		1,972,412
Crane	57,300		1,798,647
Energizer Holdings	62,800	a	2,826,000
Engineered Support Systems	29,500		1,726,045
Harsco	43,100		2,025,700
Hovnanian Enterprises, Cl. A	51,600	a	1,791,036
J.B. Hunt Transport Services	91,300	b	3,522,354
KB HOME	27,700		1,901,051
Lennar, Cl. A	96,000		4,293,120
Lubrizol	81,800		2,995,516
Orbital Sciences	130,400	a	1,800,824
Overseas Shipholding Group	37,900		1,672,527
Precision Castparts	33,300		1,821,177
RPM International	88,600		1,346,720
Ryland Group	30,000		2,346,000
Sigma-Aldrich	33,200	b	1,979,052
United Stationers	36,900	a	1,465,668
Yellow Roadway	37,100	a	1,478,806
York International	72,000		2,957,040
			54,595,150
Services—9.8%			
CIBER	149,100	a	1,225,602
Convergys	73,800	a	1,136,520
Cox Radio, Cl. A	86,700	a	1,506,846
eFunds	134,200	a	2,348,500
Equifax	65,600		1,623,600
FactSet Research Systems	60,100		2,840,927
Hearst-Argyle Television	42,600		1,098,228
ITT Educational Services	50,900	a,b	1,935,218
MPS Group	223,000	a	2,702,760
Manpower	68,100		3,457,437
Media General, Cl. A	38,000		2,440,360
Moody's	20,400		1,319,064
Rent-A-Center	84,300	a	2,523,099
Republic Services	123,700		3,579,878
Ryder System	41,200		1,650,884

Common Stocks (continued)	Shares		Value ($)
Services (continued)			
SunGard Data Systems	79,400	a	2,064,400
Washington Post, Cl. B	4,700		4,371,047
			37,824,370
Technology—12.5%			
Activision	161,900	a	2,574,210
Altera	72,000	a	1,599,840
Amphenol, Cl. A	77,500	a	2,582,300
Arrow Electronics	143,800	a	3,856,716
Avnet	92,300	a	2,095,210
CheckFree	59,900	a	1,797,000
Citrix Systems	84,900	a	1,728,564
Cypress Semiconductor	171,100	a	2,427,909
Digital River	81,800	a	2,669,134
Harris	68,400		3,471,300
Integrated Circuit Systems	83,100	a	2,256,996
International Rectifier	48,000	a	1,988,160
National Semiconductor	125,600	a,b	2,761,944
Network Associates	140,500	a	2,547,265
Plantronics	84,900	a	3,574,290
SanDisk	69,900	a,b	1,516,131
Storage Technology	109,000	a	3,161,000
Tech Data	61,800	a	2,418,234
Zebra Technologies, Cl. A	31,900	a	2,775,300
			47,801,503
Utilities—4.5%			
Alliant Energy	119,400		3,113,952
CenturyTel	42,100		1,264,684
Great Plains Energy	96,000		2,851,200
Northeast Utilities	176,500	b	3,436,455
SCANA	92,300	b	3,356,951
WPS Resources	66,500	b	3,082,275
			17,105,517
Total Common Stocks (cost $314,466,683)			**371,379,334**

Short-Term Investments—2.7%	Principal Amount ($)	Value ($)
Repurchase Agreement;		
Greenwich Capital Markets, Tri-Party Repurchase Agreement, 1.25%, dated 6/30/2004, due 7/1/2004, in the amount of $10,300,358 (fully collateralized by $10,840,000 Federal Home Loan Mortgage Corp., Notes, 3.375%, 4/15/2009, value $10,509,719) (cost $10,300,000)	10,300,000	**10,300,000**

Investment of Cash Collateral for Securities Loaned—5.2%	Shares	Value ($)
Registered Investment Company;		
Dreyfus Institututional Cash Advantage Fund (cost $20,195,672)	20,195,672 [c]	**20,195,672**

Total Investments (cost $344,962,355)	**104.7%**	**401,875,006**
Liabilities, Less Cash and Receivables	**(4.7%)**	**(18,215,741)**
Net Assets	**100.0%**	**383,659,265**

[a] *Non-income producing.*

[b] *All or a portion of these securities are on loan. At June 30, 2004, the total market value of the portfolio's securities on loan is $19,735,445 and the total market value of the collateral held by the portfolio is $20,195,672.*

[c] *Investment in affiliated money market mutual fund.*

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2004 (Unaudited)

	Cost	Value
Assets ($):		
Investments in securities—See Statement of Investments (including securities on loan, valued at $19,735,445)—Note 1(b):		
Unaffiliated issuers	324,766,683	381,679,334
Affiliated issuers	20,195,672	20,195,672
Cash		215,750
Receivable for investment securities sold		7,568,373
Dividends and interest receivable		198,329
Receivable for shares of Beneficial Interest subscribed		22,916
Prepaid expenses		5,522
		409,885,896
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(b)		256,587
Liability for securities on loan—Note 1(b)		20,195,672
Payable for shares of Beneficial Interest redeemed		3,828,117
Payable for investment securities purchased		1,904,738
Accrued expenses		41,517
		26,226,631
Net Assets ($)		**383,659,265**
Composition of Net Assets ($):		
Paid-in capital		328,823,785
Accumulated undistributed investment income—net		715,803
Accumulated net realized gain (loss) on investments		(2,792,974)
Accumulated net unrealized appreciation (depreciation) on investments		56,912,651
Net Assets ($)		**383,659,265**

Net Asset Value Per Share

	Initial Shares	Service Shares
Net Assets ($)	313,038,343	70,620,922
Shares Outstanding	19,137,789	4,333,545
Net Asset Value Per Share ($)	**16.36**	**16.30**

See notes to financial statements.

STATEMENT OF OPERATIONS

Six Months Ended June 30, 2004 (Unaudited)

Investment Income ($):	
Income:	
Cash dividends (net of $1,161 foreign taxes withheld at source)	2,182,343
Interest	48,231
Income from securities lending	14,005
Total Income	**2,244,579**
Expenses:	
Investment advisory fee—Note 3(a)	1,399,250
Distribution fees—Note 3(b)	81,937
Professional fees	22,512
Custodian fees—Note 3(b)	19,190
Trustees' fees and expenses—Note 3(c)	8,515
Shareholder servicing costs—Note 3(b)	1,287
Miscellaneous	4,767
Total Expenses	**1,537,458**
Less—waiver of fees due to undertaking—Note 3(a)	(9,648)
Net Expenses	**1,527,810**
Investment Income—Net	**716,769**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments	20,878,839
Net unrealized appreciation (depreciation) on investments	(9,337,114)
Net Realized and Unrealized Gain (Loss) on Investments	**11,541,725**
Net Increase in Net Assets Resulting from Operations	**12,258,494**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended June 30, 2004 (Unaudited)	Year Ended December 31, 2003
Operations ($):		
Investment income—net	716,769	810,913
Net realized gain (loss) on investments	20,878,839	9,408,572
Net unrealized appreciation (depreciation) on investments	(9,337,114)	68,768,258
Net Increase (Decrease) in Net Assets Resulting from Operations	**12,258,494**	**78,987,743**
Dividends to Shareholders from ($):		
Investment income—net:		
Initial shares	(23,110)	(728,922)
Service shares	–	(81,129)
Total Dividends	**(23,110)**	**(810,051)**
Beneficial Interest Transactions ($):		
Net proceeds from shares sold:		
Initial shares	19,728,672	47,304,668
Service shares	18,079,286	32,894,299
Dividends reinvested:		
Initial shares	23,110	728,922
Service shares	–	81,129
Cost of shares redeemed:		
Initial shares	(19,081,100)	(32,010,864)
Service shares	(7,802,618)	(3,406,244)
Increase (Decrease) in Net Assets from Beneficial Interest Transactions	**10,947,350**	**45,591,910**
Total Increase (Decrease) in Net Assets	**23,182,734**	**123,769,602**
Net Assets ($):		
Beginning of Period	360,476,531	236,706,929
End of Period	**383,659,265**	**360,476,531**
Undistributed investment income—net	715,803	22,144

	Six Months Ended June 30, 2004 (Unaudited)	Year Ended December 31, 2003
Capital Share Transactions:		
Initial Shares		
Shares sold	1,223,883	3,369,757
Shares issued for dividends reinvested	1,414	47,166
Shares redeemed	(1,196,153)	(2,451,003)
Net Increase (Decrease) in Shares Outstanding	**29,144**	**965,920**
Service Shares		
Shares sold	1,126,252	2,410,994
Shares issued for dividends reinvested	–	5,260
Shares redeemed	(483,638)	(250,075)
Net Increase (Decrease) in Shares Outstanding	**642,614**	**2,166,179**

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 June 30, 2004 (Unaudited)	Year Ended December 31, 2003	2002	2001	2000	1999
Per Share Data ($):						
Net asset value, beginning of period	15.82	12.04	13.80	14.29	13.44	12.16
Investment Operations:						
Investment income—net [a]	.03	.04	.04	.03	.05	.03
Net realized and unrealized gain (loss) on investments	.51	3.78	(1.76)	(.50)	1.05	1.28
Total from Investment Operations	.54	3.82	(1.72)	(.47)	1.10	1.31
Distributions:						
Dividends from investment income—net	(.00)[b]	(.04)	(.04)	(.02)	(.03)	(.03)
Dividends from net realized gain on investments	–	–	–	–	(.13)	–
Dividends in excess of net realized gain on investments	–	–	–	–	(.09)	–
Total Distributions	(.00)[b]	(.04)	(.04)	(.02)	(.25)	(.03)
Net asset value, end of period	16.36	15.82	12.04	13.80	14.29	13.44
Total Return (%)	3.42[c]	31.72	(12.49)	(3.26)	8.28	10.82
Ratios/Supplemental Data (%):						
Ratio of expenses to average net assets	.39[c]	.82	.85	.89	.98	.97
Ratio of net investment income to average net assets	.21[c]	.32	.32	.24	.34	.26
Decrease reflected in above expense ratios due to undertakings by The Dreyfus Corporation	–	–	–	–	.06	.49
Portfolio Turnover Rate	43.53[c]	74.15	69.15	76.37	102.89	77.73
Net Assets, end of period ($ x 1,000)	313,038	302,253	218,387	181,028	76,784	15,563

[a] *Based on average shares outstanding at each month end.*
[b] *Amount represents less than $.01 per share.*
[c] *Not annualized.*
See notes to financial statements.

Service Shares	Six Months Ended June 30, 2004 (Unaudited)	Year Ended December 31, 2003	2002	2001	2000[a]
Per Share Data ($):					
Net asset value, beginning of period	15.77	12.02	13.78	14.29	14.29
Investment Operations:					
Investment income—net	.02[b]	.02[b]	.02[b]	.01[b]	–
Net realized and unrealized gain (loss) on investments	.51	3.75	(1.75)	(.50)	–
Total from Investment Operations	.53	3.77	(1.73)	(.49)	–
Distributions:					
Dividends from investment income—net	–	(.02)	(.03)	(.02)	–
Net asset value, end of period	16.30	15.77	12.02	13.78	14.29
Total Return (%)	3.30[c]	31.48	(12.64)	(3.36)	–
Ratios/Supplemental Data (%):					
Ratio of expenses to average net assets	.50[c]	1.00	1.00	1.00	–
Ratio of net investment income to average net assets	.11[c]	.12	.15	.07	–
Decrease reflected in above expense ratios due to undertakings by The Dreyfus Corporation	.01[c]	.06	.10	.17	–
Portfolio Turnover Rate	43.53[c]	74.15	69.15	76.37	102.89
Net Assets, end of period ($ x 1,000)	70,621	58,224	18,320	9,764	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.

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 nine 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 (the "Manager" or "Dreyfus ") serves as the portfolio's investment adviser. The Manager is a wholly-owned subsidiary of Mellon Financial Corporation ("Mellon Financial").

Dreyfus Service Corporation (the "Distributor"), a wholly-owned subsidiary of the Manager, 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. Income, expenses (other than expenses attributable to a specific class), and realized and unrealized gains or losses on investments are allocated to each class of shares based on its relative net assets.

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 U.S. generally accepted accounting principles, which may require the use of management estimates and assumptions. Actual results could differ from those estimates.

The fund enters into contracts that contain a variety of indemnifications. The portfolio's maximum exposure under these arrangements is unknown. The portfolio does not anticipate recognizing any loss related to these arrangements.

(a) Portfolio valuation: Investments in securities (including options and financial futures) are valued at the last sales price on the securities exchange or national securities market on which such securities are primarily traded. Securities listed on the National Market System for which market quotations are available are valued at the official closing price or, if there is no official closing price that day, at the last sale price. 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, except for open short positions, where the asked price is used for valuation purposes. Bid price is used when no asked price is available. When market quotations or official closing prices are not readily available, or are determined not to reflect accurately fair value, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded (for example, a foreign exchange or market), but before the portfolio calculates its net asset value, the portfolio may value these investments at fair value as determined in accordance with the procedures approved by the fund's Board. Fair valuing of securities may be determined with the assistance of a pricing service using calculations based on indices of domestic securities and other appropriate indicators, such as prices of relevant ADR's and futures contracts.

(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 $78 during the period ended June 30, 2004 based on available cash balances left on deposit. Income earned under this arrangement is included in interest income.

The portfolio may lend securities to qualified institutions. At origination, all loans are secured by collateral of at least 102% of the value of U.S. securities loaned and 105% of the value of foreign securities loaned. Collateral equivalent to at least 100% of the market value of securities on loan will be maintained at all times. Cash collateral is invested in certain money market mutual funds managed by the Manager as shown in the portfolio's Statement of Investments. The portfolio will be entitled to receive all income on securities loaned, in addition to income earned as a result of the lending transaction. Although each security loaned is fully collateralized, the portfolio would bear the risk of delay in recovery of, or loss of rights in, the securities loaned should a borrower fail to return the securities in a timely manner.

The portfolio may enter into repurchase agreements with financial institutions, deemed to be creditworthy by the Manager, 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) Affiliated issuers: Investments in other investment companies advised by the Manager are defined as "affiliated" in the Act.

(d) 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 portfolio may make distributions on a more frequent basis to comply with the distribution requirements of the Internal Revenue Code of 1986, as amended (the "Code"). To the extent that net realized capital gain can be offset by capital loss carryovers, it is the policy of the portfolio not to distribute such gain. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from U.S. generally accepted accounting principles.

(e) Federal income taxes: It is the policy of the portfolio to continue to qualify as a regulated investment company, if such qualification is in the best interests of its shareholders, by complying with the applicable provisions of the Code, and to make distributions of taxable income sufficient to relieve it from substantially all federal income and excise taxes.

The portfolio has an unused capital loss carryover of $23,577,097 available for federal income tax purposes to be applied against future net securities profits, if any, realized subsequent to December 31, 2003. If not applied, $1,617,358 of the carryover expires in fiscal 2009 and $21,959,739 expires in fiscal 2010.

The tax character of distributions paid to shareholders during the fiscal year ended December 31, 2003 was as follows: ordinary income $810,051. The tax character of current year distributions will be determined at the end of the current fiscal year.

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, 2004, 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 the Manager, 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.

The Manager has agreed, from January 1, 2004 to December 31, 2004, 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, 2004, the Manager waived receipt of fees of $9,648, 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, 2004, Service shares were charged $81,937 pursuant to the Plan.

The portfolio compensates Dreyfus Transfer, Inc., a wholly-owned subsidiary of the Manager, under a transfer agency agreement for providing personnel and facilities to perform transfer agency services for the portfolio. During the period ended June 30, 2004, the portfolio was charged $331 pursuant to the transfer agency agreement.

The portfolio compensates Mellon Bank, N.A., an affiliate of the Manager, under a custody agreement for providing custodial services for the portfolio. During the period ended June 30, 2004, the portfolio was charged $19,190 pursuant to the custody agreement.

The components of Due to The Dreyfus Corporation and affiliates in the Statement of Assets and Liabilities consists of: investment advisory fees $235,465, Rule 12b-1 distribution plan fees $14,660, custodian fees $6,350 and transfer agency per account fees $112.

(c) Each Board member also serves as a Board member of other funds within the Dreyfus complex. Annual retainer fees and attendance fees are allocated to each fund based on net assets.

NOTE 4—Securities Transactions:

The aggregate amount of purchases and sales of investment securities, excluding short-term securities, during the period ended June 30, 2004, amounted to $166,391,789 and $158,606,280, respectively.

At June 30, 2004, accumulated net unrealized appreciation on investments was $56,912,651, consisting of $64,467,257 gross unrealized appreciation and $7,554,606 gross unrealized depreciation.

At June 30, 2004, 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).

NOTE 5—Legal Matters:

Two class actions (which have been consolidated) have been filed against Mellon Financial and Mellon Bank, N.A., and Dreyfus and Founders Asset Management LLC (the "Investment Advisers"), and the directors of all or substantially all of the Dreyfus funds, alleging that the Investment Advisers improperly used assets of the Dreyfus funds, in the form of directed brokerage commissions and 12b-1 fees, to pay brokers to promote sales of Dreyfus funds, and that the use of fund assets to make these payments was not properly disclosed to investors. The complaints further allege that the directors breached their fiduciary duties to fund shareholders under the Investment Company Act of 1940 and at common law. The complaints seek unspecified compensatory and punitive damages, rescission of the funds' contracts with the Investment Advisers, an accounting of all fees paid, and an award of attorneys' fees and litigation expenses. Dreyfus and the Dreyfus funds believe the allegations to be totally without merit and will defend the actions vigorously.

Additional lawsuits arising out of these circumstances and presenting similar allegations and requests for relief may be filed against the defendants in the future. Neither Dreyfus nor the Dreyfus funds believe that any of the pending actions will have a material adverse effect on the Dreyfus funds or Dreyfus' ability to perform its contracts with the Dreyfus funds.

For More Information

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The Dreyfus Family of Funds
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Uniondale, NY 11556-0144
Attn: Institutional Servicing

A description of the policies and procedures that the fund uses to determine how to vote proxies relating to portfolio securities is available, without charge, by calling the telephone number listed above, or by visiting the SEC's website at http://www.sec.gov

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The Dreyfus Socially Responsible Growth Fund, Inc.

SEMIANNUAL REPORT June 30, 2004

YOU, YOUR ADVISOR AND

Dreyfus

A MELLON FINANCIAL COMPANY℠

The views expressed in this report reflect those of the portfolio manager only through the end of the period covered and do not necessarily represent the views of Dreyfus or any other person in the Dreyfus organization. Any such views are subject to change at any time based upon market or other conditions and Dreyfus disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Dreyfus fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any Dreyfus fund.

Not FDIC-Insured • Not Bank-Guaranteed • May Lose Value

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THE FUND

FOR MORE INFORMATION

LETTER FROM THE CHAIRMAN

Dear Shareholder:

This semiannual report for The Dreyfus Socially Responsible Growth Fund, Inc. covers the six-month period from January 1, 2004, through June 30, 2004. 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, L. Emerson Tuttle and Paul Hilton.

Although the U.S. economy increasingly showed signs of sustainable growth during the first half of 2004, most major stock-market indices generally ended the reporting period only slightly higher than where they began. The positive effects of rising corporate earnings were largely offset by uncertainty related to the situation in Iraq, renewed inflationary pressures and potentially higher interest rates. In fact, on the last day of the reporting period, the Federal Reserve Board raised short-term rates in what many analysts believe is the first in a series of gradual increases.

To many investors, the move to a less accommodative monetary policy marks the beginning of a new phase in the economic cycle. At times such as these, when market conditions are in a period of transition, we believe it is especially important for you to stay in close contact with your financial advisor, who can help you position your portfolio in a way that is designed to respond to the challenges and opportunities of today's changing investment environment.

Thank you for your continued confidence and support.

Sincerely,

Stephen E. Canter
Chairman and Chief Executive Officer
The Dreyfus Corporation
July 15, 2004

DISCUSSION OF FUND PERFORMANCE

L. Emerson Tuttle and Paul Hilton, Portfolio Managers

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

For the six-month period ended June 30, 2004, the fund's Initial shares produced a 2.74% total return, and the fund's Service shares provided a 2.62% total return.[1] In comparison, the fund's benchmark, the Standard & Poor's 500 Composite Stock Price Index ("S&P 500 Index"), produced a 3.44% total return for the same period.[2]

We attribute the market's overall performance to an improving economy and a rallying stock market during parts of the reporting period. The fund's returns modestly trailed the S&P 500 Index, primarily due to the fund's heavy exposure to technology stocks and limited exposure to energy and financial services 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, under normal circumstances, invests at least 80% of its assets in common stocks 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?

The U.S. stock market rose only modestly during the reporting period, primarily due to concerns regarding instability in Iraq, higher interest rates and uncertainties over consumer spending. Later in the reporting period, some of the smaller, lower-quality stocks that previously had outperformed their better-quality counterparts began to announce that they would be unable to meet earnings expectations. As a result, the larger, better-quality stocks in which the fund invests began to outperform their smaller counterparts.

However, the fund's performance was hindered by its relatively heavy exposure to technology stocks, which represented the worst performing sector of the S&P 500 Index during the reporting period. The fund's limited exposure to energy stocks, the best performing sector, also detracted from the fund's overall performance. To a lesser degree, the fund's returns were also limited because it had less exposure than the S&P 500 Index did to certain financial stocks, including consumer finance companies, mortgage financing firms and real estate insurance companies.

On a more positive note, the fund's health care stocks made the largest positive contribution to returns during the first half of 2004. The fund achieved higher returns than the S&P 500 Index did in the health care sector because we focused mainly on health care equipment companies, medical device manufacturers and smaller pharmaceutical firms. Some of the reporting period's top performers in the health care sector included Fisher Scientific International, a life sciences company; Alcon, a leader in eyecare products; and Boston Scientific and Zimmer Holdings, two medical devices firms.

The fund's consumer discretionary stocks, a sector we have favored for some time, also fared relatively well during the reporting period. We generally emphasized retailers that we believe have demonstrated their ability to gain market share in the current economic environment. For example, office supplies retailer Staples derives a significant portion of its revenues from corporate spending, and its earnings have benefited from generally improved business conditions.

What is the fund's current strategy?

As of the end of the reporting period, we have shifted the fund's emphasis further away from value-oriented companies and toward growth stocks, primarily because we believe that growth companies generally have better chances of achieving higher earnings growth during the next phase of the economic cycle. Accordingly, we recently reduced the fund's exposure to large financial services firms, and we redeployed those assets to a number of stocks in the technology, health care and consumer discretionary sectors. In our view, these are prudent strategies as investors adjust to the next phase of the economic cycle.

Can you highlight some of the fund's socially responsible investing activities?

The issue of climate change has emerged as one of the most important environmental concerns facing our planet today. A growing scientific consensus suggests that greenhouse gas (GHG) emissions tied to human activity, such as carbon dioxide emissions, may result in increasing average global temperatures and extreme weather events.

A recent initiative, called the Carbon Disclosure Project (CDP), asked the 500 largest international companies to disclose steps they have taken to respond to the business risks associated with climate change. Business risks include new regulations, litigation, damage to physical assets and higher insurance premiums. As a response to these risks, proactive companies acknowledge climate change as an important issue, develop a formal response strategy, track GHG emissions, and set formal GHG reduction targets. The CDP is sponsored by 95 institutional investors whose combined assets under management are in excess of $10 trillion U.S. dollars.

We are pleased to report that many of the fund's current holdings have responded to the CDP information request, including Intel, Dell, Citigroup, Boston Scientific, Zimmer Holdings, Procter & Gamble, Johnson & Johnson and Pfizer. We intend to continue to monitor the responses of our portfolio companies to this important issue and call for improved disclosure and management of climate change risk. For more information on the Carbon Disclosure Project, please visit www.cdproject.net.

July 15, 2004

The fund is only available as a funding vehicle under variable life insurance policies or variable annuity contracts issued by insurance companies. Individuals may not purchase shares of the fund directly. A variable annuity is an insurance contract issued by an insurance company that enables investors to accumulate assets on a tax-deferred basis for retirement or other long-term goals. The investment objective and policies of The Dreyfus Socially Responsible Growth Fund, Inc. made available through insurance products may be similar to other funds/portfolios managed or advised by Dreyfus. However, the investment results of the fund may be higher or lower than, and may not be comparable to, those of any other Dreyfus fund/portfolio.

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 reinvestment of dividends and, where applicable, capital gain distributions. The Standard & Poor's 500 Composite Stock Price Index is a widely accepted, unmanaged index of U.S. stock market performance.*

STATEMENT OF INVESTMENTS

June 30, 2004 (Unaudited)

Common Stocks—97.8%	Shares		Value ($)
Consumer Discretionary—14.3%			
Coach	172,000	a	7,772,680
Dollar General	268,900		5,259,684
Marriott International, Cl. A	238,500		11,896,380
Staples	382,000		11,196,420
TJX Cos.	277,500		6,698,850
Target	253,000		10,744,910
Tiffany & Co.	100,500		3,703,425
Viacom, Cl. B	191,000		6,822,520
Walt Disney	372,500		9,495,025
			73,589,894
Consumer Staples—7.7%			
Estee Lauder Cos., Cl. A	200,700		9,790,146
PepsiCo	237,500		12,796,500
Procter & Gamble	116,000		6,315,040
Walgreen	301,000		10,899,210
			39,800,896
Energy—1.7%			
Anadarko Petroleum	147,000		**8,614,200**
Financials—11.0%			
American Express	194,000		9,967,720
American International Group	162,000		11,547,360
Axis Capital Holdings	157,500		4,410,000
Citigroup	207,000		9,625,500
Franklin Resources	135,000		6,760,800
Goldman Sachs Group	83,500		7,862,360
Radian Group	138,000		6,610,200
			56,783,940
Health Care—24.4%			
Alcon	90,000		7,078,500
Amgen	189,000	a	10,313,730
Boston Scientific	257,000	a	10,999,600
Celgene	91,000	a,b	5,210,660
Fisher Scientific International	138,500	a,b	7,998,375
Forest Laboratories	191,000	a	10,816,330
Johnson & Johnson	234,500		13,061,650

Common Stocks (continued)	Shares		Value ($)
Health Care (continued)			
Medtronic	276,000		13,446,720
Pfizer	728,000		24,955,840
Stryker	98,000		5,390,000
WellPoint Health Networks	88,000	a	9,856,880
Zimmer Holdings	79,500	a	7,011,900
			126,140,185
Industrials—9.6%			
Avery Dennison	113,000		7,233,130
Danaher	272,500		14,129,125
Dover	214,500		9,030,450
Illinois Tool Works	55,500		5,321,895
Tyco International	417,000		13,819,380
			49,533,980
Information Technology—24.8%			
Alliance Data Systems	127,500	a	5,386,875
Analog Devices	203,500		9,580,780
Cisco Systems	971,000	a	23,012,700
Cognizant Technology Solutions	226,000	a	5,742,660
Corning	206,000	a	2,690,360
Dell	440,500	a	15,778,710
EMC	704,500	a	8,031,300
Hewitt Associates, Cl.A	98,700	a	2,714,250
International Business Machines	89,500		7,889,425
Microsoft	605,500		17,293,080
Oracle	432,000	a	5,153,760
QUALCOMM	100,000		7,298,000
Symantec	226,500	a	9,916,170
Waters	152,000	a	7,262,560
			127,750,630
Semiconductors—4.3%			
Intel	606,000		16,725,600
National Semiconductor	247,000	a	5,431,530
			22,157,130
Total Common Stocks (cost $419,689,389)			**504,370,855**

Short-Term Investments—2.0%	Principal Amount ($)		Value ($)
Certificates of Deposit—.0%			
Self Help Credit Union, 1.50%, 9/14/2004	100,000		**100,000**
U.S. Treasury Bills—2.0%			
.90%, 7/1/2004	480,000		480,000
.95%, 7/8/2004	7,261,000		7,259,548
.98%, 7/15/2004	300,000		299,862
1.06%, 7/29/2004	2,229,000		2,226,994
			10,266,404
Total Short-Term Investments (cost $10,366,714)			**10,366,404**
Investment of Cash Collateral for Securities Loaned—1.5%	Shares		Value ($)
Registered Investment Company;			
Dreyfus Institutional Cash Advantage Plus Fund (cost $7,831,800)	7,831,800	c	**7,831,800**
Total Investments (cost $437,887,903)	**101.3%**		**522,569,059**
Liabilities, Less Cash and Receivables	**(1.3%)**		**(6,736,961)**
Net Assets	**100.0%**		**515,832,098**

[a] *Non-income producing.*
[b] *All or a portion of these securities are on loan. At June 30, 2004, the total market value of the fund's securities on loan is $7,532,210 and the total market value of the collateral held by the fund is $7,831,800.*
[c] *Investment in affiliated money market mutual fund.*
See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2004 (Unaudited)

	Cost	Value
Assets ($):		
Investments in securities—See Statement of Investments (including securities on loan, valued at $7,532,210)—Note 1(b):		
Unaffiliated issuers	430,056,103	514,737,259
Affiliated issuers	7,831,800	7,831,800
Cash		93,602
Receivable for investment securities sold		2,505,594
Dividends and interest receivable		137,622
Receivable for shares of Common Stock subscribed		14,865
Prepaid expenses		20,335
		525,341,077
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(c)		323,580
Liability for securities on loan—Note 1(b)		7,831,800
Payable for investment securities purchased		941,261
Payable for shares of Common Stock redeemed		353,530
Accrued expenses		58,808
		9,508,979
Net Assets ($)		**515,832,098**
Composition of Net Assets ($):		
Paid-in capital		723,481,354
Accumulated investment (loss)—net		(500,101)
Accumulated net realized gain (loss) on investments		(291,830,311)
Accumulated net unrealized appreciation (depreciation) on investments		84,681,156
Net Assets ($)		**515,832,098**

Net Asset Value Per Share

	Initial Shares	Service Shares
Net Assets ($)	502,855,711	12,976,387
Shares Outstanding	20,570,960	533,779
Net Asset Value Per Share ($)	**24.44**	**24.31**

See notes to financial statements.

STATEMENT OF OPERATIONS

Six Months Ended June 30, 2004 (Unaudited)

Investment Income ($):	
Income:	
Cash dividends (net of $17,596 foreign taxes withheld at source)	1,609,463
Interest	45,049
Income from securities lending	3,236
Total Income	**1,657,748**
Expenses:	
Investment advisory fee—Note 3(a)	1,964,943
Prospectus and shareholders' reports	77,437
Professional fees	38,283
Shareholder servicing costs—Note 3(c)	22,969
Custodian fees—Note 3(c)	21,223
Distribution fees—Note 3(b)	15,713
Directors' fees and expenses—Note 3(d)	8,780
Loan commitment fees—Note 2	1,416
Registration fees	380
Miscellaneous	4,433
Total Expenses	**2,155,577**
Investment (Loss)—Net	**(497,829)**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments	11,945,524
Net unrealized appreciation (depreciation) on investments	2,884,061
Net Realized and Unrealized Gain (Loss) on Investments	**14,829,585**
Net Increase in Net Assets Resulting from Operations	**14,331,756**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended June 30, 2004 (Unaudited)	Year Ended December 31, 2003
Operations ($):		
Investment income (loss)—net	(497,829)	534,246
Net realized gain (loss) on investments	11,945,524	572,765
Net unrealized appreciation (depreciation) on investments	2,884,061	110,456,965
Net Increase (Decrease) in Net Assets Resulting from Operations	**14,331,756**	**111,563,976**
Dividends to Shareholders from ($):		
Investment income—net:		
Initial shares	(31,743)	(531,273)
Service shares	–	(523)
Total Dividends	**(31,743)**	**(531,796)**
Capital Stock Transactions ($):		
Net proceeds from shares sold:		
Initial shares	16,381,992	54,435,818
Service shares	1,445,869	3,981,349
Dividends reinvested:		
Initial shares	31,743	531,273
Service shares	–	523
Cost of shares redeemed:		
Initial shares	(48,798,485)	(98,462,078)
Service shares	(992,633)	(2,184,906)
Increase (Decrease) in Net Assets from Capital Stock Transactions	**(31,931,514)**	**(41,698,021)**
Total Increase (Decrease) in Net Assets	**(17,631,501)**	**69,334,159**
Net Assets ($):		
Beginning of Period	533,463,599	464,129,440
End of Period	**515,832,098**	**533,463,599**
Undistributed investment income (loss)—net	(500,101)	29,471

	Six Months Ended June 30, 2004 (Unaudited)	Year Ended December 31, 2003
Capital Share Transactions:		
Initial Shares		
Shares sold	675,425	2,612,164
Shares issued for dividends reinvested	1,315	22,640
Shares redeemed	(2,015,956)	(4,858,079)
Net Increase (Decrease) in Shares Outstanding	**(1,339,216)**	**(2,223,275)**
Service Shares		
Shares sold	59,951	190,969
Shares issued for dividends reinvested	–	27
Shares redeemed	(41,278)	(106,555)
Net Increase (Decrease) in Shares Outstanding	**18,673**	**84,441**

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 June 30, 2004 (Unaudited)	Year Ended December 31, 2003	2002	2001	2000	1999
Per Share Data ($):						
Net asset value, beginning of period	23.79	18.90	26.67	34.47	39.07	31.08
Investment Operations:						
Investment income (loss)—net [a]	(.02)	.02	.05	.02	.32	.01
Net realized and unrealized gain (loss) on investments	.67	4.89	(7.77)	(7.80)	(4.63)	9.34
Total from Investment Operations	.65	4.91	(7.72)	(7.78)	(4.31)	9.35
Distributions:						
Dividends from investment income—net	(.00)[b]	(.02)	(.05)	(.02)	(.29)	(.01)
Dividends from net realized gain on investments	–	–	–	–	–	(1.35)
Total Distributions	(.00)[b]	(.02)	(.05)	(.02)	(.29)	(1.36)
Net asset value, end of period	24.44	23.79	18.90	26.67	34.47	39.07
Total Return (%)	2.74[c]	26.00	(28.94)	(22.57)	(11.03)	30.08
Ratios/Supplemental Data (%):						
Ratio of expenses to average net assets	.40[c]	.84	.80	.78	.78	.79
Ratio of net investment income (loss) to average net assets	(.09)[c]	.12	.20	.06	.82	.04
Portfolio Turnover Rate	26.25[c]	63.17	90.07	110.82	63.60	70.84
Net Assets, end of period ($ x 1,000)	502,856	521,262	456,014	779,063	1,075,089	897,539

[a] *Based on average shares outstanding at each month end.*
[b] *Amount represents less than $.01 per share.*
[c] *Not annualized.*
See notes to financial statements.

Service Shares	Six Months Ended June 30, 2004 (Unaudited)	Year Ended December 31, 2003	2002	2001	2000[a]
Per Share Data ($):					
Net asset value, beginning of period	23.69	18.84	26.59	34.47	34.47
Investment Operations:					
Investment (loss)—net	(.05)[b]	(.03)[b]	(.00)[b,c]	(.06)[b]	–
Net realized and unrealized gain (loss) on investments	.67	4.88	(7.75)	(7.82)	–
Total from Investment Operations	.62	4.85	(7.75)	(7.88)	–
Distributions:					
Dividends from investment income—net	–	(.00)[c]	(.00)[c]	(.00)[c]	–
Net asset value, end of period	24.31	23.69	18.84	26.59	34.47
Total Return (%)	2.62[d]	25.75	(29.14)	(22.85)	–
Ratios/Supplemental Data (%):					
Ratio of expenses to average net assets	.53[d]	1.09	1.03	1.09	–
Ratio of net investment (loss) to average net assets	(.21)[d]	(.14)	(.01)	(.20)	–
Portfolio Turnover Rate	26.25[d]	63.17	90.07	110.82	63.60
Net Assets, end of period ($ x 1,000)	12,976	12,202	8,115	8,275	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.

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, with current income as a secondary goal 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 (the "Manager" or "Dreyfus") serves as the fund's investment adviser. The Manager is a wholly-owned subsidiary of Mellon Financial Corporation ("Mellon Financial").

Dreyfus Service Corporation (the "Distributor"), a wholly-owned subsidiary of the Manager, 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. Income, expenses (other than expenses attributable to a specific class), and realized and unrealized gains or losses on investments are allocated to each class of shares based on its relative net assets.

The fund's financial statements are prepared in accordance with U.S. generally accepted accounting principles, which may require the use of management estimates and assumptions. Actual results could differ from those estimates.

The fund enters into contracts that contain a variety of indemnifications. The fund's maximum exposure under these arrangements is unknown. The fund does not anticipate recognizing any loss related to these arrangements.

(a) Portfolio valuation: Investments in securities are valued at the last sales price on the securities exchange or national securities market on which such securities are primarily traded. Securities listed on the National Market System for which market quotations are available are valued at the official closing price or, if there is no official closing price that day, at the last sale price. 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, except for open short positions, where the asked price is used for valuation purposes. Bid price is used when no asked price is available. When market quotations or official closing prices are not readily available, or are determined not to reflect accurately fair value, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded (for example, a foreign exchange or market), but before the fund calculates its net asset value, the fund may value these investments at fair value as determined in accordance with the procedures approved by the fund's Board. Fair valuing of securities may be determined with the assistance of a pricing service using calculations based on indices of domestic securities and other appropriate indicators, such as prices of relevant ADR's and futures contracts.

(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 receives net earnings credits based on available cash balances left on deposit and includes such credits in interest income.

The fund may lend securities to qualified institutions. At origination, all loans are secured by collateral of at least 102% of the value of U.S. securities loaned and 105% of the value of foreign securities loaned. Collateral equivalent to at least 100% of the market value of securities on loan will be maintained at all times. Cash collateral is invested in certain money market mutual funds managed by the Manager as shown in the fund's Statement of Investments. The fund will be entitled to receive all income on securities loaned, in addition to income earned as a result of the lending transaction. Although each security loaned is fully collateralized, the fund would bear the risk of delay in recovery of, or loss of rights in, the securities loaned should a borrower fail to return the securities in a timely manner.

(c) Affiliated issuers: Investments in other investment companies advised by the Manager are defined as "affiliated" in the Act.

(d) 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. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from U.S. generally accepted accounting principles.

(e) 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 $303,671,845 available for federal income tax purposes to be applied against future net securities profits, if any, realized subsequent to December 31, 2003. If not applied, $7,523,105 of the carryover expires in fiscal 2008, $172,543,524 expires in fiscal 2009, $103,833,733 expires in fiscal 2010 and $19,771,483 expires in fiscal 2011.

The tax character of distributions paid to shareholders during the fiscal year ended December 31, 2003 was as follows: ordinary income $531,796. The tax character of current year distributions will be determined at the end of the current fiscal year.

NOTE 2—Bank Line of Credit:

The fund participates with other Dreyfus-managed funds in a $350 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, 2004, the fund did not borrow under the Facility.

NOTE 3—Investment Advisory Fee and Other Transactions with Affiliates:

(a) Pursuant to an Investment Advisory Agreement with the Manager, 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.

(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, 2004, Service shares were charged $15,713 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, 2004, Initial shares were charged $1,139 pursuant to the Shareholder Services Plan.

The fund compensates Dreyfus Transfer, Inc., a wholly-owned subsidiary of the Manager, under a transfer agency agreement for providing personnel and facilities to perform transfer agency services for the fund. During the period ended June 30, 2004, the fund was charged $628 pursuant to the transfer agency agreement.

The fund compensates Mellon Bank, N.A., an affiliate of the Manager, under a custody agreement for providing custodial services for the fund. During the period ended June 30, 2004, the fund was charged $21,223 pursuant to the custody agreement.

The components of Due to The Dreyfus Corporation and affiliates in the Statement of Assets and Liabilities consists of: investment advisory fees $313,708, Rule 12b-1 distribution plan fees $2,623, custodian fees $7,026 and transfer agency per account fees $223.

(d) Each Board member also serves as a Board member of other funds within the Dreyfus complex. Annual retainer fees and attendance fees are allocated to each fund based on net assets.

NOTE 4—Securities Transactions:

The aggregate amount of purchases and sales of investment securities, excluding short-term securities, during the period ended June 30, 2004, amounted to $134,527,523 and $166,998,436, respectively.

At June 30, 2004, accumulated net unrealized appreciation on investments was $84,681,156, consisting of $88,474,938 gross unrealized appreciation and $3,793,782 gross unrealized depreciation.

At June 30, 2004, 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).

NOTE 5—Legal Matters:

Two class actions (which have been consolidated) have been filed against Mellon Financial and Mellon Bank, N.A., and Dreyfus and Founders Asset Management LLC (the "Investment Advisers"), and the directors of all or substantially all of the Dreyfus funds, alleging that the Investment Advisers improperly used assets of the Dreyfus funds, in the form of directed brokerage commissions and 12b-1 fees, to pay brokers to promote sales of Dreyfus funds, and that the use of fund assets to make these payments was not properly disclosed to investors. The complaints further allege that the directors breached their fiduciary duties to fund shareholders under the Investment Company Act of 1940 and at common law. The complaints seek unspecified compensatory and punitive damages, rescission of the funds' contracts with the Investment Advisers, an accounting of all fees paid, and an award of attorneys' fees and litigation expenses. Dreyfus and the Dreyfus funds believe the allegations to be totally without merit and will defend the actions vigorously.

Additional lawsuits arising out of these circumstances and presenting similar allegations and requests for relief may be filed against the defendants in the future. Neither Dreyfus nor the Dreyfus funds believe that any of the pending actions will have a material adverse effect on the Dreyfus funds or Dreyfus' ability to perform its contracts with the Dreyfus funds.

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

A description of the policies and procedures that the fund uses to determine how to vote proxies relating to portfolio securities is available, without charge, by calling the telephone number listed above, or by visiting the SEC's website at http://www.sec.gov

The Dreyfus Socially Responsible Growth Fund, Inc.
200 Park Avenue
New York, NY 10166

Investment Adviser

The Dreyfus Corporation
200 Park Avenue
New York, NY 10166

Custodian

Mellon Bank, N.A.
One Mellon Bank Center
Pittsburgh, PA 15258

Transfer Agent & Dividend Disbursing Agent

Dreyfus Transfer, Inc.
200 Park Avenue
New York, NY 10166

Distributor

Dreyfus Service Corporation
200 Park Avenue
New York, NY 10166

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SCUDDER
INVESTMENTS

Scudder Variable Series I

Growth and Income Portfolio
Capital Growth Portfolio
21st Century Growth Portfolio
Global Discovery Portfolio
International Portfolio
Health Sciences Portfolio

Semiannual Report to Shareholders
June 30, 2004

Contents

This report must be preceded or accompanied by a prospectus. To obtain a prospectus, call (800) 778-1482 or your financial representative. We advise you to consider the product's objectives, risks, charges and expenses carefully before investing. The prospectus contains this and other important information about the investment product. Please read the prospectus carefully before you invest.

NOT FDIC/NCUA INSURED   NO BANK GUARANTEE   MAY LOSE VALUE

Investments in variable portfolios involve risk. Some portfolios have more risk than others. These include portfolios that allow exposure to or otherwise concentrate investments in certain sectors, geographic regions, security types, market capitalization or foreign securities (e.g., political or economic instability, which can be accentuated in Emerging Market countries). Please read the prospectus for specific details regarding a portfolio's investments and risk profile.

Capital Growth Portfolio

Mixed signals muted equity returns for the six-month period ending June 30, 2004, slowing the pace of portfolio returns. Whereas economic growth and strong corporate earnings lifted the markets, geopolitical risks, high oil prices and concerns over inflation took their toll on overall performance.

Even in this climate of uncertainty, the portfolio delivered a positive total return of 3.58% (Class A shares, unadjusted for contract charges) for the six-month period ended June 30, 2004, outperforming its two benchmarks: the Russell 1000 Growth Index returned 2.74%, and the Standard & Poor's 500 index returned 3.44%. The relative outperformance was driven by strong security selection and a shift in market leadership away from the lower-quality, early-cycle stocks that dominated market performance in 2003 and toward the higher-quality names such as those held in the portfolio. Positioning in the health care sector proved particularly additive to returns. We continue to focus on the medical equipment and biotechnology industries within the health care sector as areas of strong growth. Genentech, Inc., Gilead Sciences, Inc. and Zimmer Holdings, Inc. were among the stocks that exemplified the strength of the portfolio's health care holdings over the last six months.

Further contributing to performance was the portfolio's overweight position in the energy sector. While the spike in oil prices provided the catalyst for the near-term outperformance of the sector, the equity portfolio has been overweight in energy since early last year based on the long-term growth opportunities we feel exist in the space.

Detracting from returns over this period was the portfolio's positioning in the technology sector. Specific weakness was seen in the highly cyclical semiconductor and semiconductor equipment industry, as concerns mounted over slowing order growth. While the portfolio maintains an exposure to the sector, we have altered the composition of our technology holdings to emphasize companies with strong recurring revenue. In addition, we continue to believe that record levels of corporate cash flow coupled with the year-end elimination of the accelerated method of depreciation, which allows companies to depreciate capital goods at an increased rate, has the potential to ignite a meaningful increase in technology capital spending in the second half of 2004.

It has become clear that the rate of economic and earnings growth is expected to slow as the cycle matures. As a result, investor attention has begun to focus on the types of stocks that Capital Growth Portfolio comprises: large-cap, high-quality companies capable of producing consistent revenue and earnings growth. Given this market backdrop, we are enthused about the prospects for Capital Growth Portfolio and optimistic that our strategy will continue to be rewarded.

Julie M. Van Cleave, Jack A. Zehner and Thomas J. Schmid
Portfolio Managers

All performance shown is historical, assumes reinvestment of all dividends and capital gains, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less then their original cost. Current performance may be lower or higher than the performance data quoted. Please visit scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Information concerning the portfolio holdings of the portfolio as of month-end is available upon request on the 16th of the following month.

Risk Considerations

The portfolio is subject to stock market risk, meaning stocks in the portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Please read this portfolio's prospectus for specific information regarding its investments and risk profile.

The Russell 1000 Growth Index is an unmanaged, capitalization-weighted index containing those securities in the Russell 1000 Index with higher price–to–book ratios and higher forecasted growth values. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly in an index.

The Standard & Poor's 500 (S&P 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 reinvested dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2004, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Capital Growth Portfolio

	Shares	Value ($)
Common Stocks 97.7%		
Consumer Discretionary 13.9%		
Automobiles 1.6%		
Harley-Davidson, Inc.	186,200	**11,533,228**
Hotels Restaurants & Leisure 2.4%		
International Game Technology	286,400	11,055,040
YUM! Brands, Inc.*	167,000	6,215,740
		17,270,780
Internet & Catalog Retail 0.6%		
eBay, Inc.*	45,900	**4,220,505**
Media 4.7%		
Comcast Corp. "A"*	195,700	5,403,277
McGraw-Hill, Inc.	100,500	7,695,285
Omnicom Group, Inc.	117,700	8,932,253
Time Warner, Inc.*	361,200	6,349,896
Viacom, Inc. "B"	169,800	6,065,256
		34,445,967
Multiline Retail 2.0%		
Kohl's Corp.*	85,200	3,602,256
Target Corp.	267,400	11,356,478
		14,958,734
Specialty Retail 2.6%		
Bed Bath & Beyond, Inc.*	113,600	4,367,920
Home Depot, Inc.	48,250	1,698,400
Lowe's Companies, Inc.	104,200	5,475,710
Staples, Inc.	246,000	7,210,260
		18,752,290
Consumer Staples 11.3%		
Beverages 3.0%		
PepsiCo, Inc.	283,000	15,248,040
The Coca-Cola Co.	132,100	6,668,408
		21,916,448
Food & Drug Retailing 3.5%		
Wal-Mart Stores, Inc.	345,600	18,233,856
Walgreen Co.	203,600	7,372,356
		25,606,212
Food Products 0.9%		
Dean Foods Co.*	54,700	2,040,857
Hershey Foods Corp.	93,400	4,321,618
		6,362,475
Household Products 3.9%		
Colgate-Palmolive Co.	237,800	13,899,410
Procter & Gamble Co.	268,200	14,600,808
		28,500,218
Energy 7.7%		
Energy Equipment & Services 4.3%		
Baker Hughes, Inc.	188,100	7,081,965
Nabors Industries Ltd.*	254,000	11,485,880
Schlumberger Ltd.	203,000	12,892,530
		31,460,375

	Shares	Value ($)
Oil & Gas 3.4%		
ConocoPhillips	119,400	9,109,026
EOG Resources, Inc.	262,300	15,661,933
		24,770,959
Financials 10.1%		
Banks 1.2%		
Bank of America Corp.	100,400	**8,495,848**
Capital Markets 2.4%		
Goldman Sachs Group, Inc.	34,700	3,267,352
Lehman Brothers Holdings, Inc.	45,000	3,386,250
Morgan Stanley	143,200	7,556,664
State Street Corp.	73,200	3,589,728
		17,799,994
Consumer Finance 1.3%		
American Express Co.	189,400	**9,731,372**
Diversified Financial Services 2.6%		
Citigroup, Inc.	247,333	11,500,984
Fannie Mae	105,500	7,528,480
		19,029,464
Insurance 2.6%		
AFLAC, Inc.	131,600	5,370,596
American International Group, Inc.	189,402	13,500,575
		18,871,171
Health Care 21.7%		
Biotechnology 4.1%		
Amgen, Inc.*	29,700	1,620,729
Genentech, Inc.*	358,600	20,153,320
Gilead Sciences, Inc.*	127,200	8,522,400
		30,296,449
Health Care Equipment & Supplies 5.6%		
Baxter International, Inc.	173,800	5,997,838
Boston Scientific Corp.*	153,400	6,565,520
C.R. Bard, Inc.	75,200	4,260,080
Hospira, Inc.	27,540	760,104
Medtronic, Inc.	189,300	9,222,696
Zimmer Holdings, Inc.*	156,690	13,820,058
		40,626,296
Health Care Providers & Services 1.7%		
UnitedHealth Group, Inc.	196,700	**12,244,575**
Pharmaceuticals 10.3%		
Abbott Laboratories	275,400	11,225,304
Eli Lilly & Co.	177,900	12,436,989
Johnson & Johnson	367,700	20,480,890
Merck & Co., Inc.	123,400	5,861,500
Pfizer, Inc.	728,575	24,975,551
		74,980,234
Industrials 6.9%		
Aerospace & Defense 1.8%		
United Technologies Corp.	146,400	**13,392,672**
Air Freight & Logistics 1.1%		
FedEx Corp.	93,700	**7,654,353**

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

	Shares	Value ($)
Industrial Conglomerates 4.0%		
3M Co.	73,000	6,570,730
General Electric Co.	688,100	22,294,440
		28,865,170
Information Technology 23.8%		
Communications Equipment 2.8%		
Cisco Systems, Inc.*	858,100	**20,336,970**
Computers & Peripherals 3.9%		
Dell, Inc.*	153,500	5,498,370
EMC Corp.*	868,100	9,896,340
International Business Machines Corp.	150,300	13,248,945
		28,643,655
IT Consulting & Services 2.0%		
Accenture Ltd. "A"*	102,500	2,816,700
Fiserv, Inc.*	223,400	8,688,026
Paychex, Inc.	97,200	3,293,136
		14,797,862
Semiconductors & Semiconductor Equipment 6.7%		
Applied Materials, Inc.*	352,600	6,918,012
Intel Corp.	851,100	23,490,360
Linear Technology Corp.	207,100	8,174,237
Texas Instruments, Inc.	430,400	10,407,072
		48,989,681
Software 8.4%		
Adobe Systems, Inc.	36,000	1,674,000
BEA Systems, Inc.*	122,300	1,005,306
Electronic Arts, Inc.* (c)	228,600	12,470,130
Intuit, Inc.*	93,200	3,595,656
Microsoft Corp.	992,300	28,340,088
Oracle Corp.*	437,600	5,220,568
Symantec Corp.*	123,300	5,398,074
VERITAS Software Corp.*	110,600	3,063,620
		60,767,442
Materials 0.8%		
Chemicals		
Ecolab, Inc.	176,800	**5,604,560**
Telecommunication Services 1.5%		
Diversified Telecommunication Services 0.6%		
Verizon Communications, Inc.	122,500	**4,433,275**
Wireless Telecommunication Services 0.9%		
AT&T Wireless Services, Inc.*	463,600	**6,638,752**
Total Common Stocks (Cost $622,414,731)		**711,997,986**
Securities Lending Collateral 0.7%		
Daily Assets Fund Institutional, 1.14% (d) (e) (Cost $5,510,000)	5,510,000	**5,510,000**
Cash Equivalents 1.6%		
Scudder Cash Management QP Trust, 1.20% (b) (Cost $11,390,474)	11,390,474	**11,390,474**
Total Investment Portfolio — 100.0% (Cost $639,315,205) (a)		**728,898,460**

** Non-income producing security.*

(a) The cost for federal income tax purposes was $640,044,882. At June 30, 2004, net unrealized appreciation for all securities based on tax cost was $88,853,578. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $139,925,008 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $51,071,430.

(b) Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.

(c) All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2004 amounted to $5,400,000, which is 0.7% of total net assets.

(d) Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.

(e) Represents collateral held in connection with securities lending.

Purchases and sales of investment securities (excluding short-term investments) for the six months ended June 30, 2004, aggregated $42,863,075 and $49,902,407, respectively.

At December 31, 2003, the Capital Growth Portfolio had a net tax basis capital loss carryforward of approximately $204,259,000 which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until December 31, 2009 ($18,038,000), December 31, 2010 ($121,030,000) and December 31, 2011 ($65,191,000), the respective expiration dates, whichever occurs first.

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

Capital Growth Portfolio

Statement of Assets and Liabilities
as of June 30, 2004 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $622,414,731)	$	711,997,986
Investment in Daily Asset Fund Institutional (cost $5,510,000)*		5,510,000
Investment in Scudder Cash Management QP Trust (cost $11,390,474)		11,390,474
Total investments in securities, at value (cost $639,315,205)		728,898,460
Cash		10,000
Dividends receivable		387,335
Interest receivable		8,768
Other assets		17,128
Total assets		729,321,691

Liabilities		
Payable upon return of securities loaned		5,510,000
Accrued management fee		268,467
Accrued distribution service fees		4,192
Other accrued expenses and payables		111,553
Total liabilities		5,894,212
Net assets, at value	**$**	**723,427,479**

Net Assets		
Net assets consist of:		
Undistributed net investment income		1,709,696
Net unrealized appreciation (depreciation) on investments		89,583,255
Accumulated net realized gain (loss)		(216,118,209)
Paid-in capital		848,252,737
Net assets, at value	**$**	**723,427,479**
Class A		
Net Asset Value, offering and redemption price per share ($702,141,511 ÷ 46,709,634 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**15.03**
Class B		
Net Asset Value, offering and redemption price per share ($21,285,968 ÷ 1,420,611 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**14.98**

* *Represents collateral on securities loaned.*

Statement of Operations
for the six months ended June 30, 2004 (Unaudited)

Investment Income		
Income:		
Dividends	$	3,595,350
Interest — Scudder Cash Management QP Trust		89,464
Securities lending income		3,449
Total Income		3,688,263
Expenses:		
Management fee		1,682,891
Custodian fees		16,647
Accounting fees		54,600
Distribution service fees (Class B)		22,418
Record keeping fees (Class B)		11,750
Auditing		13,355
Legal		3,056
Trustees' fees and expenses		7,690
Reports to shareholders		5,345
Other		5,195
Total expenses, before expense reductions		1,822,947
Expense reductions		(1,816)
Total expenses, after expense reductions		1,821,131
Net investment income (loss)		**1,867,132**

Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from investments		(11,100,695)
Net unrealized appreciation (depreciation) during the period on investments		34,638,912
Net gain (loss) on investment transactions		**23,538,217**
Net increase (decrease) in net assets resulting from operations	**$**	**25,405,349**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2004 (Unaudited)	Year Ended December 31, 2003
Operations:		
Net investment income (loss)	$ 1,867,132	$ 3,786,922
Net realized gain (loss) on investment transactions	(11,100,695)	(13,492,454)
Net unrealized appreciation (depreciation) on investment transactions during the period	34,638,912	159,146,770
Net increase (decrease) in net assets resulting from operations	25,405,349	149,441,238
Distributions to shareholders from:		
Net investment income:		
Class A	(3,764,726)	(2,595,329)
Class B	(32,840)	(8,219)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	18,442,889	99,262,252
Reinvestment of distributions	3,764,726	2,595,329
Cost of shares redeemed	(46,443,509)	(99,434,360)
Net increase (decrease) in net assets from Class A share transactions	(24,235,894)	2,423,221
Class B		
Proceeds from shares sold	5,848,218	13,042,500
Reinvestment of distributions	32,840	8,219
Cost of shares redeemed	(303,854)	(598,220)
Net increase (decrease) in net assets from Class B share transactions	5,577,204	12,452,499
Increase (decrease) in net assets	2,949,093	161,713,410
Net assets at beginning of period	720,478,386	558,764,976
Net assets at end of period (including undistributed net investment income of $1,709,696 and $3,640,130, respectively)	**$ 723,427,479**	**$ 720,478,386**

Other Information

Class A		
Shares outstanding at beginning of period	48,332,734	48,337,865
Shares sold	1,239,963	7,881,425
Shares issued to shareholders in reinvestment of distributions	255,927	211,174
Shares redeemed	(3,118,990)	(8,097,730)
Net increase (decrease) in Portfolio shares	(1,623,100)	(5,131)
Shares outstanding at end of period	**46,709,634**	**48,332,734**
Class B		
Shares outstanding at beginning of period	1,044,792	77,608
Shares sold	393,994	1,011,277
Shares issued to shareholders in reinvestment of distributions	2,238	670
Shares redeemed	(20,413)	(44,763)
Net increase (decrease) in Portfolio shares	375,819	967,184
Shares outstanding at end of period	**1,420,611**	**1,044,792**

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

Capital Growth Portfolio

Class A

Years Ended December 31,	2004[a]	2003	2002	2001	2000	1999
Selected Per Share Data						
Net asset value, beginning of period	**$ 14.59**	**$ 11.54**	**$ 16.36**	**$ 23.07**	**$ 29.13**	**$ 23.95**
Income (loss) from investment operations:						
Net investment income[b]	.04	.08	.05	.05	.08	.10
Net realized and unrealized gain (loss) on investment transactions	.48	3.03	(4.82)	(4.21)	(2.63)	7.64
Total from investment operations	.52	3.11	(4.77)	(4.16)	(2.55)	7.74
Less distributions from:						
Net investment income	(.08)	(.06)	(.05)	(.08)	(.07)	(.07)
Net realized gains on investment transactions	—	—	—	(2.47)	(3.44)	(2.49)
Total distributions	(.08)	(.06)	(.05)	(2.55)	(3.51)	(2.56)
Net asset value, end of period	**$ 15.03**	**$ 14.59**	**$ 11.54**	**$ 16.36**	**$ 23.07**	**$ 29.13**
Total Return (%)	3.58**	26.89	(29.18)	(19.36)	(9.90)	35.23
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	702	705	558	866	1,126	1,254
Ratio of expenses before expense reductions (%)	.50*	.51	.51	.52[d]	.49	.49
Ratio of expenses after expense reductions (%)	.50*	.51	.51	.50[d]	.49	.49
Ratio of net investment income (loss) (%)	.53*	.61	.38	.27	.30	.43
Portfolio turnover rate (%)	12*	13	25	33	55	66

Class B

Years Ended December 31,	2004[a]	2003	2002	2001	2000	1999
Selected Per Share Data						
Net asset value, beginning of period	**$ 14.52**	**$ 11.49**	**$ 16.29**	**$ 23.00**	**$ 29.05**	**$ 23.92**
Income (loss) from investment operations:						
Net investment income[b]	.01	.03	.02	.00[c]	.01	.04
Net realized and unrealized gain (loss) on investment transactions	.48	3.02	(4.81)	(4.21)	(2.62)	7.62
Total from investment operations	.49	3.05	(4.79)	(4.21)	(2.61)	7.66
Less distributions from:						
Net investment income	(.03)	(.02)	(.01)	(.03)	—	(.04)
Net realized gains on investment transactions	—	—	—	(2.47)	(3.44)	(2.49)
Total distributions	(.03)	(.02)	(.01)	(2.50)	(3.44)	(2.53)
Net asset value, end of period	**$ 14.98**	**$ 14.52**	**$ 11.49**	**$ 16.29**	**$ 23.00**	**$ 29.05**
Total Return (%)	3.35**	26.51	(29.37)	(19.64)	(10.13)	34.88
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	21	15	.89	.71	1.16	1.28
Ratio of expenses before expense reductions (%)	.88*	.87	.76	.77[d]	.74	.74
Ratio of expenses after expense reductions (%)	.88*	.87	.76	.75[d]	.74	.74
Ratio of net investment income (loss) (%)	.15*	.25	.13	.02	.05	.18
Portfolio turnover rate (%)	12*	13	25	33	55	66

[a] *For the six months ended June 30, 2004 (Unaudited).*

[b] *Based on average shares outstanding during the period.*

[c] *Less than $.005 per share*

[d] *The ratios of operating expenses excluding costs incurred in connection with a fund complex reorganization before and after expense reductions were .50% and .50%, and .75% and .75% for Class A and Class B, respectively.*

* *Annualized*

** *Not annualized*

Growth and Income Portfolio

Growth and Income Portfolio Class A shares (unadjusted for contract charges) advanced 3.16% for the six-month period ended June 30, 2004, lagging the 3.44% total return of the portfolio's benchmark, the Standard & Poor's 500 index (S&P 500). Strong stock selection in the telecommunications and consumer staples sectors were not enough to offset the poor performance of the financials and consumer discretionary sectors.

AT&T Wireless Services, Inc. was the top contributor, with gains resulting from its takeover by Cingular Wireless LLC. Within the consumer staples sector, overweight positions in grocery retailer Safeway, Inc. and Hershey Foods Corp. contributed strongly, while an underweight position in Wal-Mart Stores, Inc. aided relative performance.

Continued weakness in entertainment company Viacom, Inc. and other media names made consumer discretionary stocks the poorest performers in the portfolio. Also detracting were financials, which lost ground due to an increase in interest rates. Despite the portfolio's underweight position in financials, its relatively larger stake than the benchmark in capital markets stocks (the weakest subsector) negatively affected returns overall.

While the managers have trimmed some positions in industrials and technology on price strength, they remain confident in the portfolio's general positioning. In response to rising interest rates, they have sought to insulate the portfolio by adding to positions in consumer staples. They also have brought the portfolio's underweight in utilities closer to par with the benchmark. Earlier underperformance, they believe, may suggest that any increase in interest rates is already "priced into" utilities stocks.

Gregory S. Adams	Andrew Brudenell
Lead Portfolio Manager	*Portfolio Manager*

All performance shown is historical, assumes reinvestment of all dividends and capital gains, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less then their original cost. Current performance may be lower or higher than the performance data quoted. Please visit scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Information concerning the portfolio holdings of the portfolio as of month-end is available upon request on the 16th of the following month.

Risk Considerations

The portfolio is subject to stock market risk, meaning stocks in the portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Please read this portfolio's prospectus for specific information regarding its investments and risk profile.

The Standard & Poor's 500 (S&P 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 reinvested dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2004, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Growth and Income Portfolio

	Shares	Value ($)
Common Stocks 97.9%		
Consumer Discretionary 11.0%		
Internet & Catalog Retail 0.4%		
InterActiveCorp.*	27,900	**840,906**
Media 5.2%		
Comcast Corp. "A"*	65,000	1,794,650
Interpublic Group of Companies, Inc.*	107,800	1,480,094
Time Warner, Inc.*	193,600	3,403,488
Viacom, Inc. "B"	81,400	2,907,608
		9,585,840
Multiline Retail 1.9%		
Dollar General Corp.	57,300	1,120,788
Target Corp.	56,700	2,408,049
		3,528,837
Specialty Retail 3.5%		
Sherwin-Williams Co.	24,100	1,001,355
Staples, Inc.	116,100	3,402,891
The Gap, Inc.	89,500	2,170,375
		6,574,621
Consumer Staples 8.2%		
Beverages 2.9%		
Anheuser-Busch Companies, Inc.	51,300	2,770,200
PepsiCo, Inc.	47,400	2,553,912
		5,324,112
Food & Drug Retailing 1.9%		
Safeway, Inc.*	47,800	1,211,252
Wal-Mart Stores, Inc.	43,700	2,305,612
		3,516,864
Food Products 1.4%		
Dean Foods Co.*	25,200	940,212
Hershey Foods Corp.	36,200	1,674,974
		2,615,186
Personal Products 2.0%		
Avon Products, Inc.	81,200	**3,746,568**
Energy 6.7%		
Energy Equipment & Services 0.8%		
Baker Hughes, Inc.	38,500	**1,449,525**
Oil & Gas 5.9%		
ChevronTexaco Corp.	22,000	2,070,420
Devon Energy Corp.	17,800	1,174,800
ExxonMobil Corp.	134,914	5,991,531
Total SA (ADR) (c)	18,790	1,805,343
		11,042,094
Financials 18.2%		
Banks 4.2%		
Bank of America Corp.	50,800	4,298,696
US Bancorp.	48,400	1,333,904
Wachovia Corp.	50,300	2,238,350
		7,870,950
Capital Markets 3.7%		
Lehman Brothers Holdings, Inc.	28,400	2,137,100
Morgan Stanley	88,500	4,670,145
		6,807,245
Diversified Financial Services 5.3%		
Citigroup, Inc.	134,000	6,231,000
Fannie Mae	18,400	1,313,024
J.P. Morgan Chase & Co.	57,200	2,217,644
		9,761,668
Insurance 5.0%		
AMBAC Financial Group, Inc.	18,800	1,380,672
American International Group, Inc.	46,100	3,286,008
Hartford Financial Services Group, Inc.	35,600	2,447,144
MetLife, Inc.	63,400	2,272,890
		9,386,714
Health Care 12.6%		
Biotechnology 1.6%		
Amgen, Inc.*	54,700	**2,984,979**
Health Care Equipment & Supplies 2.2%		
Biomet, Inc.	55,350	2,459,754
Guidant Corp.	29,000	1,620,520
		4,080,274
Health Care Providers & Services 1.6%		
Caremark Rx, Inc.*	57,000	1,877,580
WellPoint Health Networks, Inc.*	9,400	1,052,894
		2,930,474
Pharmaceuticals 7.2%		
Allergan, Inc.	11,000	984,720
Eli Lilly & Co.	33,200	2,321,012
Johnson & Johnson	64,700	3,603,790
Pfizer, Inc.	164,800	5,649,344
Wyeth	25,700	929,312
		13,488,178
Industrials 12.9%		
Aerospace & Defense 3.4%		
Honeywell International, Inc.	75,400	2,761,902
United Technologies Corp.	38,500	3,521,980
		6,283,882
Industrial Conglomerates 6.6%		
3M Co.	27,400	2,466,274
General Electric Co.	214,700	6,956,280
Tyco International Ltd.	83,700	2,773,818
		12,196,372
Machinery 2.9%		
Deere & Co.	33,800	2,370,732
Parker-Hannifin Corp.	51,800	3,080,028
		5,450,760

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

	Shares	Value ($)
Information Technology 18.7%		
Communications Equipment 3.0%		
Cisco Systems, Inc.*	180,800	4,284,960
Motorola, Inc.	72,700	1,326,775
		5,611,735
Computers & Peripherals 4.6%		
Dell, Inc.*	59,500	2,131,290
EMC Corp.*	181,500	2,069,100
Hewlett-Packard Co.	82,700	1,744,970
International Business Machines Corp.	29,000	2,556,350
		8,501,710
Internet Software & Services 0.8%		
Yahoo!, Inc.*	39,400	**1,431,402**
IT Consulting & Services 0.5%		
Accenture Ltd. "A"*	36,400	**1,000,272**
Semiconductors & Semiconductor Equipment 3.2%		
Altera Corp.*	86,700	1,926,474
Analog Devices, Inc.	28,900	1,360,612
Texas Instruments, Inc.	107,400	2,596,932
		5,884,018
Software 6.6%		
Microsoft Corp.	245,400	7,008,624
Oracle Corp.*	199,100	2,375,263
Symantec Corp.*	29,700	1,300,266
VERITAS Software Corp.*	56,100	1,553,970
		12,238,123
Materials 3.6%		
Chemicals 1.7%		
E.I. du Pont de Nemours & Co.	33,100	1,470,302
Monsanto Co.	43,900	1,690,150
		3,160,452
Metals & Mining 0.8%		
Alcoa, Inc.	45,300	**1,496,259**
Paper & Forest Products 1.1%		
Georgia-Pacific Corp.	52,700	**1,948,846**
Telecommunication Services 3.4%		
Diversified Telecommunication Services 2.1%		
ALLTEL Corp.	33,400	1,690,708
Verizon Communications, Inc.	60,072	2,174,005
		3,864,713
Wireless Telecommunication Services 1.3%		
AT&T Wireless Services, Inc.*	170,600	**2,442,992**
Utilities 2.6%		
Electric Utilities		
Exelon Corp.	64,600	2,150,534
FPL Group, Inc.	26,460	1,692,117
PG&E Corp.*	32,500	908,050
		4,750,701
Total Common Stocks (Cost $155,462,567)		**181,797,272**
Securities Lending Collateral 0.8%		
Daily Assets Fund Institutional, 1.14% (d) (e) (Cost$1,568,000)	1,568,000	**1,568,000**
Cash Equivalents 1.3%		
Scudder Cash Management QP Trust, 1.20% (b) (Cost $2,351,933)	2,351,933	**2,351,933**
Total Investment Portfolio — 100.0% (Cost $159,382,500) (a)		**185,717,205**

* *Non-income producing security.*

(a) The cost for federal income tax purposes was $161,579,999. At June 30, 2004, net unrealized appreciation for all securities based on tax cost was $24,137,206. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $29,776,728 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $5,639,522.

(b) Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.

(c) All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2004 amounted to $1,530,560, which is 0.8% of total net assets.

(d) Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.

(e) Represents collateral held in connection with securities lending.

Purchases and sales of investment securities (excluding short-term investments) for the six months ended June 30, 2004, aggregated $31,967,838 and $32,181,712, respectively.

At December 31, 2003, the Growth and Income Portfolio had a net tax basis capital loss carryforward of approximately $41,927,000 which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until December 31, 2009 ($12,650,000), December 31, 2010 ($22,248,000) and December 31, 2011 ($7,029,000), the respective expiration dates, whichever occurs first.

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

Growth and Income Portfolio

Statement of Assets and Liabilities
as of June 30, 2004 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $155,462,567)	$	181,797,272
Investment in Daily Assets Fund Institutional (cost $1,568,000)*		1,568,000
Investment in Scudder Cash Management QP Trust (cost $2,351,933)		2,351,933
Total investments in securities, at value (cost $159,382,500)		185,717,205
Dividends receivable		150,308
Interest receivable		5,109
Receivable for Portfolio shares sold		38,455
Foreign taxes recoverable		904
Other assets		3,879
Total assets		185,915,860
Liabilities		
Payable upon return of securities loaned		1,568,000
Payable for Portfolio shares redeemed		120,148
Accrued management fee		75,225
Accrued distribution service fees		4,935
Other accrued expenses and payables		91,493
Total liabilities		1,859,801
Net assets, at value	**$**	**184,056,059**
Net Assets		
Net assets consist of:		
Undistributed net investment income		679,997
Net unrealized appreciation (depreciation) on investments		26,334,705
Accumulated net realized gain (loss)		(41,722,518)
Paid-in capital		198,763,875
Net assets, at value	**$**	**184,056,059**
Class A		
Net Asset Value, offering and redemption price per share ($158,448,282 ÷ 18,212,735 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**8.70**
Class B		
Net Asset Value, offering and redemption price per share ($25,607,777 ÷ 2,951,103 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**8.68**

* *Represents collateral on securities loaned.*

Statement of Operations
for the six months ended June 30, 2004 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $12,301)	$	1,268,767
Interest — Scudder Cash Management QP Trust		25,297
Securities lending income		6,567
Total Income		1,300,631
Expenses:		
Management fee		429,381
Custodian fees		8,232
Accounting fees		34,516
Distribution service fees (Class B)		26,099
Record keeping fees (Class B)		7,218
Auditing		15,175
Legal		5,953
Trustees' fees and expenses		3,730
Reports to shareholders		6,588
Other		5,955
Total expenses, before expense reductions		542,847
Expense reductions		(727)
Total expenses, after expense reductions		542,120
Net investment income (loss)		**758,511**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from investments		2,910,470
Net unrealized appreciation (depreciation) during the period on investments		1,850,333
Net gain (loss) on investment transactions		**4,760,803**
Net increase (decrease) in net assets resulting from operations	**$**	**5,519,314**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2004 (Unaudited)	Year Ended December 31, 2003
Operations:		
Net investment income (loss)	$ 758,511	$ 1,355,887
Net realized gain (loss) on investment transactions	2,910,470	(2,190,678)
Net unrealized appreciation (depreciation) on investment transactions during the period	1,850,333	37,960,524
Net increase (decrease) in net assets resulting from operations	5,519,314	37,125,733
Distributions to shareholders from:		
Net investment income:		
Class A	(1,239,211)	(1,476,002)
Class B	(112,919)	(71,436)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	5,736,769	16,861,930
Reinvestment of distributions	1,239,211	1,476,002
Cost of shares redeemed	(12,837,573)	(25,120,246)
Net increase (decrease) in net assets from Class A share transactions	(5,861,593)	(6,782,314)
Class B		
Proceeds from shares sold	7,946,274	9,818,320
Reinvestment of distributions	112,919	71,436
Cost of shares redeemed	(872,318)	(1,439,484)
Net increase (decrease) in net assets from Class B share transactions	7,186,875	8,450,272
Increase (decrease) in net assets	5,492,466	37,246,253
Net assets at beginning of period	178,563,593	141,317,340
Net assets at end of period (including undistributed net investment income of $679,997 and $1,273,616, respectively)	**$ 184,056,059**	**$ 178,563,593**

Other Information

Class A		
Shares outstanding at beginning of period	18,896,518	19,882,920
Shares sold	663,579	2,314,339
Shares issued to shareholders in reinvestment of distributions	146,479	208,181
Shares redeemed	(1,493,841)	(3,508,922)
Net increase (decrease) in Portfolio shares	(683,783)	(986,402)
Shares outstanding at end of period	**18,212,735**	**18,896,518**
Class B		
Shares outstanding at beginning of period	2,114,110	990,738
Shares sold	925,048	1,308,947
Shares issued to shareholders in reinvestment of distributions	13,379	10,104
Shares redeemed	(101,434)	(195,679)
Net increase (decrease) in Portfolio shares	836,993	1,123,372
Shares outstanding at end of period	**2,951,103**	**2,114,110**

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

Growth and Income Portfolio

Class A

Years Ended December 31,	2004[a]	2003	2002	2001	2000	1999
Selected Per Share Data						
Net asset value, beginning of period	**$ 8.50**	**$ 6.77**	**$ 8.90**	**$ 10.38**	**$ 10.96**	**$ 11.25**
Income (loss) from investment operations:						
Net investment income[b]	.04	.07	.07	.09	.11	.22
Net realized and unrealized gain (loss) on investment transactions	.23	1.74	(2.12)	(1.23)	(.33)	.46
Total from investment operations	.27	1.81	(2.05)	(1.14)	(.22)	.68
Less distributions from:						
Net investment income	(.07)	(.08)	(.08)	(.12)	(.15)	(.13)
Net realized gains on investment transactions	—	—	—	(.22)	(.21)	(.84)
Total distributions	(.07)	(.08)	(.08)	(.34)	(.36)	(.97)
Net asset value, end of period	**$ 8.70**	**$ 8.50**	**$ 6.77**	**$ 8.90**	**$ 10.38**	**$ 10.96**
Total Return (%)	3.16**	26.74	(23.13)	(11.30)	(2.10)	5.80
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	158	161	135	185	185	200
Ratio of expenses before expense reductions (%)	.56*	.59	.57	.57[c]	.56	.55
Ratio of expenses after expense reductions (%)	.56*	.59	.57	.56[c]	.56	.55
Ratio of net investment income (loss) (%)	.88*	.91	.92	.94	1.06	2.01
Portfolio turnover rate (%)	36*	37	66	67	65	65

Class B

Years Ended December 31,	2004[a]	2003	2002	2001	2000	1999
Selected Per Share Data						
Net asset value, beginning of period	**$ 8.47**	**$ 6.75**	**$ 8.87**	**$ 10.35**	**$ 10.93**	**$ 11.24**
Income (loss) from investment operations:						
Net investment income[b]	.03	.05	.05	.06	.09	.19
Net realized and unrealized gain (loss) on investment transactions	.22	1.73	(2.12)	(1.23)	(.33)	.46
Total from investment operations	.25	1.78	(2.07)	(1.17)	(.24)	.65
Less distributions from:						
Net investment income	(.04)	(.06)	(.05)	(.09)	(.13)	(.12)
Net realized gains on investment transactions	—	—	—	(.22)	(.21)	(.84)
Total distributions	(.04)	(.06)	(.05)	(.31)	(.34)	(.96)
Net asset value, end of period	**$ 8.68**	**$ 8.47**	**$ 6.75**	**$ 8.87**	**$ 10.35**	**$ 10.93**
Total Return (%)	3.01**	26.55	(23.40)	(11.56)	(2.33)	5.48
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	26	18	7	10	13	14
Ratio of expenses before expense reductions (%)	.88*	.85	.82	.82[c]	.81	.80
Ratio of expenses after expense reductions (%)	.88*	.85	.82	.81[c]	.81	.80
Ratio of net investment income (loss) (%)	.56*	.65	.67	.69	.81	1.76
Portfolio turnover rate (%)	36*	37	66	67	65	65

a *For the six months ended June 30, 2004 (Unaudited).*

b *Based on average shares outstanding during the period.*

c *The ratios of operating expenses excluding costs incurred in connection with a fund complex reorganization before and after expense reductions were .56% and .56%, and .81% and .81% for Class A and Class B, respectively.*

* *Annualized*

** *Not annualized*

21st Century Growth Portfolio

Small-cap shares produced solid returns during the first half of the year, outperforming both mid- and larger-cap issues. Notably, the type of small, low-quality and richly valued companies that dominated market returns last year continued their year-to-date reversal. This provided a more favorable investment backdrop for managers such as us, who focus on quality companies with attractive valuations and fundamentals. In this environment, the portfolio produced a total return of 6.05% (Class A shares, unadjusted for contract charges) for the six-month period ended June 30, 2004, ahead of the 5.68% return of the Russell 2000 Growth Index.

From the standpoint of sector allocation, relative performance was helped by an overweight in consumer staples and an underweight in financials but was hurt by an underweight in health care and an overweight in information technology. With respect to individual stock selection, we added value with our picks in the consumer staples and information technology sectors, while our investment decisions within health care and consumer discretionary detracted. On a net basis, sector allocation had a neutral effect while stock selection was a positive. United Natural Foods, Inc. was the most significant individual contributor, and Alliance Gaming Corp. (not held as of June 30) was the largest detractor.

We believe the market's renewed focus on fundamentals and valuations should better enable us to add value through our specialty, individual stock selection. We are looking to increase the portfolio's exposure in the health care sector, and we have begun to trim its weighting in financials. In general, our goal is to position the portfolio for a potentially more challenging environment by focusing on companies that are generating the strongest earnings growth.

Audrey M.T. Jones*
Samuel A. Dedio
Robert S. Janis
Portfolio Managers

* *Ms. Jones retired on June 30, 2004. Effective July 1, 2004, Mr. Dedio and Mr. Janis are co-lead portfolio managers of the Portfolio.*

All performance shown is historical, assumes reinvestment of all dividends and capital gains, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less then their original cost. Current performance may be lower or higher than the performance data quoted. Please visit scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Information concerning the portfolio holdings of the portfolio as of month-end is available upon request on the 16th of the following month.

Risk Considerations

This portfolio is subject to stock market risk. Stocks of small companies involve greater risk, as they often have limited product lines, markets or financial resources and may be exposed to more erratic and abrupt market movements than securities of larger, more established companies. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

The Russell 2000 Growth Index is an unmanaged capitalization-weighted measure of 2,000 of the smallest capitalized US companies with higher price-to-book ratios and higher forecasted growth values. Index returns assume reinvested dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2004, and may not come to pass. This information is subject to change at any time based on market and other conditions.

21st Century Growth Portfolio

	Shares	Value ($)
Common Stocks 87.2%		
Consumer Discretionary 15.3%		
Auto Components 2.2%		
Keystone Automotive Industries, Inc.*	48,900	**1,363,821**
Automobiles 1.6%		
Thor Industries, Inc.	30,000	**1,003,800**
Hotels Restaurants & Leisure 4.9%		
Buffalo Wild Wings, Inc.*	18,700	517,055
Life Time Fitness, Inc.*	15,500	304,232
Panera Bread Co. "A"* (c)	19,000	681,720
RARE Hospitality International, Inc.*	35,150	875,235
Shuffle Master, Inc.* (c)	20,500	744,355
		3,122,597
Internet & Catalog Retail 1.0%		
Sharper Image Corp.*	20,000	**627,800**
Media 1.9%		
Netflix, Inc.* (c)	33,000	**1,186,350**
Specialty Retail 2.8%		
Aeropostale, Inc.*	41,100	1,106,001
Cost Plus, Inc.*	21,600	700,920
		1,806,921
Textiles, Apparel & Luxury Goods 0.9%		
Gildan Activewear, Inc. "A"*	19,600	**562,520**
Consumer Staples 2.7%		
Food & Drug Retailing		
United Natural Foods, Inc.*	58,300	**1,685,453**
Energy 2.4%		
Energy Equipment & Services 1.2%		
FMC Technologies, Inc.*	26,000	**748,800**
Oil & Gas 1.2%		
Western Gas Resources, Inc.	24,200	**786,016**
Financials 6.7%		
Capital Markets 1.8%		
Piper Jaffray Companies, Inc.*	24,700	**1,117,181**
Diversified Financial Services 4.0%		
Affiliated Managers Group, Inc. (c)	16,550	833,624
Jefferies Group, Inc.	34,800	1,076,016
National Financial Partners Corp.	18,600	656,022
		2,565,662
Insurance 0.9%		
Triad Guaranty, Inc.*	10,200	**593,640**
Health Care 19.7%		
Biotechnology 4.3%		
Digene Corp.*	24,900	909,597
Martek Biosciences Corp.*	17,900	1,005,443
Neurocrine Biosciences, Inc.*	15,700	814,045
		2,729,085
Health Care Equipment & Supplies 4.2%		
ICU Medical, Inc.* (c)	30,700	1,029,371
Ocular Sciences, Inc.*	25,400	965,200
PSS World Medical, Inc.*	59,300	664,160
		2,658,731
Health Care Providers & Services 7.7%		
American Healthways, Inc.* (c)	22,800	606,936
AMERIGROUP Corp.*	19,500	959,400
Apria Healthcare Group, Inc.*	16,800	482,160
Centene Corp.*	17,500	674,625
Omnicell, Inc.*	27,900	407,619
Select Medical Corp.	62,600	840,092
United Surgical Partners International, Inc.*	21,900	864,393
Wellcare Group, Inc.	1,800	30,600
		4,865,825
Pharmaceuticals 3.5%		
Able Laboratories, Inc.*	30,000	616,800
Connetics Corp.*	50,400	1,018,080
NPS Pharmaceuticals, Inc.*	27,300	573,300
		2,208,180
Industrials 7.7%		
Airlines 1.8%		
Frontier Airlines, Inc.*	17,700	192,576
SkyWest, Inc.	55,200	961,032
		1,153,608
Commercial Services & Supplies 2.1%		
Bright Horizons Family Solutions, Inc.*	12,500	670,125
CoStar Group, Inc.*	14,400	661,392
		1,331,517
Electrical Equipment 1.6%		
General Cable Corp.*	59,400	507,870
Ultralife Batteries, Inc.*	26,900	520,784
		1,028,654
Road & Rail 1.1%		
Heartland Express, Inc.	25,064	**685,751**
Transportation Infrastructure 1.1%		
Overnite Corp.	23,100	**679,140**
Information Technology 31.8%		
Communications Equipment 6.1%		
Adaptec, Inc.*	107,500	909,450
Avocent Corp.*	22,900	841,346
Foundry Networks, Inc.*	86,500	1,217,055
Juniper Networks, Inc.*	37,486	921,031
		3,888,882
Computers & Peripherals 2.3%		
Mobility Electronics, Inc.* (c)	32,800	276,176
Synaptics, Inc.*	62,900	1,204,535
		1,480,711

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

	Shares	Value ($)
Electronic Equipment & Instruments 5.1%		
Digital Theater Systems, Inc.*	43,800	1,145,370
Identix, Inc.*	89,921	671,710
Vishay Intertechnology, Inc.*	75,000	1,393,500
		3,210,580
Semiconductors & Semiconductor Equipment 7.0%		
AMIS Holdings, Inc.*	72,000	1,218,240
Applied Micro Circuits Corp.*	228,400	1,215,088
ATMI, Inc.*	22,200	606,282
Laedis Technology, Inc.*	24,100	323,181
Micrel, Inc.*	89,700	1,089,855
		4,452,646
Software 11.3%		
Hyperion Solutions Corp.*	25,400	1,110,488
Interwoven, Inc.*	131,650	1,329,665
Kronos, Inc.*	35,100	1,446,120
Macromedia, Inc.*	46,800	1,148,940
NetIQ Corp.*	109,200	1,441,440
THQ, Inc.*	29,600	677,840
		7,154,493

	Shares	Value ($)
Materials 0.9%		
Containers & Packaging		
Packaging Corp. of America	24,200	**578,380**
Total Common Stocks (Cost $47,143,572)		**55,276,744**
Securities Lending Collateral 5.6%		
Daily Assets Fund Institutional, 1.14% (d) (e) (Cost $3,560,050)	3,560,050	**3,560,050**
Cash Equivalents 7.2%		
Scudder Cash Management QP Trust, 1.20% (b) (Cost $4,566,270)	4,566,270	**4,566,270**
Total Investment Portfolio — 100.0% (Cost $55,269,892) (a)		**63,403,064**

* *Non-income producing security.*

(a) *The cost for federal income tax purposes was $55,309,953. At June 30, 2004, net unrealized appreciation for all securities based on tax cost was $8,093,111. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $9,678,861 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $1,585,750.*

(b) *Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *All or a portion on these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2004 amounted to $3,475,686, which is 6.0% of total net assets.*

(d) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(e) *Represents collateral held in connection with securities lending.*

Purchases and sales of investment securities (excluding short-term investments) for the six months ended June 30, 2004, aggregated $24,977,741 and $24,549,867, respectively.

At December 31, 2003, the 21st Century Growth Portfolio had a net tax basis capital loss carryforward of approximately $26,784,000 which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until December 31, 2008 ($1,217,000), December 31, 2009 ($12,192,000), December 31, 2010 ($9,220,000) and December 31, 2011 ($4,155,000), the respective expiration dates, whichever occurs first.

In addition, from November 1, 2003 through December 31, 2003, the Portfolio incurred approximately $269,000 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 ending December 31, 2004.

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

21st Century Growth Portfolio

Statement of Assets and Liabilities
as of June 30, 2004 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $47,143,572)	$	55,276,744
Investment in Daily Assets Fund Institutional (cost $3,560,050)*		3,560,050
Investment in Scudder Cash Management QP Trust (cost $4,566,270)		4,566,270
Total investments in securities, at value (cost $55,269,892)		63,403,064
Receivable for investments sold		308,209
Dividends receivable		9,757
Interest receivable		7,528
Other assets		1,294
Total assets		63,729,852

Liabilities		
Payable upon return of securities loaned		3,560,050
Payable for investments purchased		2,194,774
Accrued management fee		39,675
Other accrued expenses and payables		54,894
Total liabilities		5,849,393
Net assets, at value	**$**	**57,880,459**

Net Assets		
Net assets consist of:		
Accumulated net investment loss		(229,403)
Net unrealized appreciation (depreciation) on investment securities		8,133,172
Accumulated net realized gain (loss)		(25,089,001)
Paid-in capital		75,065,691
Net assets, at value	**$**	**57,880,459**

Net Asset Value		
Class A		
Net Asset Value, offering and redemption price per share ($48,704,043 ÷ 9,594,448 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**5.08**
Class B		
Net Asset Value, offering and redemption price per share ($9,176,416 ÷ 1,837,861 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**4.99**

* *Represents collateral on securities loaned.*

Statement of Operations
for the six months ended June 30, 2004 (Unaudited)

Investment Income		
Income:		
Dividends	$	36,294
Interest — Scudder Cash Management QP Trust		15,191
Securities lending income		13,589
Total Income		65,074
Expenses:		
Management fee		242,330
Custodian fees		5,098
Accounting fees		24,571
Distribution service fees (Class B)		9,282
Record keeping fees (Class B)		5,107
Auditing		5,835
Trustees' fees and expenses		1,374
Reports to shareholders		1,348
Total expenses, before expense reductions		294,945
Expense reductions		(468)
Total expenses, after expense reductions		294,477
Net investment income (loss)		**(229,403)**

Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from investments		2,019,048
Net unrealized appreciation (depreciation) during the period on investments		1,396,067
Net gain (loss) on investment transactions		**3,415,115**
Net increase (decrease) in net assets resulting from operations	**$**	**3,185,712**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2004 (Unaudited)	Year Ended December 31, 2003
Operations:		
Net investment income (loss)	$ (229,403)	$ (393,294)
Net realized gain (loss) on investment transactions	2,019,048	940,146
Net unrealized appreciation (depreciation) on investment transactions during the period	1,396,067	10,800,560
Net increase (decrease) in net assets resulting from operations	3,185,712	11,347,412
Portfolio share transactions:		
Class A		
Proceeds from shares sold	5,435,866	16,045,090
Cost of shares redeemed	(7,059,711)	(12,701,118)
Net increase (decrease) in net assets from Class A share transactions	(1,623,845)	3,343,972
Class B		
Proceeds from shares sold	3,132,494	5,228,477
Cost of shares redeemed	(275,415)	(130,839)
Net increase (decrease) in net assets from Class B share transactions	2,857,079	5,097,638
Increase (decrease) in net assets	4,418,946	19,789,022
Net assets at beginning of period	53,461,513	33,672,491
Net assets at end of period (including accumulated net investment loss of $229,403 at June 30, 2004)	**$ 57,880,459**	**$ 53,461,513**

Other Information		
Class A		
Shares outstanding at beginning of period	9,918,991	9,153,467
Shares sold	1,078,988	3,849,909
Shares redeemed	(1,403,531)	(3,084,385)
Net increase (decrease) in Portfolio shares	(324,543)	765,524
Shares outstanding at end of period	**9,594,448**	**9,918,991**
Class B		
Shares outstanding at beginning of period	1,256,244	44,351
Shares sold	635,329	1,245,969
Shares redeemed	(53,712)	(34,076)
Net increase (decrease) in Portfolio shares	581,617	1,211,893
Shares outstanding at end of period	**1,837,861**	**1,256,244**

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

21st Century Growth Portfolio

Class A

Years Ended December 31,	2004[a]	2003	2002	2001	2000	1999[b]
Selected Per Share Data						
Net asset value, beginning of period	**$ 4.79**	**$ 3.66**	**$ 6.23**	**$ 8.12**	**$ 10.55**	**$ 6.00[c]**
Income (loss) from investment operations:						
Net investment income (loss)[d]	(.02)	(.04)	(.04)	(.04)	(.11)	(.04)
Net realized and unrealized gain (loss) on investment transactions	.31	1.17	(2.53)	(1.85)	(2.20)	4.59
Total from investment operations	.29	1.13	(2.57)	(1.89)	(2.31)	4.55
Less distributions from:						
Net realized gains on investment transactions	—	—	—	—	(.12)	—
Net asset value, end of period	**$ 5.08**	**$ 4.79**	**$ 3.66**	**$ 6.23**	**$ 8.12**	**$ 10.55**
Total Return (%)	6.05**	30.87	(41.25)	(23.28)[e]	(22.39)[e]	75.83[e]**
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	49	48	34	45	26	15
Ratio of expenses before expense reductions (%)	1.01*	1.19	1.11	1.17[f]	1.35	2.90*
Ratio of expenses after expense reductions (%)	1.01*	1.19	1.11	1.15[f]	1.29	1.50*
Ratio of net investment income (loss) (%)	(.78)*	(.91)	(.88)	(.64)	(1.06)	(.95)*
Portfolio turnover rate (%)	92*	113	72	103	109	61

Class B

Years Ended December 31,	2004[a]	2003	2002	2001	2000	1999[b]
Selected Per Share Data						
Net asset value, beginning of period	**$ 4.72**	**$ 3.62**	**$ 6.15**	**$ 8.04**	**$ 10.51**	**$ 6.00[c]**
Income (loss) from investment operations:						
Net investment income (loss)[d]	(.03)	(.06)	(.05)	(.06)	(.13)	(.06)
Net realized and unrealized gain (loss) on investment transactions	.30	1.16	(2.48)	(1.83)	(2.22)	4.57
Total from investment operations	.27	1.10	(2.53)	(1.89)	(2.35)	4.51
Less distributions from:						
Net realized gains on investment transactions	—	—	—	—	(.12)	—
Net asset value, end of period	**$ 4.99**	**$ 4.72**	**$ 3.62**	**$ 6.15**	**$ 8.04**	**$ 10.51**
Total Return (%)	5.72**	30.39	(41.14)	(23.51)[e]	(22.79)[e]	75.17[e]**
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	9	6	.16	—***	—***	—***
Ratio of expenses before expense reductions (%)	1.40*	1.59	1.36	1.42[f]	1.60	3.15*
Ratio of expenses after expense reductions (%)	1.40*	1.59	1.36	1.40[f]	1.54	1.75*
Ratio of net investment income (loss) (%)	(1.17)*	(1.31)	(1.13)	(.89)	(1.31)	(1.20)*
Portfolio turnover rate (%)	92*	113	72	103	109	61

[a] *For the six months ended June 30, 2004 (Unaudited).*

[b] *For the period May 3, 1999 (commencement of operations) to December 31, 1999.*

[c] *Original capital.*

[d] *Based on average shares outstanding during the period.*

[e] *Total return would have been lower had certain expenses not been reduced.*

[f] *The ratios of operating expenses excluding costs incurred in connection with a fund complex reorganization before and after expense reductions were 1.16% and 1.15%, and 1.41% and 1.40% for Class A and Class B, respectively.*

* *Annualized*

** *Not annualized*

*** *Net assets less than one million*

Global Discovery Portfolio

Global small-cap stocks gained ground during the first half of the year, but the 5.19% total return of the portfolio (Class A shares, unadjusted for contract charges) for the six-month period ended June 30, 2004 trailed the 8.33% return of the Citigroup World Equity EMI. The portfolio's performance was helped by strong stock selection within financials, utilities and telecommunications services. In the financial sector, the portfolio's holdings provided a return more than double that of the financial stocks in the benchmark. Its top holding in this sector — Anglo Irish Bank Corp., PLC — produced a flat return, but we continue to like the stock's long-term prospects. Detractors included an overweight in health care and weak stock selection within industrials and energy. We are enthusiastic on the prospects of the health care group on a longer-term basis, however, due to its wealth of innovative young companies, the aging global population and the fact that the group tends to have a low correlation with global economic trends. From a geographic standpoint, we raised the portfolio's weighting in Asia and made a slight reduction to its position in Europe.

We expect that small caps can continue to perform well in light of continued global growth and the improving earnings prospects for companies in the asset class. We believe the portfolio is well-balanced and reasonably positioned for a recovery in the global economy. Opportunities remain plentiful to find what we believe are outstanding smaller companies that can generate growth in any economic climate.

Joseph Axtell
Terrence S. Gray
Portfolio Managers

All performance shown is historical, assumes reinvestment of all dividends and capital gains, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less then their original cost. Current performance may be lower or higher than the performance data quoted. Please visit scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Information concerning the portfolio holdings of the portfolio as of month-end is available upon request on the 16th of the following month.

Risk Considerations

This portfolio is subject to stock market risk. Investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuations, political and economic changes and market risks. Additionally, stocks of small-sized companies involve greater risk as they often have limited product lines, markets or financial resources and may be sensitive to erratic and abrupt market movements more so than securities of larger, more established companies. All of these factors may result in greater share price volatility. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

The Citigroup World Equity Extended Market Index (Citigroup World Equity EMI), formerly Salomon Smith Barney World Equity Extended Market Index, is an unmanaged index of small-capitalization stocks within 22 countries around the globe. Index returns assume reinvested dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2004, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Global Discovery Portfolio

	Shares	Value ($)
Common Stocks 84.6%		
Australia 1.2%		
Macquarie Bank Ltd.	80,811	1,908,437
QBE Insurance Group Ltd. (c)	124,741	1,112,970
(Cost $1,745,415)		**3,021,407**
Austria 0.3%		
Wienerberger AG (Cost $654,342)	20,600	**718,437**
Bermuda 0.3%		
Midland Realty Holdings Ltd. (Cost $831,718)	3,598,000	**770,366**
Brazil 1.8%		
Aracruz Celulose SA "B (ADR)	78,300	2,557,278
Empresa Brasiliera de Aeronautica SA (Preferred) (ADR)	60,118	1,718,774
(Cost $3,312,870)		**4,276,052**
Canada 0.7%		
OPTI Canada, Inc.* (c)	42,200	593,541
ZENON Environmental, Inc.*	64,300	1,109,369
(Cost $1,768,662)		**1,702,910**
Czech Republic 0.8%		
Cesky Telecom AS	107,700	1,319,665
Zentiva NV (GDR)*	35,000	665,000
(Cost $1,673,473)		**1,984,665**
Denmark 0.6%		
Group 4 Falck AS (Cost $1,321,039)	54,300	**1,398,566**
Finland 0.5%		
TietoEnator Oyj (Cost $718,805)	40,800	**1,240,892**
France 4.3%		
Autoroutes du Sud de la France (c)	75,715	3,012,559
Camaieu (c)	22,075	1,973,805
Flamel Technologies SA (ADR)*	116,500	2,869,395
JC Decaux SA*	121,075	2,596,114
(Cost $7,173,306)		**10,451,873**
Germany 6.9%		
Deutsche Boerse AG (c)	85,403	4,348,516
Fresenius Medical Care AG (c)	89,808	6,676,935
Puma AG	17,625	4,487,543
Stada Arzneimittel AG (c)	29,788	1,244,760
(Cost $8,571,453)		**16,757,754**
Greece 3.9%		
Alpha Bank AE	148,300	3,781,867
Coca–Cola Hellenic Bottling Co. SA	98,100	2,288,835
Greek Organization of Football Prognostics	106,200	1,996,238
Titan Cement Co.	61,600	1,456,753
(Cost $6,684,496)		**9,523,693**
Hong Kong 1.7%		
Kingboard Chemical Holdings Ltd.	916,400	1,592,002
Wing Hang Bank Ltd.	420,200	2,494,344
(Cost $3,728,272)		**4,086,346**
India 0.7%		
Mahindra & Mahindra Ltd.	96,300	926,825
Ranbaxy Laboratories Ltd.	39,900	790,223
(Cost $1,983,940)		**1,717,048**
Ireland 7.0%		
Anglo Irish Bank Corp., PLC	642,108	10,058,071
ICON PLC (ADR)*	27,300	1,200,927
Irish Continental Group PLC	65,360	808,689
Irish Life & Permanent PLC	62,976	971,111
Jurys Doyle Hotel Group PLC	231,150	2,930,426
Ryanair Holdings PLC*	169,500	946,321
(Cost $5,754,953)		**16,915,545**
Israel 0.2%		
Lipman Electronic Engineering Ltd.* (Cost $436,800)	10,500	**541,800**
Japan 7.1%		
AEON Credit Services Co., Ltd.	32,600	2,180,622
AEON Mall Co., Ltd.	54,000	3,220,104
JAFCO Co., Ltd.	21,500	1,645,564
Matsui Securities Co., Ltd. (c)	46,800	1,595,332
Nidec Corp. (c)	36,600	3,759,710
Olympus Corp.	129,000	2,441,678
Sumitomo Realty & Development Co., Ltd. (c)	195,000	2,422,383
(Cost $12,799,102)		**17,265,393**
Korea 0.2%		
Korea Information Service, Inc. (Cost $979,428)	35,000	**569,944**
Mexico 0.4%		
Grupo Aeroportuario del Sureste SA de CV (ADR)* (Cost $1,006,758)	47,800	**884,300**
Netherlands 3.0%		
Chicago Bridge & Iron Co., NV (ADR)	67,500	1,879,875
IHC Caland NV	54,485	2,539,129
Vedior NV	204,558	2,987,285
(Cost $6,241,355)		**7,406,289**
Norway 0.6%		
Tandberg ASA (Cost $730,581)	147,200	**1,555,386**
Russia 1.1%		
Mobile Telesystems (ADR) (Cost $622,716)	21,500	**2,623,000**
Spain 1.4%		
ACS, Actividades de Construccion y Servicios, SA	102,300	1,727,145
Amadeus Global Travel Distribution SA "A"	246,200	1,617,634
(Cost $2,937,481)		**3,344,779**
Sweden 0.8%		
Eniro AB	197,200	1,507,986
Micronic Laser Systems AB*	60,700	443,991
(Cost $1,891,931)		**1,951,977**

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

	Shares	Value ($)
Switzerland 0.5%		
Micronas Semiconductor Holdings AG (Foreign Registered)* (Cost $1,028,882)	24,500	**1,115,997**
Taiwan 1.5%		
Compal Electronics, Inc.	1,730,000	1,879,316
Silconware Precision Industries Co.*	2,316,000	1,819,714
(Cost $4,479,402)		**3,699,030**
Thailand 0.6%		
Bangkok Bank PCL (Foreign Registered)* (Cost $1,494,304)	597,300	**1,439,365**
United Kingdom 3.9%		
Aegis Group PLC	1,195,335	1,949,946
ARM Holdings PLC	738,941	1,611,719
Misys PLC	291,370	1,048,597
Taylor Nelson Sofres PLC	574,840	2,183,693
Viridian Group PLC	168,979	1,950,315
Wood Group (John) PLC	296,959	700,329
(Cost $11,563,963)		**9,444,599**
United States 32.6%		
Advance Auto Parts, Inc.*	64,300	2,840,774
Affiliated Computer Services, Inc. "A"*	32,200	1,704,668
Alkermes, Inc.*	59,800	813,280
Allegheny Energy, Inc.* (c)	160,300	2,470,223
Applied Micro Circuits Corp.*	231,700	1,232,644
Arthur J. Gallagher & Co.	50,700	1,543,815
Brinker International, Inc.*	53,300	1,818,596
Caremark Rx, Inc.*	158,100	5,207,814
Carter's, Inc.*	34,100	992,651
Celgene Corp.* (c)	41,300	2,364,838
Cephalon, Inc.*	12,000	648,000
Chico's FAS, Inc.*	44,600	2,014,136
Diebold, Inc.	39,700	2,098,939
EOG Resources, Inc.	31,500	1,880,865
Fiserv, Inc.*	102,900	4,001,781
FTI Consulting, Inc.*	82,950	1,368,675
Garmin Ltd. (c)	23,400	866,736
Gentex Corp.	49,500	1,964,160
GTECH Holdings Corp.	73,500	3,403,785
Harman International Industries, Inc.	41,900	3,812,900
Harris Interactive, Inc.*	144,600	971,712
Invitrogen Corp.*	37,400	2,692,426
Lam Research Corp.*	45,700	1,224,760
Legg Mason, Inc.	80,700	7,344,507
Mercury Interactive Corp.*	49,200	2,451,636
Par Pharmaceutical Cos., Inc.*	53,800	1,894,298
Rowan Companies, Inc.*	43,400	1,055,922
Spinnaker Exploration Co.*	28,800	1,134,144
St. Jude Medical, Inc.*	27,700	2,095,505
Symbol Technologies, Inc.	119,093	1,755,431
The First Marblehead Corp.*	84,100	3,385,866
Thoratec Corp.* (c)	114,800	1,231,804
THQ, Inc.*	94,100	2,154,890
Waters Corp.*	64,400	3,077,032
Zions Bancorp.	64,000	3,932,800
(Cost $60,640,878)		**79,452,013**
Total Common Stocks (Cost $152,776,325)		**205,859,426**

Securities Lending Collateral 12.9%

Daily Assets Fund Institutional, 1.14% (d) (e) (Cost $31,395,966)	31,395,966	**31,395,966**

Cash Equivalents 2.5%

Scudder Cash Management QP Trust, 1.20% (b) (Cost $6,093,765)	6,093,765	**6,093,765**
Total Investment Portfolio — 100.0% (Cost $190,266,056) (a)		**243,349,157**

At June 30, 2004, the Global Discovery Portfolio had the following industry diversification:

Industry	Value ($)	Percent (%)
Financials	49,340,604	23.3
Information Technology	38,278,395	18.1
Consumer Discretionary	37,273,866	17.6
Health Care	32,836,883	15.4
Industrials	26,506,806	12.5
Materials	5,606,033	2.6
Energy	5,364,801	2.5
Utilities	4,420,538	2.1
Telecommunication Services	3,942,665	1.9
Consumer Staples	2,288,835	1.1
Total Common Stock	205,859,426	97.1
Cash Equivalents	6,093,765	2.9
	211,953,191	**100.0**

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

*   *Non-income producing security.*

(a) *The cost for federal income tax purposes was $190,774,277. At June 30, 2004, net unrealized appreciation for all securities based on tax cost was $52,574,880. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $61,496,796 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $8,921,916.*

(b) *Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2004 amounted to $30,023,093, which is 14.1% of total net assets.*

(d) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(e) *Represents collateral held in connection with securities lending.*

Purchases and sales of investment securities (excluding short-term investments) for the six months ended June 30, 2004, aggregated $21,245,663 and $19,135,780, respectively.

At December 31, 2003, the Global Discovery Portfolio had a net tax basis capital loss carryforward of approximately $55,714,000 which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until December 31, 2009 ($24,864,000), December 31, 2010 ($25,620,000) and December 31, 2011 ($5,230,000), the respective expiration dates, whichever occurs first.

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

Global Discovery Portfolio

Statement of Assets and Liabilities
as of June 30, 2004 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $152,776,325)	$	205,859,426
Interest in Daily Assets Fund Institutional (cost $31,395,966)*		31,395,966
Investment in Scudder Cash Management QP Trust (cost $6,093,765)		6,093,765
Total investments in securities, at value (cost $190,266,056)		243,349,157
Foreign currency, at value (cost $207,094)		204,886
Dividends receivable		290,417
Interest receivable		22,739
Receivable for Portfolio shares sold		98,151
Foreign taxes recoverable		14,423
Total assets		243,979,773
Liabilities		
Due to custodian bank		270
Payable upon return of securites loaned		31,395,966
Payable for Portfolio shares redeemed		76,788
Accrued management fee		174,111
Accrued distribution service fees		3,766
Other accrued expenses and payables		150,616
Total liabilities		31,801,517
Net assets, at value	**$**	**212,178,256**
Net Assets		
Net assets consist of:		
Undistributed net investment income		267,027
Net unrealized appreciation (depreciation) on:		
Investments		53,083,101
Foreign currency related transactions		1,077
Accumulated net realized gain (loss)		(51,632,518)
Paid-in capital		210,459,569
Net assets, at value	**$**	**212,178,256**
Class A		
Net Asset Value, offering and redemption price per share ($193,297,499 ÷ 17,760,978 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**10.88**
Class B		
Net Asset Value, offering and redemption price per share ($18,880,757 ÷ 1,754,906 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**10.76**

* *Represents collateral on securities loaned.*

Statement of Operations
for the six months ended June 30, 2004 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $103,653)	$	1,462,694
Interest — Scudder Cash Management QP Trust		88,251
Securities lending income		55,682
Total Income		1,606,627
Expenses:		
Management fee		1,009,669
Custodian fees		94,455
Accounting fees		63,210
Distribution service fees (Class B)		19,770
Record keeping fees (Class B)		5,146
Auditing		21,124
Legal		3,263
Trustees' fees and expenses		4,775
Reports to shareholders		8,643
Other		4,799
Total expenses, before expense reductions		1,234,854
Expense reductions		(665)
Total expenses, after expense reductions		1,234,189
Net investment income (loss)		**372,438**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		4,669,345
Foreign currency related transactions		(33,559)
		4,635,786
Net unrealized appreciation (depreciation) during the period on:		
Investments		4,855,682
Foreign currency related transactions		(9,740)
		4,845,942
Net gain (loss) on investment transactions		**9,481,728**
Net increase (decrease) in net assets resulting from operations	**$**	**9,854,166**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2004 (Unaudited)	Year Ended December 31, 2003
Operations:		
Net investment income (loss)	$ 372,438	$ 406,219
Net realized gain (loss) on investment transactions	4,635,786	(3,501,571)
Net unrealized appreciation (depreciation) on investment transactions during the period	4,845,942	65,108,493
Net increase (decrease) in net assets resulting from operations	9,854,166	62,013,141
Distributions to shareholders from:		
Net investment income:		
Class A	(501,729)	(133,861)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	15,494,120	36,495,865
Reinvestment of distributions	501,729	133,861
Cost of shares redeemed	(14,169,620)	(33,146,972)
Net increase (decrease) in net assets from Class A share transactions	1,826,229	3,482,754
Class B		
Proceeds from shares sold	5,946,869	6,497,655
Cost of shares redeemed	(990,030)	(1,234,627)
Net increase (decrease) in net assets from Class B share transactions	4,956,839	5,263,028
Increase (decrease) in net assets	16,135,505	70,625,062
Net assets at beginning of period	196,042,751	125,417,689
Net assets at end of period (including undistributed net investment income of $267,027 and $396,318, respectively)	**$ 212,178,256**	**$ 196,042,751**

Other Information

Class A		
Shares outstanding at beginning of period	17,610,512	17,358,587
Shares sold	1,428,225	4,275,233
Shares issued to shareholders in reinvestment of distributions	46,673	18,413
Shares redeemed	(1,324,432)	(4,041,721)
Net increase (decrease) in Portfolio shares	150,466	251,925
Shares outstanding at end of period	**17,760,978**	**17,610,512**
Class B		
Shares outstanding at beginning of period	1,289,405	645,610
Shares sold	559,247	796,263
Shares redeemed	(93,746)	(152,468)
Net increase (decrease) in Portfolio shares	465,501	643,795
Shares outstanding at end of period	**1,754,906**	**1,289,405**

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

Global Discovery Portfolio

Class A

Years Ended December 31,	2004[a]	2003	2002	2001	2000	1999
Selected Per Share Data						
Net asset value, beginning of period	**$ 10.38**	**$ 6.97**	**$ 8.70**	**$ 11.76**	**$ 13.18**	**$ 8.04**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.02	.02	(.00)[c]	(.00)[c]	(.03)	(.06)
Net realized and unrealized gain (loss) on investment transactions	.51	3.40	(1.73)	(2.87)	(.62)	5.30
Total from investment operations	.53	3.42	(1.73)	(2.87)	(.65)	5.24
Less distributions from:						
Net investment income	(.03)	(.01)	—	—	(.11)	—
Net realized gains on investment transactions	—	—	—	(.19)	(.66)	(.10)
Total distributions	(.03)	(.01)	—	(.19)	(.77)	(.10)
Net asset value, end of period	**$ 10.88**	**$ 10.38**	**$ 6.97**	**$ 8.70**	**$ 11.76**	**$ 13.18**
Total Return (%)	5.19**	49.09	(19.89)	(24.59)	(5.29)	65.88
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	193	183	121	150	159	71
Ratio of expenses before expense reductions (%)	1.17*	1.18	1.19	1.23[d]	1.28	1.63
Ratio of expenses after expense reductions (%)	1.17*	1.18	1.19	1.22[d]	1.28	1.63
Ratio of net investment income (loss) (%)	.38*	.28	(.03)	.00[e]	(.25)	(.66)
Portfolio turnover rate (%)	19*	41	47	56	66	70

Class B

Years Ended December 31,	2004[a]	2003	2002	2001	2000	1999
Selected Per Share Data						
Net asset value, beginning of period	**$ 10.25**	**$ 6.89**	**$ 8.62**	**$ 11.69**	**$ 13.11**	**$ 8.01**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.00[c]	.00[c]	(.02)	(.02)	(.07)	(.08)
Net realized and unrealized gain (loss) on investment transactions	.51	3.36	(1.71)	(2.86)	(.61)	5.28
Total from investment operations	.51	3.36	(1.73)	(2.88)	(.68)	5.20
Less distributions from:						
Net investment income	—	—	—	—	(.08)	—
Net realized gains on investment transactions	—	—	—	(.19)	(.66)	(.10)
Total distributions	—	—	—	(.19)	(.74)	(.10)
Net asset value, end of period	**$ 10.76**	**$ 10.25**	**$ 6.89**	**$ 8.62**	**$ 11.69**	**$ 13.11**
Total Return (%)	4.98**	48.77	(20.07)	(24.96)	(5.42)	65.63
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	19	13	4	7	11	7
Ratio of expenses before expense reductions (%)	1.48*	1.43	1.44	1.48[d]	1.53	1.88
Ratio of expenses after expense reductions (%)	1.48*	1.43	1.44	1.47[d]	1.53	1.88
Ratio of net investment income (loss) (%)	.07*	.03	(.28)	(.25)	(.52)	(.91)
Portfolio turnover rate (%)	19*	41	47	56	66	70

[a] *For the six months ended June 30, 2004 (Unaudited).*
[b] *Based on average shares outstanding during the period.*
[c] *Less than $.005 per share*
[d] *The ratios of operating expenses excluding costs incurred in connection with a fund complex reorganization before and after expense reductions were 1.22% and 1.22%, and 1.47% and 1.47% for Class A and Class B, respectively.*
[e] *Less than .005%*
* *Annualized*
** *Not annualized*

International Portfolio

Overseas stock markets moved higher in the first half of 2004, as the benefits of improving economic growth and higher corporate earnings outweighed concerns about any increase in US interest rates and China's efforts to restrain growth. The portfolio produced a positive absolute return of 2.18% (Class A shares, unadjusted for contract charges) for the six-month period ended June 30, 2004, but lagged the 4.56% return of the MSCI EAFE Index.

While emerging-markets stocks contributed to returns in the first quarter, they underperformed in the second quarter on concerns about rising interest rates in the United States. During the period as a whole, emerging markets were a net neutral contributor. The reason for the portfolio's overweight in emerging markets is not a top-down approach to investing in the asset class, but rather our positive view on the fundamentals and valuations of many companies in the developing countries. Despite the recent downturn in this area, we remain confident in the longer-term prospects of the emerging-markets companies in which the portfolio is invested. Asia, in particular, remains a source of compelling opportunities, especially among financial and real estate companies. Other detractors to performance included holdings in industrials, financials and UK media stocks. Helping performance was strong stock selection in information technology. Although the portfolio underperformed during the semiannual period, we believe our approach has enabled us to identify and invest in what we believe to be outstanding companies for the long term.

Alex Tedder
Lead Portfolio Manager

Clare Gray
Matthias Knerr
Sangita Uberoi
Portfolio Managers

All performance shown is historical, assumes reinvestment of all dividends and capital gains, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less then their original cost. Current performance may be lower or higher than the performance data quoted. Please visit scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Information concerning the portfolio holdings of the portfolio as of month-end is available upon request on the 16th of the following month.

Risk Considerations

This portfolio is subject to stock market risk. Investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation, political and economic changes and market risks. This may result in greater share price volatility. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

Morgan Stanley Capital International (MSCI) Europe, Australia, Far East (EAFE) Index is an unmanaged capitalization-weighted measure of stock markets in Europe, Australia and the Far East. Index returns assume reinvested dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Effective July 12, 2004, the Morgan Stanley Capital International (MSCI) Europe, Australasia, Far East (EAFE) Index replaced the MSCI EAFE & Canada Index as the portfolio's benchmark index because the advisor believes it is more appropriate to measure the portfolio's performance against the MSCI EAFE Index as it more accurately reflects the portfolio's investment strategy. For the six months ended June 30, 2004, the MSCI & Canada Index returned 4.34%.

Portfolio management market commentary is as of June 30, 2004, and may not come to pass. This information is subject to change at any time based on market and other conditions.

International Portfolio

	Shares	Value ($)
Common Stocks 83.9%		
Australia 1.0%		
Australia & New Zealand Banking Group Ltd. (Cost $5,803,387)	447,892	**5,707,074**
Austria 0.6%		
Wienerberger AG (Cost $3,011,255)	92,987	**3,242,975**
Brazil 0.7%		
Companhia Vale do Rio Doce (ADR) (c) (Cost $2,160,963)	80,206	**3,813,795**
Denmark 0.6%		
Tele Denmark AS (Cost $3,262,239)	106,190	**3,458,022**
Finland 1.2%		
Nokia Oyj	170,957	2,471,582
Nokia Oyj (ADR)	128,290	1,865,337
Stora Enso Oyj "R"	195,624	2,658,890
(Cost $7,418,292)		**6,995,809**
France 6.0%		
BNP Paribas SA (c)	115,970	7,146,120
Credit Agricole SA (c)	214,269	5,223,875
Schneider Electric SA	69,801	4,773,401
Total SA (c)	83,803	16,007,814
Vivendi Universal SA* (c)	70,030	1,946,357
(Cost $25,590,848)		**35,097,567**
Germany 7.3%		
Allianz AG (Registered) (c)	70,820	7,685,918
Deutsche Telekom AG (Registered)* (c)	317,357	5,586,229
E.ON AG	116,306	8,407,372
Hypo Real Estate Holdings AG*	100,100	2,941,946
Metro AG (c)	68,360	3,246,568
Muenchener Rueckversicherungs–Gesellschaft AG (Registered) (c)	44,622	4,846,522
SAP AG (c)	14,850	2,466,598
Siemens AG (c)	107,917	7,775,965
(Cost $32,646,927)		**42,957,118**
Greece 0.9%		
Alpha Bank AE	195,922	4,996,298
Public Power Corp.	14,731	350,163
(Cost $4,200,425)		**5,346,461**
Hong Kong 1.7%		
Esprit Holdings Ltd.	1,311,534	5,868,462
Sun Hung Kai Properties Ltd. (REIT)	531,446	4,360,722
(Cost $9,955,550)		**10,229,184**
Hungary 0.8%		
OTP Bank Rt (GDR) (Cost $2,171,404)	106,500	**4,393,125**
India 0.4%		
ICICI Ltd. (Cost $2,958,038)	434,500	**2,312,539**
Italy 2.2%		
Eni SpA (c)	431,120	8,576,731
Terna SpA	2,118,750	4,597,304
(Cost $10,440,806)		**13,174,035**
Japan 20.5%		
Aiful Corp.*	12,800	1,339,569
Canon, Inc.	192,200	10,154,362
Dai Nippon Printing Co., Ltd.	233,827	3,744,755
Daiwa House Industry Co., Ltd.	235,000	2,733,588
FANUC Ltd.	98,300	5,879,846
Hoya Corp.	71,000	7,449,993
KDDI Corp.	699	4,007,681
Kirin Brewery Co., Ltd.	598,000	5,928,626
Mitsubishi Corp. (c)	811,000	7,898,746
Mitsubishi Tokyo Financial Group, Inc.	588	5,456,700
Mitsui Fudosan Co., Ltd. (REIT)	532,000	6,393,678
Mizuho Financial Group, Inc.	1,840	8,368,631
Nippon Steel Corp.	3,004,871	6,322,557
Nissan Motor Co., Ltd.	642,157	7,157,040
Nomura Holdings, Inc.	452,753	6,718,391
Sharp Corp.	354,000	5,669,334
Sony Corp. (c)	121,116	4,573,775
Toyota Motor Corp.	360,500	14,640,603
Yamanouchi Pharmaceutical Co., Ltd.	176,000	5,934,856
(Cost $98,103,866)		**120,372,731**
Korea 2.4%		
LG Electronics, Inc.	60,000	2,847,986
POSCO	31,060	4,008,610
Samsung Electronics Co., Ltd.	17,384	7,182,476
(Cost $10,276,819)		**14,039,072**
Netherlands 2.6%		
ING Groep NV	393,921	9,315,675
Koninklijke (Royal) Philips Electronics NV	213,330	5,754,887
(Cost $13,066,957)		**15,070,562**
Russia 0.9%		
LUKOIL (ADR)	27,710	2,895,695
YUKOS (ADR)	76,580	2,435,244
(Cost $5,009,351)		**5,330,939**
Spain 2.1%		
Banco Popular Espanol SA	54,020	3,056,773
Gestevision Telecinco SA	42,601	637,188
Telefonica SA	578,300	8,565,110
(Cost $8,960,928)		**12,259,071**
Sweden 1.2%		
Telefonaktiebolaget LM Ericsson "B"* (Cost $2,945,021)	2,395,137	**7,071,409**
Switzerland 9.8%		
ABB Ltd.	1,225,850	6,716,315
Credit Suisse Group	150,100	5,342,492
Nestle SA (Registered)	56,994	15,225,752
Novartis AG (Registered)	187,655	8,292,692
Roche Holding AG	91,990	9,123,583
UBS AG (Registered)	184,097	12,994,649
(Cost $44,221,633)		**57,695,483**

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

	Shares	Value ($)
Thailand 0.4%		
Bangkok Bank PCL (Foreign Registered)* (Cost $2,712,959)	1,047,994	**2,525,441**
United Kingdom 20.6%		
AstraZeneca PLC	234,562	10,547,650
BAA PLC	321,395	3,233,368
BHP Billiton PLC	1,010,330	8,787,059
British Sky Broadcasting Group PLC	289,873	3,277,151
GlaxoSmithKline PLC	279,006	5,659,474
HSBC Holdings PLC	793,612	11,828,248
Imperial Tobacco Group PLC	159,100	3,435,461
Kingfisher PLC	665,082	3,460,342
National Grid Transco PLC	524,000	4,052,558
Prudential Corp. PLC	583,787	5,034,879
Reuters Group PLC	464,540	3,128,309
Royal Bank of Scotland Group PLC	403,532	11,647,342
Scottish & Southern Energy PLC	55,731	690,337
Shell Transport & Trading Co., PLC	1,985,837	14,600,256
Smith & Nephew PLC	727,300	7,845,718
Vodafone Group PLC	6,482,827	14,228,199
William Morrison Supermarkets PLC	1,154,060	4,861,234
WPP Group PLC	425,400	4,329,960
(Cost $106,128,464)		**120,647,545**
Total Common Stocks (Cost $401,046,132)		**491,739,957**
Preferred Stock 1.0%		
Germany		
Henkel KGaA (Cost $4,359,371) (c)	65,677	**5,618,626**
Securities Lending Collateral 14.5%		
Daily Assets Fund Institutional, 1.14% (d) (e) (Cost $85,171,505)	85,171,505	**85,171,505**
Cash Equivalents 0.6%		
Scudder Cash Management QP Trust, 1.20% (b) (Cost $3,725,408)	3,725,408	**3,725,408**
Total Investment Portfolio — 100.0% (Cost $494,302,416) (a)		**586,255,496**

At June 30, 2004, the International Portfolio had the following industry diversification:

Industry	Value ($)	Percent (%)
Financials	139,636,610	27.9
Consumer Discretionary	74,132,783	14.8
Health Care	47,403,973	9.5
Energy	44,515,740	8.9
Industrials	43,265,371	8.6
Information Technology	38,661,756	7.7
Telecommunication Services	35,845,241	7.2
Consumer Staples	30,208,464	6.0
Materials	25,590,911	5.1
Utilities	18,097,734	3.6
Total Common and Preferred Stocks	497,358,583	99.3
Cash Equivalents	3,725,408	0.7
	501,083,991	**100.0**

* *Non-income producing security.*

(a) *The cost for federal income tax purposes was $498,407,040. At June 30, 2004, net unrealized appreciation for all securities based on tax cost was $87,848,456. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $95,122,297 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $7,273,841.*

(b) *Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2004 amounted to $81,061,077, which is 15.9% of total net assets.*

(d) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(e) *Represents collateral held in connection with securities lending.*

Purchases and sales of investment securities (excluding short-term investments) for the six months ended June 30, 2004, aggregated $203,140,691 and $210,064,839, respectively.

At December 31, 2003, the International Portfolio had a net tax basis capital loss carryforward of approximately $252,386,000 which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until December 31, 2009 ($133,060,000), December 31, 2010 (105,374,000) and December 31, 2011 ($13,952,000), the respective expiration dates, whichever occurs first.

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

International Portfolio

Statement of Assets and Liabilities
as of June 30, 2004 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $405,405,503)	$	497,358,583
Investment in Daily Assets Fund Institutional (cost $85,171,505)*		85,171,505
Investment in Scudder Cash Management QP Trust (cost $3,725,408)		3,725,408
Total investments in securities, at value (cost $494,302,416)		586,255,496
Foreign currency, at value (cost $15,729,930)		15,762,613
Receivable for investments sold		2,809,782
Dividends receivable		812,522
Interest receivable		52,702
Receivable for Portfolio shares sold		559,619
Foreign taxes recoverable		488,308
Other assets		3,133
Total assets		606,744,175
Liabilities		
Due to custodian bank		14,564
Payable upon return of securities loaned		85,171,505
Payable for investments purchased		10,743,885
Payable for Portfolio shares redeemed		832,485
Accrued management fee		360,905
Accrued distribution service fees		5,014
Other accrued expenses and payables		304,460
Total liabilities		97,432,818
Net assets, at value	**$**	**509,311,357**
Net Assets		
Net assets consist of:		
Undistributed net investment income		4,050,927
Net unrealized appreciation (depreciation) on:		
Investments		91,953,080
Foreign currency related transactions		53,466
Accumulated net realized gain (loss)		(238,769,124)
Paid-in capital		652,023,008
Net assets, at value	**$**	**509,311,357**
Net Asset Value		
Class A		
Net Asset Value, offering and redemption price per share ($482,684,166 ÷ 57,909,813 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**8.34**
Class B		
Net Asset Value, offering and redemption price per share ($26,627,191 ÷ 3,197,672 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**8.33**

* *Represents collateral on securities loaned.*

Statement of Operations
for the six months ended June 30, 2004 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $855,603)	$	6,706,190
Interest — Scudder Cash Management QP Trust		63,001
Securities lending income		207,483
Total Income		6,976,674
Expenses:		
Management fee		2,242,859
Custodian fees		169,972
Accounting fees		157,446
Distribution service fees (Class B)		32,196
Record keeping fees (Class B)		8,016
Auditing		22,740
Trustees' fees and expenses		7,788
Reports to shareholders		8,280
Other		24,022
Total expenses, before expense reductions		2,673,319
Expense reductions		(1,350)
Total expenses, after expense reductions		2,671,969
Net investment income (loss)		**4,304,705**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		18,381,948
Foreign currency related transactions		248,547
		18,630,495
Net unrealized appreciation (depreciation) during the period on:		
Investments		(11,529,598)
Foreign currency related transactions		(184,626)
		(11,714,224)
Net gain (loss) on investment transactions		**6,916,271**
Net increase (decrease) in net assets resulting from operations	**$**	**11,220,976**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2004 (Unaudited)	Year Ended December 31, 2003
Operations:		
Net investment income (loss)	$ 4,304,705	$ 5,716,911
Net realized gain (loss) on investment transactions	18,630,495	(4,157,550)
Net unrealized appreciation (depreciation) on investment transactions during the period	(11,714,224)	111,190,364
Net increase (decrease) in net assets resulting from operations	11,220,976	112,749,725
Distributions to shareholders from:		
Net investment income:		
Class A	(6,363,977)	(3,294,533)
Class B	(312,686)	(65,246)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	36,766,027	144,783,011
Reinvestment of distributions	6,363,977	3,294,533
Cost of shares redeemed	(50,280,244)	(179,951,683)
Net increase (decrease) in net assets from Class A share transactions	(7,150,240)	(31,874,139)
Class B		
Proceeds from shares sold	14,184,540	13,693,862
Reinvestment of distributions	312,686	65,246
Cost of shares redeemed	(12,001,669)	(1,831,157)
Net increase (decrease) in net assets from Class B share transactions	2,495,557	11,927,951
Increase (decrease) in net assets	(110,370)	89,443,758
Net assets at beginning of period	509,421,727	419,977,969
Net assets at end of period (including undistributed net investment income of $4,050,927 and $6,422,885, respectively)	**$ 509,311,357**	**$ 509,421,727**

Other Information

Class A		
Shares outstanding at beginning of period	58,747,179	63,268,457
Shares sold	4,338,995	21,527,511
Shares issued to shareholders in reinvestment of distributions	763,983	522,046
Shares redeemed	(5,940,344)	(26,570,835)
Net increase (decrease) in Portfolio shares	(837,366)	(4,521,278)
Shares outstanding at end of period	**57,909,813**	**58,747,179**
Class B		
Shares outstanding at beginning of period	2,910,661	1,173,516
Shares sold	1,687,783	1,976,109
Shares issued to shareholders in reinvestment of distributions	37,537	10,356
Shares redeemed	(1,438,309)	(249,320)
Net increase (decrease) in Portfolio shares	287,011	1,737,145
Shares outstanding at end of period	**3,197,672**	**2,910,661**

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

International Portfolio

Class A

Years Ended December 31,	2004[a]	2003	2002	2001	2000	1999
Selected Per Share Data						
Net asset value, beginning of period	**$ 8.26**	**$ 6.52**	**$ 8.05**	**$ 14.26**	**$ 20.34**	**$ 14.56**
Income (loss) from investment operations:						
Net investment income[b]	.07	.09	.05	.06	.08	.12[c]
Net realized and unrealized gain (loss) on investment transactions	.12	1.70	(1.52)	(3.97)	(4.24)	7.17
Total from investment operations	.19	1.79	(1.47)	(3.91)	(4.16)	7.29
Less distributions from:						
Net investment income	(.11)	(.05)	(.06)	(.05)	(.09)	(.02)
Net realized gains on investment transactions	—	—	—	(2.25)	(1.83)	(1.49)
Total distributions	(.11)	(.05)	(.06)	(2.30)	(1.92)	(1.51)
Net asset value, end of period	**$ 8.34**	**$ 8.26**	**$ 6.52**	**$ 8.05**	**$ 14.26**	**$ 20.34**
Total Return (%)	2.18**	27.75	(18.37)	(30.86)	(21.70)	54.51
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	483	485	412	513	720	874
Ratio of expenses before expense reductions (%)	1.02*	1.05	1.03	1.01[d]	.96	1.03
Ratio of expenses after expense reductions (%)	1.02*	1.05	1.03	1.00[d]	.96	1.03
Ratio of net investment income (loss) (%)	.84[e]	1.32	.73	.64	.48	.76
Portfolio turnover rate (%)	81*	119	123	105	79	86

Class B

Years Ended December 31,	2004[a]	2003	2002	2001	2000	1999
Selected Per Share Data						
Net asset value, beginning of period	**$ 8.24**	**$ 6.50**	**$ 8.03**	**$ 14.19**	**$ 20.24**	**$ 14.51**
Income (loss) from investment operations:						
Net investment income[b]	.06	.07	.04	.05	.04	.08[c]
Net realized and unrealized gain (loss) on investment transactions	.12	1.71	(1.53)	(3.94)	(4.22)	7.14
Total from investment operations	.18	1.78	(1.49)	(3.89)	(4.18)	7.22
Less distributions from:						
Net investment income	(.09)	(.04)	(.04)	(.02)	(.04)	—
Net realized gains on investment transactions	—	—	—	(2.25)	(1.83)	(1.49)
Total distributions	(.09)	(.04)	(.04)	(2.27)	(1.87)	(1.49)
Net asset value, end of period	**$ 8.33**	**$ 8.24**	**$ 6.50**	**$ 8.03**	**$ 14.19**	**$ 20.24**
Total Return (%)	2.02**	27.52	(18.62)	(30.81)	(21.89)	54.13
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	27	24	8	3	.77	.69
Ratio of expenses before expense reductions (%)	1.33*	1.32	1.28	1.26[d]	1.21	1.28
Ratio of expenses after expense reductions (%)	1.33*	1.32	1.28	1.25[d]	1.21	1.28
Ratio of net investment income (loss) (%)	.68[e]	1.05	.48	.39	.23	.53
Portfolio turnover rate (%)	81*	119	123	105	79	86

[a] *For the six months ended June 30, 2004 (Unaudited).*

[b] *Based on average shares outstanding during the period.*

[c] *Net investment income per share includes non-recurring dividend income amounting to $.03 per share.*

[d] *The ratios of operating expenses excluding costs incurred in connection with a fund complex reorganization before and after expense reductions were 1.00% and 1.00%, and 1.25% and 1.25% for Class A and Class B, respectively.*

[e] *The ratio for the six months ended June 30, 2004 has not been annualized since the Portfolio believes it would not be appropriate because the Portfolio's income is not earned ratable throughout the fiscal year.*

* *Annualized* ** *Not annualized*

Health Sciences Portfolio

Health care stocks, as a group, performed well in the period, helping the portfolio to generate a return of 4.57% (Class A shares, unadjusted for contract charges) for the six-month period ended June 30, 2004. In comparison, the S&P 500 index returned 3.44% and the Goldman Sachs Healthcare Index returned 4.79%. Portfolio performance was helped by our underweight in major pharmaceuticals, which we continue to view cautiously due to looming patent expirations and the likelihood that political rhetoric will heat up ahead of the November elections. We received strong returns from the portfolio's holdings in the health care services area, where we favor the prescription benefits management and health insurance areas over hospitals and distributors. The medical device and supply industry, particularly companies in the fast-growing orthopedic area, was also a source of favorable performance. Within this subsector, we are especially interested in the manufacturers of implantable cardiac devices.

On the negative side, performance was hurt by the weak showing of biotechnology stocks in the second quarter. On a longer-term basis, we continue to believe biotech is the most dynamic subsector within health care, due to the flood of exciting new products coming to the market. In the short term, however, biotechs fell victim to the traditional summer weakness in the sector. The portfolio's performance also was hurt by our positioning in the specialty pharmaceuticals area, where the makers of generic drugs turned in a poor showing. Looking ahead, we believe our focus on fast-growing companies that are at or near profitability has positioned the portfolio to take advantage of the many positive trends in the health care sector.

James E. Fenger
Leefin Lai
Co-Managers
Thomas Bucher
Consultant to the Portfolio

All performance shown is historical, assumes reinvestment of all dividends and capital gains, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less then their original cost. Current performance may be lower or higher than the performance data quoted. Please visit scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Information concerning the portfolio holdings of the portfolio as of month-end is available upon request on the 16th of the following month.

Risk Considerations

This portfolio is subject to stock market risk. This portfolio is non-diversified and can take larger positions in fewer companies, increasing its overall potential risk. The portfolio may focus its investments on certain industry sectors, thereby increasing its vulnerability to any single industry or regulatory development. All of these factors may result in greater share price volatility. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

The Standard & Poor's 500 (S&P 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 reinvested dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

The Goldman Sachs Healthcare Index is a market-capitalization-weighted index of 14 stocks designed to measure the performance of companies in the health care sector. Index returns assume reinvested dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2004, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Health Sciences Portfolio

	Shares	Value ($)
Common Stocks 95.0%		
Health Care 95.0%		
Biotechnology 22.3%		
Alkermes, Inc.*	40,900	556,240
Amgen, Inc.*	52,750	2,878,567
Amylin Pharmaceuticals, Inc.*	41,900	955,320
AtheroGenics, Inc.*	20,800	395,824
Atrix Laboratories, Inc.*	21,200	726,736
Axonyx, Inc.* (c)	77,100	404,004
Biogen Idec, Inc.*	34,320	2,170,740
Celgene Corp.*	7,400	423,724
Chiron Corp.*	36,800	1,642,752
Discovery Laboratories, Inc.*	60,500	580,195
Dyax Corp.*	60,200	707,350
Gen–Probe, Inc.*	25,300	1,197,196
Genentech, Inc.*	40,000	2,248,000
Genzyme Corp. (General Division)*	51,100	2,418,563
Gilead Sciences, Inc.*	41,400	2,773,800
GPC Biotech AG (ADR)*	65,012	880,913
Incyte Corp.*	50,400	385,056
Keryx Biopharmaceuticals, Inc.*	50,500	639,330
Kosan Biosciences, Inc.*	21,100	166,690
Martek Biosciences Corp.*	9,500	533,615
Medicines Co.*	54,400	1,659,744
MGI Pharma, Inc.*	63,200	1,707,032
Millennium Pharmaceuticals, Inc.*	63,100	870,780
Myogen, Inc.*	22,500	174,600
Neurocrine Biosciences, Inc.*	25,500	1,322,175
Onyx Pharmaceuticals, Inc.*	3,600	152,496
OSI Pharmaceuticals, Inc.*	3,100	218,364
Pharmion Corp.*	15,700	768,044
		29,557,850
Health Care Services 15.9%		
Aetna, Inc.	17,700	1,504,500
Allscripts Heathcare Solutions, Inc.*	41,600	326,144
AmerisourceBergen Corp.	21,000	1,255,380
Anthem, Inc.*	30,100	2,695,756
Cardinal Health, Inc.	25,600	1,793,280
Caremark Rx, Inc.*	132,500	4,364,550
Express Scripts, Inc. "A"*	9,400	744,762
Medco Health Solutions, Inc.*	27,584	1,034,400
Omnicare, Inc.	23,300	997,473
PSS World Medical, Inc.*	77,700	870,240
UnitedHealth Group, Inc.	52,000	3,237,000
WellCare Health Plans, Inc.*	2,600	44,200
WellPoint Health Networks, Inc.*	19,500	2,184,195
		21,051,880
Hospital Management 4.5%		
Community Health Systems, Inc.*	66,900	1,790,913
HCA, Inc.	43,300	1,800,847
Kindred Healthcare, Inc.*	50,700	1,335,945
Manor Care, Inc.	31,300	1,022,884
		5,950,589
Life Sciences Equipment 1.9%		
Charles River Laboratories International, Inc.*	31,400	1,534,518
Invitrogen Corp.*	13,600	979,064
		2,513,582
Medical Supply & Specialty 17.8%		
Becton, Dickinson and Co.	33,500	1,735,300
Biomet, Inc.	19,100	848,804
Boston Scientific Corp.*	43,200	1,848,960
C.R. Bard, Inc.	24,200	1,370,930
Dade Behring, Inc.*	14,100	670,032
Elekta AB "B"*	40,800	903,435
Fisher Scientific International, Inc.*	45,900	2,650,725
Guidant Corp.	38,400	2,145,792
I–Flow Corp.*	30,300	359,358
Kyphon, Inc.*	36,300	1,022,934
Medtronic, Inc.	32,400	1,578,528
Nobel Biocare Holding AG	11,800	1,849,870
Smith & Nephew PLC	93,865	1,012,565
St. Jude Medical, Inc.*	26,900	2,034,985
Stryker Corp.	24,400	1,342,000
Varian Medical Systems, Inc.*	7,400	587,190
Zimmer Holdings, Inc.*	19,600	1,728,720
		23,690,128
Pharmaceuticals 32.6%		
Abbott Laboratories	57,800	2,355,928
Alcon, Inc.	17,600	1,384,240
Allergan, Inc.	20,500	1,835,160
Altana AG	7,883	474,991
AstraZeneca PLC	25,664	1,154,044
Barr Laboratories, Inc.*	8,000	269,600
Barrier Therapeutics, Inc.*	45,500	637,910
Elan Corp. (ADR)* (c)	39,800	984,652
Eli Lilly & Co.	47,000	3,285,770
Forest Laboratories, Inc.*	15,560	881,163
IVAX Corp.*	93,800	2,250,262
Medicis Pharmaceutical Corp.	23,700	946,815
Mylan Laboratories, Inc.	61,925	1,253,981
Novartis AG (Registered)	72,176	3,189,541
Pfizer, Inc.	241,540	8,279,991
Roche Holding AG	26,998	2,677,666
Sanofi–Synthelabo SA	20,000	1,270,198
Schering–Plough Corp.	133,200	2,461,536
Taro Pharmaceutical Industries Ltd.* (c)	19,600	852,600
Teva Pharmaceutical Industries Ltd. (ADR)	23,400	1,574,586
Valeant Pharmaceuticals International	35,300	706,000
Watson Pharmaceuticals, Inc.*	30,500	820,450
Wyeth	66,000	2,386,561
Yamanouchi Pharmaceutical Co., Ltd.	39,000	1,315,110
		43,248,755
Total Common Stocks (Cost $103,424,425)		**126,012,784**

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

	Shares	Value ($)
Securities Lending Collateral 1.4%		
Daily Assets Fund Institutional, 1.14% (d) (e) (Cost $1,846,250)	1,846,250	**1,846,250**

	Shares	Value ($)
Cash Equivalents 3.6%		
Scudder Cash Management QP Trust, 1.20% (b) (Cost $4,801,473)	4,801,473	**4,801,473**
Total Investment Portfolio — 100.0% (Cost $110,072,148) (a)		**132,660,507**

* *Non-income producing security.*

(a) *The cost for federal income tax purposes was $110,772,039. At June 30, 2004, net unrealized appreciation for all securities based on tax cost was $21,888,468. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $24,403,738 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $2,515,270.*

(b) *Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2004 amounted to $1,789,502, which is 1.4% of total net assets.*

(d) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(e) *Represents collateral held in connection with securities lending.*

Purchases and sales of investment securities (excluding short-term investments) for the six months ended June 30, 2004, aggregated $48,199,128 and $34,083,773, respectively.

At December 31, 2003, the Health Sciences Portfolio had a net tax basis capital loss carryforward of approximately $10,063,000 which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until December 31, 2009 ($305,000), December 31, 2010 ($7,516,000) and December 31, 2011 ($2,242,000), the respective expiration dates, whichever occurs first.

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

Health Sciences Portfolio

Statement of Assets and Liabilities
as of June 30, 2004 (Unaudited)

Assets	
Investments:	
Investments in securities, at value (cost $103,424,425)	$ 126,012,784
Investment in Daily Assets Fund Institutional (cost $1,846,250)*	1,846,250
Investment in Scudder Cash Management QP Trust (cost $4,801,473)	4,801,473
Total investments in securities, at value (cost $110,072,148)	132,660,507
Cash	10,000
Foreign currency, at value (cost $127,342)	127,290
Dividends receivable	5,761
Interest receivable	7,810
Receivable for Portfolio shares sold	111,230
Foreign taxes recoverable	12,505
Other assets	1,303
Total assets	132,936,406
Liabilities	
Payable upon return of securities loaned	1,846,250
Payable for investments purchased	2,271,999
Payable for Portfolio shares redeemed	138
Accrued management fee	76,911
Accrued distribution service fees	7,691
Other accrued expenses and payables	73,042
Total liabilities	4,276,031
Net assets, at value	**$ 128,660,375**
Net Assets	
Net assets consist of:	
Accumulated net investment loss	(128,533)
Net unrealized appreciation (depreciation) on:	
Investments	22,588,359
Foreign currency related transactions	(11,155)
Accumulated net realized gain (loss)	(7,540,175)
Paid-in capital	113,751,879
Net assets, at value	**$ 128,660,375**
Net Asset Value	
Class A	
Net Asset Value, offering and redemption price per share ($111,526,728 ÷ 9,744,211 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	$ **11.45**
Class B	
Net Asset Value, offering and redemption price per share ($17,133,647 ÷ 1,505,847 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	$ **11.38**

* *Represents collateral on securities loaned.*

Statement of Operations
for the six months ended June 30, 2004 (Unaudited)

Investment Income	
Income:	
Dividends (net of foreign taxes withheld of $21,739)	$ 398,749
Interest — Scudder Cash Management QP Trust	37,141
Securities lending income	12,353
Total Income	448,243
Expenses:	
Management fee	464,156
Custodian fees	18,701
Accounting fees	23,924
Distribution service fees (Class B)	17,976
Record keeping fees (Class B)	9,837
Auditing	18,855
Legal	3,930
Trustees' fees and expenses	2,667
Reports to shareholders	13,807
Other	3,509
Total expenses, before expense reductions	577,362
Expense reductions	(586)
Total expenses, after expense reductions	576,776
Net investment income (loss)	**(128,533)**
Realized and Unrealized Gain (Loss) on Investment Transactions	
Net realized gain (loss) from:	
Investments	3,995,938
Foreign currency related transactions	(26,124)
	3,969,814
Net unrealized appreciation (depreciation) during the period on:	
Investments	1,236,358
Foreign currency related transactions	(11,960)
	1,224,398
Net gain (loss) on investment transactions	**5,194,212**
Net increase (decrease) in net assets resulting from operations	**$ 5,065,679**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2004 (Unaudited)	Year Ended December 31, 2003
Operations:		
Net investment income (loss)	$ (128,533)	$ (234,147)
Net realized gain (loss) on investment transactions	3,969,814	(1,611,899)
Net unrealized appreciation (depreciation) on investment transactions during the period	1,224,398	27,513,109
Net increase (decrease) in net assets resulting from operations	5,065,679	25,667,063
Portfolio share transactions:		
Class A		
Proceeds from shares sold	10,863,328	17,907,340
Cost of shares redeemed	(5,244,100)	(9,770,087)
Net increase (decrease) in net assets from Class A share transactions	5,619,228	8,137,253
Class B		
Proceeds from shares sold	5,774,821	9,800,801
Cost of shares redeemed	(402,030)	(305,900)
Net increase (decrease) in net assets from Class B share transactions	5,372,791	9,494,901
Increase (decrease) in net assets	16,057,698	43,299,217
Net assets at beginning of period	112,602,677	69,303,460
Net assets at end of period (including accumulated net investment loss of $128,533 at June 30, 2004)	**$ 128,660,375**	**$ 112,602,677**

Other Information

Class A		
Shares outstanding at beginning of period	9,253,001	8,419,124
Shares sold	948,176	1,933,592
Shares redeemed	(456,966)	(1,099,715)
Net increase (decrease) in Portfolio shares	491,210	833,877
Shares outstanding at end of period	**9,744,211**	**9,253,001**
Class B		
Shares outstanding at beginning of period	1,034,876	39,123
Shares sold	506,086	1,024,680
Shares redeemed	(35,115)	(28,927)
Net increase (decrease) in Portfolio shares	470,971	995,753
Shares outstanding at end of period	**1,505,847**	**1,034,876**

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

Health Sciences Portfolio

Class A

Years Ended December 31,	2004[a]	2003	2002	2001[b]
Selected Per Share Data				
Net asset value, beginning of period	**$ 10.95**	**$ 8.19**	**$ 10.65**	**$ 10.00**
Income (loss) from investment operations:				
Net investment income (loss)[d]	(.01)	(.02)	(.03)	(.02)
Net realized and unrealized gain (loss) on investment transactions	.51	2.78	(2.43)	.67
Total from investment operations	.50	2.76	(2.46)	.65
Net asset value, end of period	**$ 11.45**	**$ 10.95**	**$ 8.19**	**$ 10.65**
Total Return (%)	4.57**	33.70	(23.10)	6.50[e]**
Ratios to Average Net Assets and Supplemental Data				
Net assets, end of period ($ millions)	112	101	69	56
Ratio of expenses before expense reductions (%)	.89*	.87	.91	1.40*
Ratio of expenses after expense reductions (%)	.89*	.87	.91	.95*
Ratio of net investment income (loss) (%)	(.17)*	(.24)	(.38)	(.25)*
Portfolio turnover rate (%)	57*	64	53	34*

Class B

	2004[a]	2003	2002[c]
Selected Per Share Data			
Net asset value, beginning of period	**$ 10.91**	**$ 8.19**	**$ 8.09**
Income (loss) from investment operations:			
Net investment income (loss)[d]	(.03)	(.07)	(.04)
Net realized and unrealized gain (loss) on investment transactions	.50	2.79	.14
Total from investment operations	.47	2.72	.10
Net asset value, end of period	**$ 11.38**	**$ 10.91**	**$ 8.19**
Total Return (%)	4.31**	33.21	1.24**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period ($ millions)	17	11	.3
Ratio of expenses (%)	1.28*	1.26	1.16*
Ratio of net investment income (loss) (%)	(.56)*	(.63)	(.92)*
Portfolio turnover rate (%)	57*	64	53

[a] *For the six months ended June 30, 2004 (Unaudited).*
[b] *For the period May 1, 2001 (commencement of operations) to December 31, 2001.*
[c] *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
[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*

A. Significant Accounting Policies

Scudder Variable Series I (the "Fund") is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end, registered management investment company organized as a Massachusetts business trust. The Fund is a series fund consisting of eight diversified portfolios: Money Market Portfolio, Bond Portfolio, Balanced Portfolio, Growth and Income Portfolio, Capital Growth Portfolio, 21st Century Growth Portfolio, Global Discovery Portfolio and International Portfolio, and one non-diversified portfolio: Health Sciences Portfolio (individually or collectively hereinafter referred to as a "Portfolio" or the "Portfolios"). These financial statements report on six Portfolios, which consist of the Growth and Income Portfolio, Capital Growth Portfolio, 21st Century Growth Portfolio, Global Discovery Portfolio, International Portfolio and Health Sciences Portfolio. 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").

Multiple Classes of Shares of Beneficial Interest. The Fund offers two classes of shares (Class A shares and Class B shares) for each of the Portfolios. Class B shares are subject to Rule 12b-1 distribution fees under the 1940 Act and record keeping fees equal to an annual rate of 0.25% and up to 0.15%, respectively, of the average daily net assets 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 distribution fee and record keeping fees). Differences in class-level 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.

The Fund's 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 its Portfolios.

Security Valuation. Investments are stated at value determined as of the close of regular trading on the New York Stock Exchange on each day the exchange is open for trading. Equity securities are valued at the most recent sale price or official closing price reported on the exchange (US or foreign) or over-the-counter market on which the security is traded most extensively. Securities for which no sales are reported are valued at the calculated mean between the most recent bid and asked quotations on the relevant market or, if a mean cannot be determined, at the most recent bid quotation.

Debt securities are valued by independent pricing services approved by the Trustees of the Fund. If the pricing services are unable to provide valuations, securities are valued at the most recent bid quotation or evaluated price, as applicable, obtained from a broker-dealer. Such services may use various pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes.

Money market instruments purchased with an original or remaining maturity of sixty days or less, maturing at par, are valued at amortized cost. Investments in open-end investment companies and Scudder Cash Management QP Trust are valued at their net asset value each business day.

Securities and other assets for which market quotations are not readily available or for which the above valuation procedures are deemed not to reflect fair value are valued in a manner that is intended to reflect their fair value as determined in accordance with procedures approved by the Trustees.

Foreign Currency Translations. The books and records of the Portfolios are maintained in US dollars. Investment securities and other assets and liabilities denominated in a foreign currency are translated into US dollars at the prevailing exchange rates at period end. Purchases and sales of investment securities, income and expenses are translated into US 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 US 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 value is equal to at least the principal amount of the repurchase price plus accrued interest. The custodial bank holds the collateral in a separate account until the agreement matures. If the value of the securities falls below the principal amount of the repurchase agreement plus accrued interest, the financial institution deposits additional collateral by the following business day. If the financial institution either fails to deposit the required additional collateral or fails to repurchase the securities as agreed, the Portfolio has the right to sell the securities and recover any resulting loss from the financial institution. If the financial institution enters into bankruptcy, the Portfolio's claims on the collateral may be subject to legal proceedings.

Securities Lending. Each Portfolio may lend securities to financial institutions. The Portfolio retains beneficial ownership of the securities it has loaned and continues to receive interest and dividends paid by the securities and to participate in any changes in their market value. The Portfolio requires the borrowers of the securities to maintain collateral with the Portfolio in the form of cash and/or government securities equal to 102 percent of the value of domestic securities and 105 percent of the value of foreign-denominated securities. The Portfolio may invest the cash collateral in an affiliated money market fund. The Portfolio receives compensation for lending its securities either in the form of fees or by earning interest on invested cash collateral. Either the Portfolio or the borrower may terminate the loan. During the six months ended June 30, 2004, the Growth and Income Portfolio, Capital Growth Portfolio, 21st Century Growth Portfolio, Global Discovery Portfolio, International Portfolio and Health Sciences Portfolio loaned securities.

Taxes. Each Portfolio is treated as a separate taxpayer as provided for in the Internal Revenue Code, 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.

Gains realized upon disposition of Indian securities held by the Global Discovery Portfolio and the International Portfolio are subject to capital gains tax in India, payable prior to repatriation of sale proceeds. The tax is computed on net realized gains; any realized losses in excess of gains may be carried forward eight years to offset future gains. In addition, the Global Discovery Portfolio and the International Portfolio accrue a deferred tax liability for net unrealized gains in excess of available carryforwards on Indian securities.

Distribution of Income and Gains. All 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 currency contracts, passive foreign investment companies, post October loss deferrals, non-taxable distributions and certain securities sold at a loss. As a result, net investment income (loss) and net realized gain (loss) on investment transactions for a reporting period may differ significantly from distributions during such period. Accordingly, each Portfolio may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Portfolio.

The tax character of current year distributions, if any, will be determined at the end of the current fiscal year.

Expenses. Each Portfolio is charged for those expenses which are directly attributable to it, such as management fees and custodian fees, while other expenses, such as reports to shareholders and legal fees, are allocated among the Portfolios.

Other. Investment transactions are accounted for on a trade date plus one basis for daily net asset value calculations. However, for financial reporting purposes, investment transactions are reported on trade date. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date net of foreign withholding taxes. 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 both tax and financial reporting purposes.

B. Related Parties

Under the Management Agreement with Deutsche Investment Management Americas Inc. ("DeIM" or the "Advisor"), the Advisor directs the investments of the Portfolios in accordance with its 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 Management Agreement.

Under the Fund's management agreement with the Advisor, 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
Growth and Income Portfolio	0.475%
21st Century Growth Portfolio	0.875%
Global Discovery Portfolio	0.975%

The Capital Growth Portfolio pays the Advisor 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
first $500 million	0.475%
next $500 million	0.450%
over $1 billion	0.425%

For the six months ended June 30, 2004, the Capital Growth Portfolio incurred a management fee equivalent to an annualized effective rate of 0.467% of the Portfolio's average daily net assets.

The International Portfolio pays the Advisor 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
first $500 million	0.875%
over $500 million	0.725%

For the six months ended June 30, 2004, the International Portfolio incurred a management fee equivalent to an annualized effective rate of 0.869% of the Portfolio's average daily net assets. DeAMIS serves as subadvisor with respect to the investment and reinvestment of assets in the International Portfolio. The Advisor compensates DeAMIS out of the management fee it receives from the International Portfolio.

The Health Sciences Portfolio pays the Advisor 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
first $250 million	0.750%
next $750 million	0.725%
next $1.5 billion	0.700%
next $2.5 billion	0.680%
next $2.5 billion	0.650%
next $2.5 billion	0.640%
next $2.5 billion	0.630%
over $12.5 billion	0.620%

For the six months ended June 30, 2004, the Health Sciences Portfolio incurred a management fee equivalent to an annualized effective rate of 0.750% of the Portfolio's average daily net assets.

For the six months ended June 30, 2004, the Advisor had agreed to reimburse the Portfolios for expenses as follows:

Portfolio	Amount ($)
Growth and Income Portfolio	718
Capital Growth Portfolio	1,804
21st Century Growth Portfolio	449
Global Discovery Portfolio	665
International Portfolio	1,350
Health Sciences Portfolio	548

The Trustees authorized the Fund on behalf of each Portfolio to pay Scudder Fund Accounting Corporation, 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 Investments Service Company, an affiliate of the Advisor, is the transfer and dividend-paying agent of the Fund. These affiliated entities have in turn entered into various agreements with third-party service providers to provide these services.

Scudder Distributors, Inc. ("SDI"), also an affiliate of the Advisor, is the Fund's Distributor. In accordance with the Master Distribution Plan, SDI receives 12b-1 fees of 0.25% of average daily net assets of Class B shares. Pursuant to the Master Distribution Plan, SDI 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. These fees are detailed in each Portfolio's Statement of Operations.

The Portfolios pay each Trustee not affiliated with the Advisor retainer fees plus specified amounts for attended board and committee meetings. Allocated Trustees' fees and expenses for each Portfolio for the six months ended June 30, 2004 are detailed in each Portfolio's Statement of Operations.

Scudder Cash Management QP Trust. Pursuant to an Exemptive Order issued by the SEC, the Fund may invest in the Scudder Cash Management QP Trust (the "QP Trust"), and other affiliated funds managed by the Advisor. The QP Trust seeks to provide as high a level of current income as is consistent with the preservation of capital and the maintenance of liquidity. The QP Trust does not pay the Advisor a management fee for the affiliated funds' investments in the QP Trust.

C. 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 realized as a result of uninvested cash balances were used to reduce a portion of the Portfolios' expenses. During the six months ended June 30, 2004, the custodian fees were reduced as follows:

Portfolio	Custody Credits ($)
Growth and Income Portfolio	9
Capital Growth Portfolio	12
21st Century Growth Portfolio	19
Health Sciences Portfolio	38

D. Ownership of the Portfolios

At the end of the period, the beneficial ownership in the Portfolios was as follows:

Growth and Income Portfolio: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 31%, 23% and 22%, respectively. Two Participating Insurance Companies were owners of record of 65% and 23%, respectively, 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 59% and 12%, respectively. One Participating Insurance Company was owner of record of 89% 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 61%, 23% and 13%, respectively. One Participating Insurance Company was owner of record of 93% 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 54%, 22% and 11%, respectively. Two Participating Insurance Companies were owners of record of 65% and 28%, respectively, of the total outstanding Class B shares of the Portfolio.

International Portfolio: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 35%, 20% and 11%, respectively. One Participating Insurance Company was owner of record of 90% of the total outstanding Class B shares of the Portfolio.

Health Sciences 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 72% and 27%, respectively. One Participating Insurance Company was owner of record of 90% of the total outstanding Class B shares of the Fund.

E. Line of Credit

The Fund and several other affiliated funds (the "Participants") share in a $1.25 billion revolving credit facility administered by J.P. Morgan Chase Bank 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, based upon net assets, among each of the Participants. Interest is calculated at the Federal Funds Rate plus 0.5 percent. Each Portfolio may borrow up to a maximum of 33 percent of its net assets under the agreement.

F. Regulatory Matters and Litigation

Since at least July 2003, federal, state and industry regulators have been conducting ongoing inquiries and investigations ("inquiries") into the mutual fund industry, and have requested information from numerous mutual fund companies, including Scudder Investments. We are unable to determine what the outcome of these inquiries will be or what the effect, if any, would be on the funds or their advisors. Publicity about mutual fund practices arising from these industry-wide inquiries serves as the general basis of a number of private lawsuits against the Scudder funds. These lawsuits, which previously have been reported in the press, involve purported class action and derivative lawsuits, making various allegations and naming as defendants various persons, including certain Scudder funds, Deutsche Asset Management ("DeAM") and its affiliates, certain individuals, including in some cases Fund Trustees/Directors, and other parties. DeAM has undertaken to bear all liabilities and expenses incurred by the Scudder funds in connection with these lawsuits, or other lawsuits or regulatory actions that may be filed making allegations similar to these lawsuits regarding fund valuation, market timing, revenue sharing or other subjects of the pending inquiries. Based on currently available information, DeAM believes the likelihood that the pending lawsuits will have a material adverse financial impact on a Scudder fund is remote and such actions are not likely to materially affect its ability to perform under its investment management agreements with the Scudder funds.

Proxy Voting

A description of the fund's policies and procedures for voting proxies for portfolio securities and information about how the fund voted proxies related to its portfolio securities during the 12-month period ended June 30 is available on our Web site — scudder.com (type "proxy voting" in the search field) — or on the SEC's Web site — www.sec.gov. To obtain a written copy of the fund's policies and procedures without charge, upon request, call us toll free at (800) 621-1048.

Notes

About the Fund's Advisor

Scudder Investments is part of Deutsche Asset Management, which is the marketing name in the US for the asset management activities of Deutsche Bank AG, Deutsche Investment Management Americas Inc., Deutsche Asset Management Inc., Deutsche Asset Management Investment Services Ltd., Deutsche Bank Trust Company Americas and Scudder Trust Company.

The views expressed in this report reflect those of the portfolio managers only through the end of the period of the report as stated on the cover. The managers' views are subject to change at any time based on market and other conditions and should not be construed as a recommendation.

Scudder Distributors, Inc.
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SCUDDER
INVESTMENTS

A Member of
Deutsche Asset Management

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

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

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SCUDDER
INVESTMENTS

Semiannual report to
shareholders for the six months
ended June 30, 2004

Scudder Variable Series II

Scudder Aggressive Growth Portfolio
Scudder Blue Chip Portfolio
Scudder Fixed Income Portfolio
Scudder Global Blue Chip Portfolio
Scudder Government & Agency Securities Portfolio
Scudder Growth Portfolio
Scudder High Income Portfolio
Scudder International Select Equity Portfolio
Scudder Large Cap Value Portfolio
Scudder Money Market Portfolio
Scudder Small Cap Growth Portfolio
Scudder Strategic Income Portfolio
Scudder Technology Growth Portfolio
Scudder Total Return Portfolio
SVS Davis Venture Value Portfolio
SVS Dreman Financial Services Portfolio
SVS Dreman High Return Equity Portfolio
SVS Dreman Small Cap Value Portfolio
SVS Eagle Focused Large Cap Growth Portfolio
SVS Focus Value+Growth Portfolio
SVS Index 500 Portfolio
SVS INVESCO Dynamic Growth Portfolio
SVS Janus Growth and Income Portfolio
SVS Janus Growth Opportunities Portfolio
SVS Oak Strategic Equity Portfolio
SVS Turner Mid Cap Growth Portfolio

Contents

Management Summary, Portfolios of Investments, Financial Statements, Financial Highlights for:

This report must be preceded or accompanied by a prospectus. To obtain a prospectus, call (800) 778-1482 or your financial representative. We advise you to carefully consider the product's objectives, risks, charges and expenses before investing. The prospectus contains this and other important information about the product. Please read the prospectus carefully before you invest.

NOT FDIC/NCUA INSURED NO BANK GUARANTEE MAY LOSE VALUE

Investments in variable portfolios involve risk. Some portfolios have more risk than others. These include portfolios that allow exposure to or otherwise concentrate investments in certain sectors, geographic regions, security types, market capitalization or foreign securities (e.g., political or economic instability, which can be accentuated in Emerging Market countries). Please read the prospectus for specific details regarding its investments and risk profile.

Scudder Aggressive Growth Portfolio

Growth stocks produced positive absolute returns during the first half of 2004, but as a group, the asset class underperformed value stocks. Among market-cap ranges, small caps outperformed mid caps, which in turn outperformed their large-cap counterparts. Notably, the type of small, low-quality and richly valued companies that dominated market returns in 2003 continued their year-to-date reversal. This provided a more favorable investment environment for managers such as us, who strive to invest in quality companies with attractive valuations and fundamentals. The portfolio produced a total return of –1.69% (Class A shares, unadjusted for contract charges, and for the six-month period ended June 30, 2004) trailing the 2.96% return of the Russell 3000 Growth Index.

The portfolio's sector allocation was a net negative for performance. While overweights in energy and telecommunications services helped, underweights in industrials and consumer staples hurt. Stock selection also detracted, as our positive stock-picking within financials and materials was trumped by negative selection within information technology and industrials. Chicago Mercantile Exchange was the largest individual contributor, and Alliance Gaming (no longer held as of June 30) was the most significant detractor.

We believe investors' renewed emphasis on fundamentals and valuations should improve our chances of generating outperformance through research and individual stock selection. We are looking to increase the portfolio's exposure in the health care sector, and we have begun to trim its holdings within financials. In general, our goal is to position the portfolio for a potentially more challenging environment by focusing on companies that are generating the strongest earnings growth.

Audrey M.T. Jones*
Samuel A. Dedio
Robert S. Janis

Co-Managers
Deutsche Investment Management Americas Inc.

* *Ms. Jones retired on June 30, 2004. Effective July 1, 2004, Mr. Dedio and Mr. Janis are co-lead portfolio managers of the Portfolio.*

All performance shown is historical, assumes reinvestment of all dividends and capital gains, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less then their original cost. Current performance may be lower or higher than the performance data quoted. Please see scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Information concerning the portfolio holdings of the portfolio as of month-end is available upon request on the 16th of the following month.

Risk Considerations

This portfolio is subject to stock market risk. It is non-diversified and can take larger positions in fewer companies, increasing its overall potential risk. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

The Russell 3000 Growth Index is an unmanaged, capitalization-weighted index containing the growth stocks in the Russell 3000 Index with higher price-to-book ratios and higher forecasted growth values. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2004, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Scudder Aggressive Growth Portfolio

	Shares	Value ($)
Common Stocks 87.0%		
Consumer Discretionary 14.7%		
Automobiles 1.6%		
Thor Industries, Inc.	31,600	**1,057,336**
Hotels Restaurants & Leisure 4.0%		
GTECH Holdings Corp.	21,900	1,014,189
MGM Mirage, Inc.*	17,900	840,226
The Cheesecake Factory, Inc.*	17,500	696,325
		2,550,740
Household Durables 2.7%		
Harman International Industries, Inc.	19,000	**1,729,000**
Specialty Retail 4.9%		
Advance Auto Parts, Inc.*	25,400	1,122,172
Aeropostale, Inc.*	30,600	823,446
Chico's FAS, Inc.*	27,500	1,241,900
		3,187,518
Textiles, Apparel & Luxury Goods 1.5%		
Columbia Sportswear Co.* (c)	17,100	**934,002**
Consumer Staples 4.1%		
Beverages 1.7%		
Constellation Brands, Inc. "A"* (c)	30,600	**1,136,178**
Food Products 1.3%		
Dean Foods Co.*	22,100	**824,551**
Personal Products 1.1%		
NBTY, Inc.*	24,000	**705,360**
Energy 3.7%		
Energy Equipment & Services		
BJ Services Co.*	16,000	733,440
Rowan Companies, Inc.*	67,600	1,644,708
		2,378,148
Financials 10.1%		
Capital Markets 3.7%		
Investors Financial Services Corp.	20,800	906,464
Legg Mason, Inc.	16,300	1,483,463
		2,389,927
Consumer Finance 1.2%		
Providian Financial Corp.*	51,800	**759,906**
Diversified Financial Services 5.2%		
Ameritrade Holding Corp.*	65,000	737,750
Chicago Mercantile Exchange (c)	4,500	649,665
Citigroup, Inc.	15,200	706,800
The First Marblehead Corp.*	31,000	1,248,060
		3,342,275
Health Care 21.5%		
Biotechnology 5.7%		
Amgen, Inc.*	24,500	1,336,965
Gilead Sciences, Inc.*	21,700	1,453,900
Martek Biosciences Corp.* (c)	15,800	887,486
		3,678,351
Health Care Equipment & Supplies 3.8%		
C.R. Bard, Inc.	9,600	543,840
Kinetic Concepts, Inc.*	16,500	823,350
Medtronic, Inc.	22,098	1,076,614
		2,443,804
Health Care Providers & Services 3.9%		
Cardinal Health, Inc.	8,700	609,435
Triad Hospitals, Inc.*	24,500	912,135
WellPoint Health Networks, Inc.*	8,600	963,286
		2,484,856
Pharmaceuticals 8.1%		
Eli Lilly & Co.	19,300	1,349,263
Johnson & Johnson	16,800	935,760
Pfizer, Inc.	38,900	1,333,492
Teva Pharmaceutical Industries Ltd. (ADR) (c)	23,600	1,588,044
		5,206,559
Industrials 1.2%		
Airlines		
JetBlue Airways Corp.* (c)	26,400	**775,632**
Information Technology 25.8%		
Communications Equipment 4.6%		
Cisco Systems, Inc.*	58,100	1,376,970
Juniper Networks, Inc.*	38,601	948,427
QLogic Corp.*	24,700	656,773
		2,982,170
Computers & Peripherals 3.0%		
Dell, Inc.*	32,300	1,156,986
EMC Corp.*	67,000	763,800
		1,920,786
Electronic Equipment & Instruments 1.3%		
Jabil Circuit, Inc.*	32,900	**828,422**
IT Consulting & Services 1.8%		
Paychex, Inc.	34,400	**1,165,472**
Office Electronics 1.1%		
Zebra Technologies Corp. "A"*	7,700	**669,900**
Semiconductors & Semiconductor Equipment 9.5%		
Applied Micro Circuits Corp.*	233,700	1,243,284
Intersil Corp. "A"	46,000	996,360
Linear Technology Corp.	25,500	1,006,485
Microchip Technology, Inc.	22,200	700,188
Novellus Systems, Inc.*	23,600	741,984
Teradyne, Inc.*	37,100	842,170
Texas Instruments, Inc.	23,800	575,484
		6,105,955
Software 4.5%		
Cognos, Inc.* (c)	34,800	1,258,368
Intuit, Inc.*	27,900	1,076,382
VERITAS Software Corp.*	20,400	565,080
		2,899,830

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

	Shares	Value ($)
Materials 4.4%		
Containers & Packaging 1.0%		
Packaging Corp. of America	27,400	**654,860**
Metals & Mining 3.4%		
Peabody Energy Corp.	25,400	1,422,146
United States Steel Corp.	22,100	776,152
		2,198,298
Telecommunication Services 1.5%		
Wireless Telecommunication Services		
Nextel Partners, Inc. "A"* (c)	59,400	**945,648**
Total Common Stocks (Cost $48,104,029)		**55,955,484**

	Shares	Value ($)
Securities Lending Collateral 7.1%		
Daily Assets Fund Institutional, 1.15% (d) (e) (Cost $4,591,637)	4,591,637	**4,591,637**
Cash Equivalents 5.9%		
Scudder Cash Management QP Trust, 1.20% (b) (Cost $3,810,449)	3,810,449	**3,810,449**
Total Investment Portfolio — 100.0% (Cost $56,506,115) (a)		**64,357,570**

Notes to Scudder Aggressive Growth Portfolio of Investments

* *Non-income producing security.*

(a) *The cost for federal income tax purposes was $56,554,531. At June 30, 2004, net unrealized appreciation for all securities based on tax cost was $7,803,039. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $8,958,262 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $1,155,223.*

(b) *Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2004 amounted to $4,458,727, which is 7.6% of net assets.*

(d) *Daily Assets Fund Institutional, an affiliated fund, is also managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(e) *Represents collateral held in connection with securities lending.*

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

Statement of Assets and Liabilities
as of June 30, 2004 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $48,104,029)	$	55,955,484
Investment in Daily Assets Fund Institutional (cost $4,591,637)*		4,591,637
Investment in Scudder Cash Management QP Trust (cost $3,810,449)		3,810,449
Total investments in securities, at value (cost $56,506,115)		64,357,570
Cash		10,000
Receivable for investments sold		105,100
Dividends receivable		10,893
Interest receivable		4,275
Receivable for Portfolio shares sold		30,296
Total assets		64,518,134
Liabilities		
Payable for investments purchased		1,079,532
Payable for Portfolio shares redeemed		14,922
Payable upon return of securities loaned		4,591,637
Accrued management fee		36,901
Other accrued expenses and payables		50,816
Total liabilities		5,773,808
Net assets, at value	**$**	**58,744,326**
Net Assets		
Net assets consist of:		
Accumulated net investment loss		(165,547)
Net unrealized appreciation (depreciation) on investments		7,851,455
Accumulated net realized gain (loss)		(39,863,374)
Paid-in capital		90,921,792
Net assets, at value	**$**	**58,744,326**
Class A		
Net Asset Value, offering and redemption price per share ($53,206,575 ÷ 5,722,198 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**9.30**
Class B		
Net Asset Value, offering and redemption price per share ($5,537,751 ÷ 599,188 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**9.24**

* *Represents collateral on securities loaned.*

Statement of Operations
for the six months ended June 30, 2004 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $1,049)	$	96,168
Interest — Scudder Cash Management QP Trust		16,388
Securities lending income		5,442
Total Income		117,998
Expenses:		
Management fee		224,715
Custodian and accounting fees		22,524
Distribution service fees (Class B)		6,041
Record keeping fees (Class B)		3,269
Auditing		19,978
Legal		3,700
Reports to shareholders		3,575
Total expenses before expense reductions		283,802
Expense reductions		(342)
Total expenses after expense reductions		283,460
Net investment income (loss)		**(165,462)**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from investments		1,889,510
Net unrealized appreciation (depreciation) during the period on investments		(2,880,392)
Net gain (loss) on investment transactions		**(990,882)**
Net increase (decrease) in net assets resulting from operations	**$**	**(1,156,344)**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2004 (Unaudited)	Year Ended December 31, 2003
Operations:		
Net investment income (loss)	$ (165,462)	$ (295,832)
Net realized gain (loss) on investment transactions	1,889,510	(6,980,374)
Net unrealized appreciation (depreciation) on investment transactions during the period	(2,880,392)	21,899,078
Net increase (decrease) in net assets resulting from operations	(1,156,344)	14,622,872
Portfolio share transactions:		
Class A		
Proceeds from shares sold	2,498,175	19,207,656
Cost of shares redeemed	(4,337,544)	(21,817,569)
Net increase (decrease) in net assets from Class A share transactions	(1,839,369)	(2,609,913)
Class B		
Proceeds from shares sold	2,068,795	3,541,180
Cost of shares redeemed	(215,334)	(186,774)
Net increase (decrease) in net assets from Class B share transactions	1,853,461	3,354,406
Increase (decrease) in net assets	(1,142,252)	15,367,365
Net assets at beginning of period	59,886,578	44,519,213
Net assets at end of period (including accumulated net investment loss of $165,547 and $85, respectively)	**$ 58,744,326**	**$ 59,886,578**

Other Information

Class A		
Shares outstanding at beginning of period	5,923,874	6,292,403
Shares sold	262,077	2,320,895
Shares redeemed	(463,753)	(2,689,424)
Net increase (decrease) in Portfolio shares	(201,676)	(368,529)
Shares outstanding at end of period	**5,722,198**	**5,923,874**
Class B		
Shares outstanding at beginning of period	405,258	11,689
Shares sold	217,305	417,145
Shares redeemed	(23,375)	(23,576)
Net increase (decrease) in Portfolio shares	193,930	393,569
Shares outstanding at end of period	**599,188**	**405,258**

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

Financial Highlights

Class A

Years Ended December 31,	2004[a]	2003	2002	2001	2000[b]	1999[b,c]
Selected Per Share Data						
Net asset value, beginning of period	**$ 9.46**	**$ 7.06**	**$ 10.22**	**$ 13.20**	**$ 13.99**	**$ 10.00**
Income (loss) from investment operations:						
Net investment income (loss)[d]	(.02)	(.05)	(.01)	.06	.18	.06
Net realized and unrealized gain (loss) on investment transactions	(.14)	2.45	(3.11)	(2.92)	(.87)	3.93
Total from investment operations	(.16)	2.40	(3.12)	(2.86)	(.69)	3.99
Less distributions from:						
Net investment income	—	—	(.04)	(.12)	—	—
Net realized gains on investment transactions	—	—	—	—	(.10)	—
Total distributions	—	—	(.04)	(.12)	(.10)	—
Net asset value, end of period	**$ 9.30**	**$ 9.46**	**$ 7.06**	**$ 10.22**	**$ 13.20**	**$ 13.99**
Total Return (%)	(1.69)**	33.99[e]	(30.66)	(21.76)	(4.96)	39.89[e]**
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	53	56	44	71	66	12
Ratio of expenses before expense reductions (%)	.92*	.98	.81	.86	.95	2.66*
Ratio of expenses after expense reductions (%)	.92*	.95	.81	.86	.94	.50*
Ratio of net investment income (loss) (%)	(.53)*	(.57)	(.19)	.58	1.22	.80*
Portfolio turnover rate (%)	93*	91	71	42	103	90*

a For the six months ended June 30, 2004 (Unaudited).
b On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has 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.
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

Class B

Years Ended December 31,	2004[a]	2003	2002[b]
Selected Per Share Data			
Net asset value, beginning of period	**$ 9.42**	**$ 7.06**	**$ 7.43**
Income (loss) from investment operations:			
Net investment income (loss)[c]	(.04)	(.09)	(.02)
Net realized and unrealized gain (loss) on investment transactions	(.14)	2.45	(.35)
Total from investment operations	(.18)	2.36	(.37)
Net asset value, end of period	**$ 9.24**	**$ 9.42**	**$ 7.06**
Total Return (%)	(1.91)**	33.43[d]	(4.98)**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period ($ millions)	6	4	.1
Ratio of expenses before expense reductions (%)	1.30*	1.37	1.06*
Ratio of expenses after expense reductions (%)	1.30*	1.34	1.06*
Ratio of net investment income (loss) (%)	(.91)*	(.96)	(.47)*
Portfolio turnover rate (%)	93*	91	71

a For the six months ended June 30, 2004 (Unaudited).
b For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.
c Based on average shares outstanding during the period.
d Total return would have been lower had certain expenses not been reduced.
* Annualized ** Not annualized

Scudder Blue Chip Portfolio

Scudder Blue Chip Portfolio finished the six-month period up 6.94% (Class A shares, unadjusted for contract charges, and for the six-month period ended June 30, 2004), versus the the Russell 1000 Index, the portfolio's benchmark return of 3.33%.

Two factors shared a role in this strong performance for the six-month period. First, the portfolio managers maintained strict discipline by keeping their focus on balance sheets and accounting statements. This bottom-line research resulted in solid stock selections — in fact, almost 90% of portfolio performance was due to stock selection. The second factor that contributed to the success of the portfolio was the market's behavior, which played into the strengths of the portfolio's investment process. The market moved from an environment for risk lovers to a back-to-basics orientation that placed more emphasis on core-quality factors.

While Internet, energy, household products and health care equipment proved to be strong sectors for the market, the portfolio added most of its value through diversified financials, media, pharmaceuticals and biotechnology. Individual stock selection succeeded to such a degree that even underweight sectors in the portfolio outperformed their benchmark counterparts.

Countrywide Financial, McGraw-Hill and Genentech posted solid gains for the portfolio. Countrywide Financial, one of the top names in the diversified financial industry, finished up sharply due to its positive earnings prospects; its business is diversified and is expected to do well even in a high-interest-rate environment. McGraw-Hill, a global information services provider, had a reasonable valuation and attractive earnings relative to its industry peers, so it was rewarded accordingly. Genentech has seen outstanding capital growth. Its profits rose on strong sales of its new colon cancer drug Avastin.

The portfolio had very few stocks that were counterproductive to performance, though one detractor was health care provider Humana Inc. (Not held as of June 30, 2004.) CEO Michael B. McCallister moved Humana out of the red, mostly due to his implementation of employee cost controls. This, combined with the company's capital growth, leads the portfolio managers to believe that Humana is an undervalued name that they should continue to hold.

The portfolio outperformed in 67% of the industries it followed. Even with the severe volatility of the past six months, the portfolio managed to add value across almost all industries. We believe this performance lends credence to the investment team's disciplined approach that focuses on fundamentals: companies with strong balance sheets and accounting statements, reasonable valuation and earnings potential.

Janet Campagna
Robert Wang

Co-Managers
Deutsche Investment Management Americas Inc.

All performance shown is historical, assumes reinvestment of all dividends and capital gains, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less then their original cost. Current performance may be lower or higher than the performance data quoted. Please see scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Information concerning the portfolio holdings of the portfolio as of month-end is available upon request on the 16th of the following month.

Risk Considerations

This portfolio is subject to stock market risk. It may focus its investments on certain economic sectors, thereby increasing its vulnerability to any single economic, political or regulatory development. This may result in greater share price volatility. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

The Russell 1000 Index is an unmanaged capitalization-weighted price-only index composed of the largest-capitalized United States companies whose common stocks are traded in the US. This larger capitalization, market-oriented index is highly correlated with the S&P 500 Index. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2004, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Scudder Blue Chip Portfolio

	Shares	Value ($)
Common Stocks 95.6%		
Consumer Discretionary 13.0%		
Auto Components 0.9%		
American Axle & Manufacturing Holdings, Inc.*	68,900	**2,505,204**
Hotels Restaurants & Leisure 2.2%		
Applebee's International, Inc.	20,350	468,457
McDonald's Corp.	127,000	3,302,000
Regal Entertainment Group "A"	16,400	296,840
Starbucks Corp.*	51,100	2,221,828
		6,289,125
Household Durables 1.0%		
NVR, Inc.*	1,100	532,620
The Stanley Works	48,800	2,224,304
		2,756,924
Internet & Catalog Retail 0.5%		
eBay, Inc.*	16,500	**1,517,175**
Leisure Equipment & Products 0.2%		
Eastman Kodak Co.	21,600	**582,768**
Media 3.2%		
Getty Images, Inc.*	6,500	390,000
McGraw-Hill, Inc.	53,900	4,127,123
Omnicom Group, Inc.	9,600	728,544
Time Warner, Inc.*	216,700	3,809,586
		9,055,253
Multiline Retail 0.9%		
Saks, Inc.	148,200	2,223,000
Sears, Roebuck & Co.	2,800	105,728
The May Department Stores Co.	9,700	266,653
		2,595,381
Specialty Retail 4.1%		
Advance Auto Parts, Inc.*	5,000	220,900
American Eagle Outfitters, Inc.*	73,100	2,113,321
Barnes & Noble, Inc.*	80,200	2,725,196
Best Buy Co., Inc.	15,300	776,322
Claire's Stores, Inc.	125,000	2,712,500
RadioShack Corp.	18,800	538,244
The Gap, Inc.	112,900	2,737,825
		11,824,308
Consumer Staples 8.3%		
Beverages 1.6%		
Adolph Coors Co. "B"	18,800	1,359,992
The Coca-Cola Co.	61,700	3,114,616
		4,474,608
Food & Drug Retailing 1.4%		
7-Eleven, Inc.*	24,800	442,680
Supervalu, Inc.	11,200	342,832
Sysco Corp.	56,300	2,019,481
Wal-Mart Stores, Inc.	20,000	1,055,200
Winn-Dixie Stores, Inc. (e)	38,700	278,640
		4,138,833
Food Products 1.0%		
Hershey Foods Corp.	1,800	83,286
Sara Lee Corp.	80,300	1,846,097
Tyson Foods, Inc. "A"	48,800	1,022,360
		2,951,743
Household Products 1.6%		
Energizer Holdings, Inc.*	8,700	391,500
Procter & Gamble Co.	75,000	4,083,000
		4,474,500
Personal Products 1.8%		
Gillette Co.	119,900	**5,083,760**
Tobacco 0.9%		
Altria Group, Inc.	49,100	**2,457,455**
Energy 7.2%		
Oil & Gas		
Apache Corp.	5,800	252,590
ConocoPhillips	39,100	2,982,939
Devon Energy Corp.	53,700	3,544,200
ExxonMobil Corp.	87,140	3,869,887
Occidental Petroleum Corp.	37,900	1,834,739
Sunoco, Inc.	58,800	3,740,856
Valero Energy Corp.	44,500	3,282,320
Williams Companies, Inc.	92,300	1,098,370
		20,605,901
Financials 17.8%		
Banks 6.5%		
Bank of America Corp.	59,900	5,068,738
Bank One Corp.	10,200	520,200
Golden West Financial Corp.	40,300	4,285,905
National City Corp.	59,000	2,065,590
PNC Financial Services Group	12,500	663,500
US Bancorp.	78,400	2,160,704
Wachovia Corp.	38,400	1,708,800
Wells Fargo & Co.	37,700	2,157,571
		18,631,008
Capital Markets 1.9%		
Goldman Sachs Group, Inc.	32,000	3,013,120
Lehman Brothers Holdings, Inc.	31,200	2,347,800
		5,360,920
Consumer Finance 0.7%		
Capital One Finance Corp.	8,900	608,582
MBNA Corp.	48,900	1,261,131
		1,869,713
Diversified Financial Services 4.1%		
Citigroup, Inc.	62,500	2,906,250
Countrywide Financial Corp.	59,550	4,183,387
Freddie Mac	16,500	1,044,450
J.P. Morgan Chase & Co.	91,800	3,559,086
		11,693,173
Insurance 3.4%		
Allstate Corp.	49,400	2,299,570
American International Group, Inc.	8,212	585,351

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

	Shares	Value ($)
Chubb Corp.	8,200	559,076
Loews Corp.	17,000	1,019,320
MetLife, Inc.	25,400	910,590
Odyssey Re Holdings Corp.	6,800	163,200
W.R. Berkley Corp.	95,050	4,082,398
		9,619,505
Real Estate 1.2%		
Apartment Investment & Management Co. (REIT)	5,700	177,441
Avalonbay Communities, Inc. (REIT)	4,400	248,688
Camden Property Trust	7,200	329,760
CenterPoint Properties Corp. (REIT)	2,600	199,550
Equity Office Properties Trust (REIT)	29,600	805,120
Equity Residential (REIT)	16,300	484,599
General Growth Properties, Inc.	12,300	363,711
Rayonier, Inc.	8,200	364,490
The Rouse Co.	5,300	251,750
Vornado Realty Trust (REIT)	5,800	331,238
		3,556,347
Health Care 13.1%		
Biotechnology 1.0%		
Genentech, Inc.*	47,900	**2,691,980**
Health Care Equipment & Supplies 2.7%		
Baxter International, Inc.	90,600	3,126,606
IDEXX Laboratories, Inc.*	45,800	2,882,652
Medtronic, Inc.	4,900	238,728
Respironics, Inc.*	10,500	616,875
Zimmer Holdings, Inc.*	10,200	899,640
		7,764,501
Health Care Providers & Services 2.3%		
Covance, Inc.*	11,700	451,386
Health Net, Inc.*	21,500	569,750
IMS Health, Inc.	18,300	428,952
Lincare Holdings, Inc.*	300	9,858
Renal Care Group, Inc.*	16,900	559,897
UnitedHealth Group, Inc.	73,300	4,562,925
		6,582,768
Pharmaceuticals 7.1%		
Allergan, Inc.	5,200	465,504
Andrx Corp.*	62,800	1,754,004
Endo Pharmaceuticals Holdings, Inc.*	47,200	1,106,840
Johnson & Johnson	137,182	7,641,038
Pfizer, Inc.	213,850	7,330,778
Valeant Pharmaceuticals International	102,700	2,054,000
		20,352,164
Industrials 12.6%		
Aerospace & Defense 3.6%		
Boeing Co.	82,600	4,220,034
General Dynamics Corp.	40,000	3,972,000
Goodrich Corp.	100	3,233
Raytheon Co.	47,600	1,702,652
United Defense Industries, Inc.*	11,000	385,000
		10,282,919

	Shares	Value ($)
Air Freight & Logistics 2.8%		
FedEx Corp.	18,800	1,535,772
J.B. Hunt Transport Services, Inc.	71,400	2,754,612
Ryder System, Inc.	90,400	3,622,328
		7,912,712
Commercial Services & Supplies 2.0%		
Career Education Corp.*	41,500	1,890,740
Cendant Corp.	148,100	3,625,488
Hewitt Associates, Inc. "A"*	9,200	253,000
		5,769,228
Industrial Conglomerates 3.6%		
3M Co.	65,800	5,922,658
General Electric Co.	133,500	4,325,400
		10,248,058
Road & Rail 0.6%		
Burlington Northern Santa Fe Corp.	15,900	557,613
Swift Transportation Co., Inc.*	67,200	1,206,240
		1,763,853
Information Technology 14.4%		
Communications Equipment 1.9%		
Cisco Systems, Inc.*	76,500	1,813,050
QUALCOMM, Inc.	48,100	3,510,338
		5,323,388
Computers & Peripherals 2.9%		
International Business Machines Corp.	37,400	3,296,810
Lexmark International, Inc.*	28,800	2,780,064
Storage Technology Corp.*	73,400	2,128,600
		8,205,474
Electronic Equipment & Instruments 0.2%		
Avnet, Inc.*	24,400	**553,880**
Internet Software & Services 0.3%		
Yahoo!, Inc.*	26,300	**955,479**
IT Consulting & Services 0.8%		
Acxiom Corp.	22,400	556,192
Unisys Corp.*	129,800	1,801,624
		2,357,816
Semiconductors & Semiconductor Equipment 5.8%		
Advanced Micro Devices, Inc.* (e)	96,400	1,532,760
Atmel Corp.*	254,000	1,503,680
Cree, Inc.* (e)	77,800	1,811,184
Intel Corp.	242,700	6,698,520
LSI Logic Corp.*	32,500	247,650
Silicon Laboratories, Inc.*	32,700	1,515,645
Texas Instruments, Inc.	125,600	3,037,008
		16,346,447
Software 2.5%		
Adobe Systems, Inc.	56,000	2,604,000
Autodesk, Inc.	25,100	1,074,531
Microsoft Corp.	111,300	3,178,728
Symantec Corp.*	7,300	319,594
		7,176,853

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

	Shares	Value ($)
Materials 2.2%		
Chemicals 0.6%		
Dow Chemical Co.	7,200	293,040
Engelhard Corp.	12,600	407,106
Monsanto Co.	28,100	1,081,850
		1,781,996
Construction Materials 0.1%		
Lafarge North America, Inc.	5,500	**238,150**
Containers & Packaging 0.5%		
Owens-Illinois, Inc.*	88,800	**1,488,288**
Paper & Forest Products 1.0%		
Louisiana-Pacific Corp.	114,100	**2,698,465**
Telecommunication Services 4.5%		
Diversified Telecommunication Services 3.7%		
BellSouth Corp.	138,600	3,634,092
Sprint Corp. (FON Group)	134,900	2,374,240
Verizon Communications, Inc.	119,000	4,306,610
		10,314,942
Wireless Telecommunication Services 0.8%		
Crown Castle International Corp.*	8,000	118,000
Nextel Communications, Inc. "A"*	82,600	2,202,116
		2,320,116
Utilities 2.5%		
Electric Utilities 2.0%		
American Electric Power Co.	37,300	1,193,600
Exelon Corp.	136,000	4,527,440
		5,721,040
Multi-Utilities & Unregulated Power 0.5%		
AES Corp.*	137,100	**1,361,403**
Total Common Stocks (Cost $242,541,239)		**272,255,524**

	Principal Amount ($)	Value ($)
US Government Backed 0.2%		
US Treasury Bill, 0.94%**, 7/29/2004 (f) (Cost $614,550)	615,000	**614,550**

	Shares	Value ($)
Securities Lending Collateral 1.1%		
Daily Assets Fund Institutional, 1.15% (c) (d) (Cost $3,116,200)	3,116,200	**3,116,200**
Cash Equivalents 3.1%		
Scudder Cash Management QP Trust, 1.20% (b) (Cost $8,832,535)	8,832,535	**8,832,535**
Total Investment Portfolio — 100.0% (Cost $255,104,524) (a)		**284,818,809**

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 $256,904,384. At June 30, 2004, net unrealized appreciation for all securities based on tax cost was $27,914,425. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $30,773,350 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $2,858,925.*

(b) *Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Daily Assets Fund Institutional, an affiliated fund, is also managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(d) *Represents collateral held in connection with securities lending.*

(e) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2004 amounted to $3,069,786 which is 1.1% of total net assets.*

(f) *At June 30, 2004, this security, in part or in whole, has been segregated to cover initial margin requirements for open futures contracts.*

At June 30, 2004, open futures contracts purchased were as follows:

Futures	Expiration Date	Contracts	Aggregate Face Value ($)	Value ($)	Unrealized Appreciation/ (Depreciation) ($)
S&P 500	9/16/2004	31	8,764,243	8,838,100	73,857

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

Statement of Assets and Liabilities
as of June 30, 2004 (Unaudited)

Assets

Investments:		
Investments in securities, at value (cost $243,155,789)	$	272,870,074
Investment in Daily Assets Fund Institutional (cost $3,116,200)*		3,116,200
Investment in Scudder Cash Management QP Trust (cost $8,832,535)		8,832,535
Total investments in securities, at value (cost $255,104,524)		284,818,809
Cash		10,000
Dividends receivable		215,136
Interest receivable		8,093
Receivable for Portfolio shares sold		215,928
Receivable for daily variation margin on open futures contracts		35,650
Total assets		285,303,616

Liabilities

Payable for Portfolio shares redeemed		160,483
Payable upon return of securities loaned		3,116,200
Accrued management fee		148,632
Other accrued expenses and payables		40,858
Total liabilities		3,466,173
Net assets, at value	**$**	**281,837,443**

Net Assets

Net assets consist of:		
Undistributed net investment income		1,340,602
Net unrealized appreciation (depreciation) on:		
Investments		29,714,285
Futures		73,857
Accumulated net realized gain (loss)		(35,212,204)
Paid-in capital		285,920,903
Net assets, at value	**$**	**281,837,443**
Class A		
Net Asset Value, offering and redemption price per share ($253,437,265 ÷ 20,138,070 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**12.58**
Class B		
Net Asset Value, offering and redemption price per share ($28,400,178 ÷ 2,260,028 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**12.57**

* *Represents collateral on securities loaned.*

Statement of Operations
for the six months ended June 30, 2004 (Unaudited)

Investment Income

Income:		
Dividends (net of foreign taxes withheld of $88)	$	2,321,996
Interest — Scudder Cash Management QP Trust		43,934
Interest		2,624
Securities lending income		1,959
Total Income		2,370,513
Expenses:		
Management fee		873,714
Custodian fees		10,010
Distribution service fees (Class B)		27,356
Record keeping fees (Class B)		14,767
Auditing		19,780
Legal		7,760
Trustees' fees and expenses		1,753
Reports to shareholders		6,005
Other		6,763
Total expenses, before expense reductions		967,908
Expense reductions		(779)
Total expenses, after expense reductions		967,129
Net investment income (loss)		**1,403,384**

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from:		
Investments		22,012,824
Futures		282,841
		22,295,665
Net unrealized appreciation (depreciation) during the period on:		
Investments		(5,500,665)
Futures		(87,099)
		(5,587,764)
Net gain (loss) on investment transactions		**16,707,901**
Net increase (decrease) in net assets resulting from operations	**$**	**18,111,285**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2004 (Unaudited)	Year Ended December 31, 2003
Operations:		
Net investment income (loss)	$ 1,403,384	$ 1,750,488
Net realized gain (loss) on investment transactions	22,295,665	15,303,859
Net unrealized appreciation (depreciation) on investment transactions during the period	(5,587,764)	40,462,393
Net increase (decrease) in net assets resulting from operations	18,111,285	57,516,740
Distributions to shareholders from:		
Net investment income		
Class A	(1,626,701)	(1,353,726)
Class B	(56,503)	(7,619)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	7,341,073	48,054,210
Reinvestment of distributions	1,626,701	1,353,726
Cost of shares redeemed	(12,417,736)	(35,300,630)
Net increase (decrease) in net assets from Class A share transactions	(3,449,962)	14,107,306
Class B		
Proceeds from shares sold	10,437,610	14,291,287
Reinvestment of distributions	56,503	7,619
Cost of shares redeemed	(314,736)	(18,533)
Net increase (decrease) in net assets from Class B share transactions	10,179,377	14,280,373
Increase (decrease) in net assets	23,157,496	84,543,074
Net assets at beginning of period	258,679,947	174,136,873
Net assets at end of period (including undistributed net investment income of $1,340,602 and $1,620,422, respectively)	**$ 281,837,443**	**$ 258,679,947**

Other Information

Class A		
Shares outstanding at beginning of period	20,421,127	18,535,421
Shares sold	598,428	5,312,621
Shares issued to shareholders in reinvestment of distributions	132,360	150,749
Shares redeemed	(1,013,845)	(3,577,664)
Net increase (decrease) in Portfolio shares	(283,057)	1,885,706
Shares outstanding at end of period	**20,138,070**	**20,421,127**
Class B		
Shares outstanding at beginning of period	1,427,149	40,975
Shares sold	853,918	1,387,142
Shares issued to shareholders in reinvestment of distributions	4,598	849
Shares redeemed	(25,637)	(1,817)
Net increase (decrease) in Portfolio shares	832,879	1,386,174
Shares outstanding at end of period	**2,260,028**	**1,427,149**

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

Financial Highlights

Class A

Years Ended December 31,	2004[a]	2003	2002	2001	2000[b]	1999[b]
Selected Per Share Data						
Net asset value, beginning of period	**$ 11.84**	**$ 9.37**	**$ 12.07**	**$ 14.41**	**$ 15.69**	**$ 12.60**
Income (loss) from investment operations:						
Net investment income (loss)[c]	.07	.08	.07	.05	.07	.09
Net realized and unrealized gain (loss) on investment transactions	.75	2.45	(2.73)	(2.33)	(1.29)	3.08
Total from investment operations	.82	2.53	(2.66)	(2.28)	(1.22)	3.17
Less distributions from:						
Net investment income	(.08)	(.06)	(.04)	(.06)	(.06)	(.08)
Net asset value, end of period	**$ 12.58**	**$ 11.84**	**$ 9.37**	**$ 12.07**	**$ 14.41**	**$ 15.69**
Total Return (%)	6.94**	27.25	(22.11)	(15.81)	(7.84)	25.24
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	253	242	174	240	228	185
Ratio of expenses before expense reductions (%)	.69*	.71	.69	.69	.71	.71
Ratio of expenses after expense reductions (%)	.69*	.71	.69	.69	.71	.70
Ratio of net investment income (loss) (%)	1.07*	.82	.65	.42	.44	.67
Portfolio turnover rate (%)	267*	182	195	118	86	64

a *For the six months ended June 30, 2004 (Unaudited).*

b *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has 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.*

c *Based on average shares outstanding during the period.*

* *Annualized* ** *Not annualized*

Class B

Years Ended December 31,	2004[a]	2003	2002[b]
Selected Per Share Data			
Net asset value, beginning of period	**$ 11.80**	**$ 9.35**	**$ 10.28**
Income (loss) from investment operations:			
Net investment income (loss)[c]	.05	.04	.03
Net realized and unrealized gain (loss) on investment transactions	.75	2.45	(.96)
Total from investment operations	.80	2.49	(.93)
Less distributions from:			
Net investment income	(.03)	(.04)	—
Net asset value, end of period	**$ 12.57**	**$ 11.80**	**$ 9.35**
Total Return (%)	6.80**	26.76	(9.05)**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period ($ millions)	28	17	.4
Ratio of expenses (%)	1.07*	1.10	.94*
Ratio of net investment income (loss) (%)	.69*	.43	.61*
Portfolio turnover rate (%)	267*	182	195

a *For the six months ended June 30, 2004 (Unaudited).*

b *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*

c *Based on average shares outstanding during the period.*

* *Annualized* ** *Not annualized*

Scudder Fixed Income Portfolio

The Federal Open Market Committee, after preparing the market for a policy change, increased the federal funds rate by 25 basis points in late June and set expectations for a "measured" pace of monetary policy tightening going forward. Over the period, volatility continued within the fixed-income markets as Treasury rates declined in the first quarter in response to disappointing job-creation reports. Treasury yields then spiked sharply — with the yield of the 10-year Treasury note increasing 24 basis points in just one day — when investors were caught off guard by a surprisingly strong jobs announcement in early April. Despite a difficult second quarter for bonds, the portfolio managed to post a positive return of 0.37% (Class A shares, unadjusted for contract charges, and for the six-month period ended June 30, 2004), outpacing the 0.15% return of its benchmark, the Lehman Brothers Aggregate Bond Index.

During the period, mortgages outperformed comparable Treasuries and were a significant contributor to the portfolio's performance. The asset-backed securities market, which performed well during the first quarter, underperformed Treasuries in the second quarter; overall, though, our overweight in the asset-backed sector boosted six-month returns. In addition, security selection within the credit sector created positive returns for the portfolio. Going forward, we believe that our disciplined, value-oriented approach can help to dampen the effect of rising interest rates should the Federal Reserve continue to tighten.

Gary W. Bartlett
Warren S. Davis
Thomas J. Flaherty
Timothy C. Vile
J. Christopher Gagnier
Daniel R. Taylor

Co-Lead Managers

Bruce A. Rodio
William T. Lissenden

Portfolio Managers

Deutsche Investment Management Americas Inc.

All performance shown is historical, assumes reinvestment of all dividends and capital gains, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less then their original cost. Current performance may be lower or higher than the performance data quoted. Please see scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Information concerning the portfolio holdings of the portfolio as of month-end is available upon request on the 16th of the following month.

Risk Considerations

Investments by the portfolio in lower-rated bonds present greater risk to principal and income than investments in higher-quality securities. This portfolio invests in individual bonds whose yields and market values fluctuate so that your investment may be worth more or less than its original cost. Additionally, investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation and changes in political/economic conditions and market risks. All of these factors may result in greater share price volatility. Please see this portfolio's prospectus for specific details regarding its investments and risk profile.

A Treasury's guarantee relates only to the prompt payment of principal and interest and does not remove market risks if the investment is sold prior to maturity.

The Lehman Brothers Aggregate Bond Index is an unmanaged, market-value-weighted measure of Treasury issues, agency issues, corporate bond issues and mortgage securities. Index returns assume reinvested dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2004, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Scudder Fixed Income Portfolio

	Principal Amount ($)	Value ($)
Corporate Bonds 19.1%		
Consumer Discretionary 2.5%		
Comcast Cable Communications:		
6.2%, 11/15/2008	210,000	223,724
8.375%, 3/15/2013	950,000	1,115,248
Cox Communications, Inc., 6.75%, 3/15/2011	550,000	593,030
DaimlerChrysler NA Holdings Corp., 4.75%, 1/15/2008	960,000	967,956
General Motors Corp., 8.375%, 7/15/2033 (e)	360,000	381,057
Liberty Media Corp., Series A, 3.02%, 9/17/2006	1,515,000	1,543,073
TCI-Communications, Inc., 6.875%, 2/15/2006	2,050,000	2,165,153
Time Warner, Inc., 7.57%, 2/1/2024	360,000	388,742
		7,377,983
Energy 4.5%		
Devon Energy Corp., 7.95%, 4/15/2032	415,000	479,360
Devon Financing Corp., 7.875%, 9/30/2031	635,000	728,635
Duke Capital Corp., 4.302%, 5/18/2006	1,204,000	1,223,216
FirstEnergy Corp., Series B, 6.45%, 11/15/2011	1,700,000	1,762,490
Halliburton Co., 5.5%, 10/15/2010	1,770,000	1,790,691
Husky Oil Ltd., 8.9%, 8/15/2028	1,165,000	1,314,479
National Fuel Gas Co., 5.25%, 3/1/2013	845,000	835,500
Pedernales Electric Cooperative, Series 02-A, 144A, 6.202%, 11/15/2032	1,715,000	1,715,257
Pemex Project Funding Master Trust, 144A, 2.82%, 6/15/2010	930,000	934,185
Tri-State Generation & Transmission Association:		
144A, 6.04%, 1/31/2018	1,190,000	1,190,559
144A, 7.144%, 7/31/2033	1,145,000	1,188,602
		13,162,974
Financials 7.0%		
American General Finance Corp., 4.625%, 5/15/2009	1,915,000	1,917,767
ASIF Global Finance, 144A, 4.9%, 1/17/2013	615,000	600,625
Capital One Bank:		
5.0%, 6/15/2009	1,425,000	1,429,078
5.125%, 2/15/2014	385,000	364,299
DBS Capital Funding Corp., 144A, 7.657%, 3/15/2049	1,330,000	1,485,117
Ford Motor Credit Co.:		
5.8%, 1/12/2009	640,000	646,015
6.875%, 2/1/2006	2,478,000	2,599,167
7.0%, 10/1/2013 (e)	435,000	439,118
General Motors Acceptance Corp.:		
6.75%, 1/15/2006	1,220,000	1,278,378
6.875%, 9/15/2011	1,785,000	1,830,155
Goldman Sachs Group, Inc.:		
5.15%, 1/15/2014 (e)	2,180,000	2,093,493
6.345%, 2/15/2034 (e)	680,000	638,570
NiSource Finance Corp., 7.875%, 11/15/2010	1,200,000	1,375,672
PLC Trust, Series 2003-1, 144A, 2.709%, 3/31/2006	1,510,095	1,511,167
Rabobank Capital Fund II, 144A, 1.0%, 12/29/2049	150,000	145,152
RAM Holdings Ltd., 144A, 6.875%, 4/1/2024	1,500,000	1,398,605
Verizon Global Funding Corp., 7.25%, 12/1/2010	446,000	498,617
		20,250,995
Health Care 0.9%		
Health Care Service Corp., 144A, 7.75%, 6/15/2011	2,330,000	**2,653,483**
Industrials 0.5%		
BAE System 2001 Asset Trust, "B", Series B 2001, 144A, 7.156%, 12/15/2011	290,110	308,788
Delta Air Lines, Inc., Series 02-1, 6.417%, 7/2/2012	990,000	1,024,030
		1,332,818
Telecommunication Services 0.8%		
Continental Cable, 9.0%, 9/1/2008	490,000	571,033
PCCW Capital Ltd., 144A, 6.0%, 7/15/2013	870,000	860,039
Verizon Pennsylvania, 5.65%, 11/15/2011	814,000	825,816
		2,256,888
Utilities 2.9%		
Alabama Power Co., 7.125%, 8/15/2004	1,000,000	1,005,837
American Electric Power, 6.125%, 5/15/2006	860,000	902,798
Centerior Energy Corp., Series B, 7.13%, 7/1/2007	1,490,000	1,622,704
Consumers Energy Co., Series F, 4.0%, 5/15/2010	1,655,000	1,566,848
Metropolitan Edison Co., 144A, 4.875%, 4/1/2014	920,000	857,481
Progress Energy, Inc., 6.75%, 3/1/2006	1,000,000	1,054,531
Xcel Energy, Inc., 7.0%, 12/1/2010	1,240,000	1,371,661
		8,381,860
Total Corporate Bonds (Cost $55,846,028)		**55,417,001**
Foreign Bonds — US$ Denominated 7.3%		
Deutsche Telekom International Finance BV:		
8.0%, 6/15/2010	255,000	297,982
8.25%, 6/15/2030	1,425,000	1,734,419
HSBC Capital Funding LP, 144A, 4.61%, 12/29/2049	510,000	462,335
Inversiones CMPC SA, 144A, 4.875%, 6/18/2013	1,545,000	1,434,322
Mantis Reef Ltd., 144A, 4.692%, 11/14/2008	2,720,000	2,686,471

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

	Principal Amount ($)	Value ($)
Mizuho Financial Group:		
144A, 5.79%, 4/15/2014	867,000	852,251
8.375%, 12/29/2049	2,080,000	2,142,400
Petroleos Mexicanos, 9.5%, 9/15/2027	965,000	1,104,925
QBE Insurance Group Ltd., 144A, 5.647%, 7/1/2023	1,085,000	1,032,151
Sappi Papier Holding AG, 144A, 7.5%, 6/15/2032	950,000	1,041,021
Sociedad Concesionaria Autopista Contral, 144A, 6.223%, 12/15/2026	1,915,000	1,869,078
Telecomunicaciones de Puerto Rico, 6.8%, 5/15/2009	625,000	676,889
Tyco International Group SA:		
6.75%, 2/15/2011	1,900,000	2,064,504
6.875%, 1/15/2029 (e)	2,370,000	2,481,177
United Mexican States:		
7.5%, 4/8/2033	135,000	130,680
8.375%, 1/14/2011	145,000	163,850
WPP Finance Corp., 144A, 5.875%, 6/15/2014	1,015,000	1,019,158
Total Foreign Bonds — US$ Denominated (Cost $21,291,332)		**21,193,613**

Asset Backed 9.2%

	Principal Amount ($)	Value ($)
Automobile Receivables 3.7%		
Chase Manhattan Auto Owner Trust, "A4", Series 2003-B, 2.57%, 2/16/2010	2,550,000	2,492,004
Daimler Chrysler Auto Trust, "A4:, Series 2002-A, 4.49%, 10/6/2008	1,083,000	1,103,227
Drive Auto Receivables Trust, "A3", Series 2004-1, 144A, 3.5%, 8/15/2008	1,490,000	1,489,820
MMCA Automobile Trust:		
"A4", Series 2002-4, 3.05%, 11/16/2009	1,150,000	1,147,102
"A4", Series 2002-2, 4.3%, 3/15/2010	2,385,000	2,407,929
"B", Series 2002-2, 4.67%, 3/15/2010	890,338	836,918
"B", Series 2002-1, 5.37%, 1/15/2010	1,310,845	1,251,857
		10,728,857
Credit Card Receivables 1.1%		
MBNA Credit Card Master Note Trust, "A4", Series 2004-A4, 2.7%, 9/15/2009	3,170,000	**3,100,980**
Home Equity Loans 4.1%		
Chase Funding Mortgage Loan, "2A2", Series 2004-1, 1.33%, 12/25/2033	2,110,000	2,109,907
Countrywide Asset Backed Certificates, "3A", Series 2004-1, 1.38%, 4/25/2034	2,142,683	2,145,409
Countrywide Asset Backed Certificates, "N1", Series 2004-2N, 144A, 5.0%, 2/25/2035	1,213,350	1,207,093
Long Beach Mortgage Loan Trust:		
"A3", Series 2004-1, 1.4%, 2/25/2034	1,566,976	1,568,166
"N1", Series 2003-4, 144A, 6.535%, 8/25/2033	780,037	784,323
Novastar NIM Trust, "NOTE", Series 2004-N1, 144A, 4.458%, 2/26/2034	1,097,918	1,097,918
Renaissance NIM Trust, "A", Series 2004-A, 144A, 4.45%, 6/25/2034	1,106,184	1,106,184
Residential Asset Securities Corp., "AI6", Series 2000-KS1, 7.905%, 2/25/2031	1,816,083	1,924,422
		11,943,422
Manufactured Housing Receivables 0.3%		
Green Tree Financial Corp., "A5", Series 1996-5, 7.05%, 1/15/2019	946,071	**976,871**
Total Asset Backed (Cost $26,985,667)		**26,750,130**

	Shares	Value ($)
Preferred Stock 0.3%		
Farm Credit Bank of Texas (Cost $725,000)	725,000	**722,107**

US Government Agency Sponsored Pass-Throughs 5.0%

	Principal Amount ($)	Value ($)
Federal Home Loan Mortgage Corp.:		
2.875%, 12/15/2006 (e)	1,902,000	1,883,465
4.0% with various maturities from 5/1/2019 until 11/15/2022	3,694,514	3,568,074
5.0%, 1/15/2033	1,785,000	1,709,696
Federal National Mortgage Association:		
4.5%, 12/1/2018	418,303	409,877
5.5% with various maturities from 3/1/2018 until 7/1/2033	1,940,616	1,959,786
6.0% with various maturities from 7/1/2017 until 11/1/2017	1,387,816	1,448,517
6.31%, 6/1/2008	1,500,000	1,604,853
6.5% with various maturities from 11/1/2024 until 11/1/2033	1,851,066	1,931,708
8.0%, 9/1/2015	77,545	82,854
Total US Government Agency Sponsored Pass-Throughs (Cost $14,684,345)		**14,598,830**

Collateralized Mortgage Obligations 21.9%

	Principal Amount ($)	Value ($)
Fannie Mae Grantor Trust, "1A3", Series 2004-T2, 7.0%, 11/25/2043	757,951	800,449
Fannie Mae Whole Loan, "5A", Series 2004-W2, 7.5%, 3/25/2044	2,063,052	2,210,684
Federal Home Loan Mortgage Corp.:		
"AU", Series 2759, 3.5%, 5/15/2019	1,313,000	1,317,989
"EK", Series 2773, 3.5%, 5/15/2010	1,274,000	1,278,424
"QC", Series 2694, 3.5%, 9/15/2020	2,290,000	2,285,321

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

	Principal Amount ($)	Value ($)
"NB", Series 2750, 4.0%, 12/15/2022	2,839,000	2,825,146
"LC", Series 2682, 4.5%, 7/15/2032	1,690,000	1,571,821
"ME", Series 2691, 4.5%, 4/15/2032	1,911,000	1,777,317
"ON", Series 2776, 4.5%, 11/15/2032	1,410,000	1,304,966
"PE", Series 2727, 4.5%, 7/15/2032	3,215,000	2,981,443
"QH", Series 2694, 4.5%, 3/15/2032	2,500,000	2,323,095
"1A2B", Series T-48, 4.688%, 7/25/2022	654,995	660,569
"HG", Series 2543, 4.75%, 9/15/2028	1,944,628	1,970,015
"BG", Series 2640, 5.0%, 2/15/2032	2,060,000	1,979,158
"JD", Series 2778, 5.0%, 12/15/2032	2,000,000	1,914,184
"NE", Series 2802, 5.0%, 2/15/2033	2,640,000	2,531,100
"PD", Series 2783, 5.0%, 1/15/2033	1,283,000	1,226,979
"PE", Series 2721, 5.0%, 1/15/2023	135,000	128,831
"QK", Series 2513, 5.0%, 8/15/2028	679,095	682,799
"TE", Class 2764, 5.0%, 10/15/2032	1,495,000	1,425,593
"CH", Series 2390, 5.5%, 12/15/2016	440,000	447,468
"PE", Series 2378, 5.5%, 11/15/2016	1,765,000	1,811,240
"PE", Series 2512, 5.5%, 2/15/2022	45,000	45,771
"TG", Series 2517, 5.5%, 4/15/2028	1,028,000	1,041,564
"BD", Series 2453, 6.0%, 5/15/2017	1,050,000	1,096,816
"3A", Series T-41, 7.5%, 7/25/2032	403,056	431,899
"A5", Series T-42, 7.5%, 2/25/2042	501,868	537,782
Federal National Mortgage Association:		
"A2", Series 2003-63, 2.34%, 7/25/2044	330,000	329,676
"NA", Series 2003-128, 4.0%, 8/25/2009	2,307,000	2,332,553
"2A3", Series 2001-4, 4.16%, 6/25/2042	1,200,000	1,198,862
"NE", Series 2004-52, 4.5%, 7/25/2033	1,282,000	1,159,415
"PU", Series 2003-33, 4.5%, 5/25/2033	1,523,517	1,538,830
"QG", Series 2004-29, 4.5%, 12/25/2032	1,420,000	1,315,070
"WB", Series 2003-106, 4.5%, 10/25/2015	1,735,000	1,763,540
"A2", Series 2002-W10, 4.7%, 8/25/2042	260,402	261,380
"A2", Series 2002-W9, 4.7%, 8/25/2042	171,029	171,899
"2A3", Series 2003-W15, 4.71%, 8/25/2043	2,330,000	2,368,577
"1A3", Series 2003-W18, 4.732%, 8/25/2033	1,160,000	1,175,955

	Principal Amount ($)	Value ($)
"A2", Series 2002-60, 4.75%, 2/25/2044	306,100	310,472
"KY", Series 2002-55, 4.75%, 4/25/2028	521,980	523,008
"KH", Series 2003-92, 5.0%, 3/25/2032	1,100,000	1,056,865
"A2", Series 2002-W3, 5.5%, 10/25/2021	331,424	332,869
"MC", Series 2002-56, 5.5%, 9/25/2017	1,093,910	1,134,857
"PG", Series 2002-3, 5.5%, 2/25/2017	500,000	497,518
"QC", Series 2002-11, 5.5%, 3/25/2017	640,000	653,937
"A", Series 2001-66, 6.0%, 6/25/2029	111,352	111,451
"PM", Series 2001-60, 6.0%, 3/25/2030	561,294	577,333
"VD", Series 2002-56, 6.0%, 4/25/2020	288,750	294,252
"A2", Series 1998-M6, 6.32%, 8/15/2008	1,207,402	1,285,890
"HM", Series 2002-36, 6.5%, 12/25/2029	135,108	137,940
"1A2", Series 2003-W3, 7.0%, 8/25/2042	814,244	856,607
"1A3", Series 2004-T3, 7.0%, 2/25/2044	371,176	393,215
"A2", Series 2002-T19, Grantor Trust, 7.0%, 7/25/2042	1,008,741	1,068,636
FHLMC Structured Pass Through Securities:		
"1A2", Series T-59, 7.0%, 10/25/2043	1,017,606	1,078,001
"3A", Series T-58, 7.0%, 9/25/2043	1,008,681	1,068,546
Total Collateralized Mortgage Obligations (Cost $64,305,937)		**63,605,577**

Commercial and Non-Agency Mortgage Backed Securities 8.5%

	Principal Amount ($)	Value ($)
ABN AMRO Mortgage Corp., Series 2002-3, 6.0%, 4/25/2017	167,367	167,147
Bank of America Alternative Loan Trust, "1A1", Series 2004-2, 6.0%, 3/25/2034	1,958,317	1,971,449
Chase Commercial Mortgage Securities Corp., "A1", Series 2000-1, 7.656%, 4/15/2032	981,329	1,023,677
Citigroup Mortgage Loan Trust, Inc., "1A2", Series 2004-NCM-1, 1.0%, 7/25/2034	1,870,000	1,925,808
Countrywide Alternative Loan Trust:		
"1A1", Series 2004-J1, 6.0%, 2/25/2034	769,832	781,840
"7A1", Series 2004-J2, 6.0%, 12/25/2033	842,674	865,429
Countrywide Home Loans, "3A1", Series 2002-12, 6.0%, 8/25/2017	645,942	649,516
CS First Boston Mortgage Securities Corp., "A1", Series 1999-C1, 6.91%, 9/15/2041	1,530,479	1,627,333
First Union-Lehman Brothers Commercial Mortgae, "A3", Series 1997-C1, 7.38%, 4/18/2029	2,202,724	2,362,151

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

	Principal Amount ($)	Value ($)
GSMPS Mortgage Loan Trust, "A", Series 1998-4, 144A, 7.5%, 12/21/2026	822,807	869,376
Master Adjustable Rate Mortgages Trust, "9A2", Series 2004-5, 1.0%, 6/25/2032	1,865,000	1,865,000
Master Alternative Loan Trust:		
"3A1", Series 2004-3, 6.0%, 4/25/2034	432,077	441,378
"7A1", Series 2004-4, 6.0%, 5/25/2034	260,781	261,055
"3A1", Series 2004-5, 6.5%, 6/25/2034	92,753	95,807
"5A1", Series 2004-3, 6.5%, 3/25/2034	1,239,282	1,282,502
"8A1", Series 2004-3, 7.0%, 4/25/2034	985,770	1,032,503
Master Asset Securitization Trust, "8A1", Series 2003-6, 5.5%, 7/25/2033	1,347,126	1,316,836
Residential Funding Mortgage Securities I, "A12", Series 2001-S29, 5.5%, 12/26/2031	210,075	209,849
WAMU Mortgage Pass-Through Certificates, "4A", Series 2004-CB1, 6.0%, 6/25/2034	1,877,685	1,932,758
Washington Mutual:		
"2A1", Series 2002-S8, 4.5%, 1/25/2018	1,048,584	1,059,674
"4A', Series 2004-CB2, 6.5%, 8/25/2034	295,000	306,368
Washington Mutual MSC Mortgage Pass-Through, Series, "1A1", Series 2003-MS, 5.75%, 3/25/2033	381,303	382,253
Wells Fargo Mortgage Backed Securities Trust:		
"1A6", Series 2003-1, 4.5%, 2/25/2018	955,660	960,987
"1A1", Series 2003-6, 5.0%, 6/25/2018	1,458,823	1,458,710
Total Commercial and Non-Agency Mortgage Backed Securities (Cost $25,194,519)		**24,849,406**

Municipal Investments 4.7%

	Principal Amount ($)	Value ($)
Brockton, MA, Core City GO, Economic Development, Series A, 6.45%, 5/1/2017 (c)	1,530,000	1,643,143
Illinois, Higher Education Revenue, 7.05%, 7/1/2009 (c)	1,410,000	1,577,155
Jicarilla, NM, Sales & Special Tax Revenue, Apache Nation Revenue, 5.2%, 12/1/2013	945,000	923,719
Los Angeles, CA, Community Redevelopment Agency, Community Redevelopment Financing Authority, Bunker Hill Project, Series B, 5.83%, 12/1/2017 (c)	2,500,000	2,480,375
New York, GO, Environmental Facilities Corp., Series B, 4.95%, 1/1/2013 (c)	1,500,000	1,479,045
Oklahoma City, OK Airport, Airport Revenue, 5.2%, 10/1/2012 (c)	1,430,000	1,427,698
Oregon, School District GO, School Board, Series A, Zero Coupon, 6/30/2017 (c)	3,830,000	1,787,193
Portland, OR, Industrial Development Revenue, 3.35%, 6/15/2010 (c)	1,550,000	1,456,550
Trenton, NJ, School District GO, 4.3%, 4/1/2011 (c)	1,040,000	1,003,434
Total Municipal Investments (Cost $13,917,590)		**13,778,312**

US Government Sponsored Agencies 1.3%

	Principal Amount ($)	Value ($)
Federal Home Loan Mortgage Corp., 5.0% , 12/1/2033 (d)	1,140,000	1,100,100
Federal National Mortgage Association:		
4.5% , 12/1/2018 (d)	320,000	312,600
5.0%, 12/1/2017 (d)	2,120,000	2,121,989
6.5%, 3/1/2017	245,057	258,974
Total US Government Sponsored Agencies (Cost $3,853,469)		**3,793,663**

Government National Mortgage Association 0.1%

	Principal Amount ($)	Value ($)
Government National Mortgage Association, 6.0%, 1/15/2034 (Cost $423,540)	404,878	**415,514**

US Government Backed 9.3%

	Principal Amount ($)	Value ($)
US Treasury Bond:		
6.0%, 2/15/2026 (e)	9,527,000	10,265,714
7.25%, 5/15/2016 (e)	4,248,000	5,135,598
US Treasury Note:		
3.125%, 10/15/2008 (e)	1,755,000	1,719,832
4.375%, 8/15/2012 (e)	9,929,000	9,882,850
Total US Government Backed (Cost $27,553,180)		**27,003,994**

Securities Lending Collateral 10.0%

	Shares	Value ($)
Daily Assets Fund Institutional, 1.15% (f) (g) (Cost $29,209,471)	29,209,471	**29,209,471**

Cash Equivalents 3.3%

	Shares	Value ($)
Scudder Cash Management QP Trust, 1.20% (b) (Cost $9,512,216)	9,512,216	**9,512,216**
Total Investment Portfolio — 100.0% (Cost $293,502,294) (a)		**290,849,834**

Notes to Scudder Fixed Income Portfolio of Investments

(a) The cost for federal income tax purposes was $293,502,294. At June 30, 2004, net unrealized depreciation for all securities based on tax cost was $2,652,460. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $1,139,316 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $3,791,776.

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

(b) Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.

(c) Bond is insured by one of these companies:

Insurance Coverage		As a % of Total Investment Portfolio
AMBAC	AMBAC Assurance Corp.	1.5%
FGIC	Financial Guaranty Insurance Company	2.0%
FSA	Financial Security Assurance	0.9%

(d) Mortgage dollar roll included.

(e) All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2004, amounted to $28,809,885, which is 11.1% of total net assets.

(f) Daily Assets Fund Institutional, an affiliated fund, is also managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.

(g) Represents collateral held in connection with securities lending.

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

Included in the portfolio are investments in mortgage or asset-backed securities which are interests in separate pools of mortgages or assets. Effective maturities of these investments may be shorter than stated maturities due to prepayments. Some separate investments in the Federal National Mortgage Association and the Government National Mortgage Association issues which have similar coupon rates have been aggregated for presentation purposes in the investment portfolio.

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

Statement of Assets and Liabilities
as of June 30, 2004 (Unaudited)

Assets

Investments:		
Investments in securities, at value (cost $254,780,607)	$	252,128,147
Investment in Daily Assets Fund Institutional (cost $29,209,471)*		29,209,471
Investment in Scudder Cash Management QP Trust (cost $9,512,216)		9,512,216
Total investments in securities, at value (cost $293,502,294)		290,849,834
Cash		10,227
Receivable for investments sold		1,014,813
Interest receivable		2,307,474
Receivable for Portfolio shares sold		269,249
Other assets		2,975
Total assets		294,454,572

Liabilities

Payable for investments purchased		955,776
Payable for investments purchased — mortgage dollar rolls		3,504,071
Deferred mortgage dollar roll income		23,235
Payable upon return of securities loaned		29,209,471
Accrued management fee		125,682
Payable for Portfolio shares redeemed		111,238
Other accrued expenses and payables		76,852
Total liabilities		34,006,325
Net assets, at value	**$**	**260,448,247**

Net Assets

Net assets consist of:		
Undistributed net investment income		5,065,992
Net unrealized appreciation (depreciation) on investments		(2,652,460)
Accumulated net realized gain (loss)		224,627
Paid-in capital		257,810,088
Net assets, at value	**$**	**260,448,247**
Class A		
Net Asset Value, offering and redemption price per share ($185,760,447 ÷ 16,023,907 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**11.59**
Class B		
Net Asset Value, offering and redemption price per share ($74,687,800 ÷ 6,445,693 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**11.59**

* *Represents collateral on securities loaned.*

Statement of Operations
for the six months ended June 30, 2004 (Unaudited)

Investment Income

Dividends	$	47,575
Interest		5,975,464
Interest — Scudder Cash Management QP Trust		68,523
Mortgage dollar roll income		65,867
Securities lending Income		11,582
Total Income		6,169,011
Expenses:		
Management fee		752,146
Custodian fees		13,517
Distribution service fees (Class B)		71,773
Record keeping fees (Class B)		40,398
Auditing		19,592
Legal		6,182
Trustees' fees and expenses		1,682
Reports to shareholders		27,110
Other		3,570
Total expenses, before expense reductions		935,970
Expense reductions		(1,290)
Total expenses, after expense reductions		934,680
Net investment income		**5,234,331**

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from investments		350,952
Net unrealized appreciation (depreciation) during the period on investments		(4,787,293)
Net gain (loss) on investment transactions		**(4,436,341)**
Net increase (decrease) in net assets resulting from operations	**$**	**797,990**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2004 (Unaudited)	Year Ended December 31, 2003
Operations:		
Net investment income (loss)	$ 5,234,331	$ 9,005,497
Net realized gain (loss) on investment transactions	350,952	5,632,277
Net unrealized appreciation (depreciation) on investment transactions during the period	(4,787,293)	(3,106,535)
Net increase (decrease) in net assets resulting from operations	797,990	11,531,239
Distributions to shareholders from:		
Net investment income		
Class A	(6,899,791)	(7,642,555)
Class B	(1,767,722)	(352,039)
Net realized gains		
Class A	(3,369,665)	—
Class B	(976,642)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	10,715,650	33,556,029
Reinvestment of distributions	10,269,456	7,642,555
Cost of shares redeemed	(26,411,604)	(59,678,316)
Net increase (decrease) in net assets from Class A share transactions	(5,426,498)	(18,479,732)
Class B		
Proceeds from shares sold	30,700,337	45,408,382
Reinvestment of distributions	2,744,364	352,039
Cost of shares redeemed	(1,259,368)	(2,824,214)
Net increase (decrease) in net assets from Class B share transactions	32,185,333	42,936,207
Increase (decrease) in net assets	14,543,005	27,993,120
Net assets at beginning of period	245,905,242	217,912,122
Net assets at end of period (including undistributed net investment income of $5,065,992 and $8,499,174, respectively)	**$ 260,448,247**	**245,905,242**

Other Information

Class A		
Shares outstanding at beginning of period	16,493,825	18,049,005
Shares sold	879,617	2,793,008
Shares issued to shareholders in reinvestment of distributions	865,161	650,984
Shares redeemed	(2,214,696)	(4,999,172)
Net increase (decrease) in Portfolio shares	(469,918)	(1,555,180)
Shares outstanding at end of period	**16,023,907**	**16,493,825**
Class B		
Shares outstanding at beginning of period	3,731,351	144,625
Shares sold	2,586,417	3,792,922
Shares issued to shareholders in reinvestment of distributions	230,865	29,986
Shares redeemed	(102,940)	(236,182)
Net increase (decrease) in Portfolio shares	2,714,342	3,586,726
Shares outstanding at end of period	**6,445,693**	**3,731,351**

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

Financial Highlights

Class A

Years Ended December 31,	2004[a]	2003	2002	2001[b]	2000[c]	1999[c]
Selected Per Share Data						
Net asset value, beginning of period	**$ 12.16**	**$ 11.98**	**$ 11.48**	**$ 11.45**	**$ 11.00**	**$ 11.65**
Income from investment operations:						
Net investment income[d]	.25	.45	.53	.62	.69	.60
Net realized and unrealized gain (loss) on investment transactions	(.18)	.14	.37	.01	.36	(.85)
Total from investment operations	.07	.59	.90	.63	1.05	(.25)
Less distributions from:						
Net investment income	(.43)	(.41)	(.40)	(.60)	(.60)	(.30)
Net realized gains on investment transactions	(.21)	—	—	—	—	(.10)
Total distributions	(.64)	(.41)	(.40)	(.60)	(.60)	(.40)
Net asset value, end of period	**$ 11.59**	**$ 12.16**	**$ 11.98**	**$ 11.48**	**$ 11.45**	**$ 11.00**
Total Return (%)	.37**	5.13	8.01	5.71	9.90	(2.06)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	186	201	216	134	78	71
Ratio of expenses before expense reductions (%)	.66*	.66	.65	.64	.68	.65
Ratio of expenses after expense reductions (%)	.66*	.66	.65	.64	.67	.65
Ratio of net investment income (loss) (%)	4.26*	3.75	4.57	5.46	6.36	5.42
Portfolio turnover rate (%)	223[e]*	229[e]	267	176	311	131

[a] *For the six months ended June 30, 2004 (Unaudited).*

[b] *As required, effective January 1, 2001, the Portfolio has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on debt securities. In addition, paydowns on mortgage-backed securities which were included in realized gain/loss on investment transactions prior to January 1, 2001 are included as interest income. The effect of this change for the year ended December 31, 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 5.54% to 5.46%. Per share, ratios and supplemental data for periods prior to January 1, 2001 have not been restated to reflect this change in presentation.*

[c] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has 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.*

[d] *Based on average shares outstanding during the period.*

[e] *The portfolio turnover rate including mortgage dollar roll transactions was 243% and 265% for the period ended June 30, 2004 and December 31, 2003, respectively.*

* *Annualized* ** *Not annualized*

Class B

Years Ended December 31,	2004[a]	2003	2002[b]
Selected Per Share Data			
Net asset value, beginning of period	**$ 12.13**	**$ 11.96**	**$ 11.36**
Income from investment operations:			
Net investment income[c]	.23	.40	.27
Net realized and unrealized gain (loss) on investment transactions	(.18)	.15	.33
Total from investment operations	.05	.55	.60
Less distributions from:			
Net investment income	(.38)	(.38)	—
Net realized gains on investment transactions	(.21)	—	—
Total distributions	(.59)	(.38)	—
Net asset value, end of period	**$ 11.59**	**$ 12.13**	**$ 11.96**
Total Return (%)	.21**	4.76	5.28**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period ($ millions)	75	45	2
Ratio of expenses (%)	1.05*	1.05	.92*
Ratio of net investment income (loss) (%)	3.87*	3.36	4.69*
Portfolio turnover rate (%)	223[d]*	229[d]	267

[a] *For the six months ended June 30, 2004 (Unaudited).*

[b] *For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*

[c] *Based on average shares outstanding during the period.*

[d] *The portfolio turnover rate including mortgage dollar roll transactions was 243% and 265% for the period ended June 30, 2004 and December 31, 2003, respectively.*

* *Annualized* ** *Not annualized*

Scudder Global Blue Chip Portfolio

The most noteworthy development during the first half of 2004 was the emergence of a difficult investment environment in the second quarter, during which fears of a slowdown in China's economy, weakness in commodity prices and the withdrawal of speculative capital from the emerging markets created a challenging backdrop for the portfolio. In addition, the US dollar was strong against the euro and the yen. These factors hindered portfolio performance due to its position in gold mining stocks and Asian equities, as well as its effective underweight of the dollar. Due largely to the resulting second-quarter underperformance, the 0.35% return of the portfolio Class A shares (unadjusted for contract charges) for the six-month period ended June 30, 2004, trailed the 3.52% return of the MSCI World Index.

We continue to look for companies that stand to benefit from the emergence of longer-term themes in the world economy. Many of the trends that affected performance during the first half of the year, in contrast, were short-term in nature. As a result, while we have trimmed or eliminated some positions we believe to have limited upside, we have maintained the portfolio's thematic positioning with respect to the long-term horizon. At their current valuation levels, we see significant upside for many stocks tied to commodities and the emerging Asian consumer. Conversely, the portfolio continues to hold very limited exposure to US banks and consumer-led stocks. In summary, our basic strategy remains the same, and we continue to focus on managing risk and maintaining broad diversification within the portfolio.

Steve M. Wreford
Oliver Kratz

Co-Managers
Deutsche Investment Management Americas Inc.

All performance shown is historical, assumes reinvestment of all dividends and capital gains, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less then their original cost. Current performance may be lower or higher than the performance data quoted. Please see scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Information concerning the portfolio holdings of the portfolio as of month-end is available upon request on the 16th of the following month.

Risk Considerations

This portfolio is subject to stock market risk. Investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation, political and economic changes and market risks. All of these factors may result in greater share price volatility. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

The Morgan Stanley Capital International (MSCI) World Index is an unmanaged, capitalization-weighted measure of stock markets around the world, including North America, Europe, Australia and Asia. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2004, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Scudder Global Blue Chip Portfolio

	Shares	Value ($)
Common Stocks 94.1%		
Australia 0.9%		
Alumina Ltd.	111,100	408,895
WMC Resources Ltd.	56,800	194,795
(Cost $520,262)		**603,690**
Austria 0.6%		
Wienerberger AG (Cost $362,068)	11,200	**390,606**
Brazil 1.9%		
Aracruz Celulose SA "B" (ADR)	10,400	339,664
Companhia Vale do Rio Doce (ADR)	15,600	741,780
Unibanco–Uniao de Bancos Brasileiros SA (GDR)	10,500	207,585
(Cost $1,111,072)		**1,289,029**
Canada 5.1%		
Canadian National Railway Co.*	21,800	944,541
Encana Corp.*	26,099	1,128,066
Goldcorp, Inc.*	33,600	392,433
Meridian Gold, Inc.*	30,600	396,186
Placer Dome, Inc.*	32,600	547,776
(Cost $2,462,579)		**3,409,002**
China 0.8%		
China Petrolium & Chemical Corp. "H" (Cost $516,628)	1,432,000	**523,248**
France 3.7%		
Carrefour SA	11,725	569,996
Societe Generale	3,510	298,866
Total SA	8,331	1,591,364
(Cost $2,267,978)		**2,460,226**
Germany 6.7%		
BASF AG	21,373	1,146,101
Commerzbank AG* (d)	25,699	453,616
Deutsche Boerse AG (d)	14,513	738,967
E.ON AG	20,535	1,484,407
Schering AG (d)	10,900	643,494
(Cost $3,895,984)		**4,466,585**
Hong Kong 5.1%		
China Mobile Ltd.	145,600	440,547
Denway Motors Ltd.	760,000	275,265
Esprit Holdings Ltd.	138,000	617,481
Fountain Set (Holdings) Ltd.	1,088,000	725,357
Hutchison Whampoa Ltd.	92,000	628,097
Sun Hung Kai Properties Ltd. (REIT)	84,000	689,253
(Cost $3,278,768)		**3,376,000**
Israel 0.3%		
Teva Pharmaceutical Industries Ltd. (ADR) (Cost $168,875)	2,600	**174,954**
Japan 11.4%		
Canon, Inc.	14,000	739,652
Daiwa Securities Group, Inc.	60,000	432,214
FANUC Ltd.	20,200	1,208,269
Japan Retail Fund Investment Corp. (REIT)	22	152,212
Komatsu Ltd.	162,000	983,893
Mitsubishi Estate Co., Ltd. (REIT)	75,000	933,064
Mitsui Fudosan Co., Ltd. (REIT)	105,000	1,261,910
Mizuho Financial Group, Inc.	115	523,040
Nomura Holdings, Inc.	91,000	1,350,347
(Cost $6,646,426)		**7,584,601**
Korea 3.2%		
Kookmin Bank	19,000	590,819
LG Electronics, Inc.	12,000	569,597
Samsung Electronics Co., Ltd.	2,290	946,150
(Cost $2,268,082)		**2,106,566**
Mexico 1.3%		
America Movil SA de CV "L" (ADR)	11,300	410,981
Grupo Televisa SA de CV (ADR)	10,000	452,700
(Cost $814,385)		**863,681**
Peru 0.7%		
Compania de Minas Buenaventura SA (ADR) (Cost $283,732)	20,700	**457,470**
Russia 2.4%		
Gazprom (ADR)* (d)	27,800	797,860
GMK Norilsk Nickel (ADR)*	3,500	191,800
LUKOIL (ADR)	5,200	543,400
YUKOS (ADR)*	2,500	79,500
(Cost $1,210,054)		**1,612,560**
Singapore 1.7%		
DBS Group Holdings Ltd.	58,000	486,090
Singapore TeleCommunications Ltd.	511,600	669,945
(Cost $1,025,209)		**1,156,035**
South Africa 2.1%		
Gold Fields Ltd.	52,700	561,126
Impala Platinum Holdings Ltd. (ADR)	20,000	379,090
Sappi Ltd.	31,400	484,786
(Cost $1,276,112)		**1,425,002**
Sweden 1.2%		
Skandinaviska Enskilda Banken (Cost $865,746)	57,300	**830,622**
Switzerland 0.9%		
Novartis AG (Registered) (Cost $540,291)	13,700	**605,419**
Taiwan 1.2%		
Hon Hai Precision Industry Co., Ltd.	49,000	182,292
Quanta Computer, Inc.	194,000	412,827
Taiwan Semiconductor Manufacturing Co., Ltd. (ADR)	27,043	224,725
(Cost $871,097)		**819,844**
Thailand 0.2%		
Bangkok Bank PCL (Foreign Registered)* (Cost $111,016)	43,000	**103,621**

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

	Shares	Value ($)
United Kingdom 9.8%		
Anglo American PLC	54,095	1,109,084
British Sky Broadcasting Group PLC	86,909	982,547
GlaxoSmithKline PLC	53,089	1,076,879
Lonmin PLC	14,766	266,240
National Grid Transco PLC	131,036	1,013,418
Rio Tinto PLC	33,632	810,578
RT Group PLC*	54,206	10,838
Vodafone Group PLC	568,604	1,247,945
(Cost $6,589,281)		**6,517,529**
United States 32.9%		
Affiliated Computer Services, Inc. "A"*	10,500	555,870
AFLAC, Inc.	25,700	1,048,817
Amgen, Inc.*	10,876	593,503
Anadarko Petroleum Corp.	14,300	837,980
AutoZone, Inc.*	12,000	961,200
Avocent Corp.*	15,100	554,774
Caremark Rx, Inc.*	25,200	830,088
Caterpillar, Inc.	15,600	1,239,264
ConocoPhillips	11,200	854,448
Dean Foods Co.*	16,300	608,153
Devon Energy Corp.	7,100	468,600
Equity Residential (REIT)	27,100	805,683
Genentech, Inc.*	7,600	427,120
Hewlett-Packard Co.	62,900	1,327,190
Intel Corp.	26,600	734,160
Lehman Brothers Holdings, Inc.	11,900	895,475
Medicines Co.*	13,500	411,885
Microsoft Corp.	36,400	1,039,584
Monsanto Co.	24,900	958,650
Motorola, Inc.	40,400	737,300
Newmont Mining Corp.	24,100	934,116
Pfizer, Inc.	20,600	706,168
St. Jude Medical, Inc.*	8,500	643,025
Unocal Corp.	24,300	923,400
VERITAS Software Corp.*	30,600	847,620
Viacom, Inc. "B"	37,900	1,353,788
Wyeth	18,000	650,880
(Cost $19,615,536)		**21,948,741**
Total Common Stocks (Cost $56,701,181)		**62,725,031**
Securities Lending Collateral 2.9%		
Daily Assets Fund Institutional, 1.15% (c) (e) (Cost $1,939,359)	1,939,359	**1,939,359**
Cash Equivalents 3.0%		
Scudder Cash Management QP Trust, 1.20% (b) (Cost $2,028,138)	2,028,138	**2,028,138**
Total Investment Portfolio — 100.0% (Cost $60,668,678) (a)		**66,692,528**

At June 30, 2004, the Scudder Global Blue Chip Portfolio had the following industry diversification:

Industry		Value	Percent
Financials	$	11,802,200	17.7%
Materials		10,320,570	15.5%
Information Technology		8,302,144	12.4%
Energy		7,747,866	11.6%
Health Care		6,763,415	10.1%
Consumer Discretionary		5,937,935	9.0%
Industrials		5,405,509	8.1%
Telecommunication Services		2,769,418	4.2%
Utilities		2,497,825	3.7%
Consumer Staples		1,178,149	1.8%
Total Common Stocks		**62,725,031**	**94.1%**
Securities Lending Collateral		1,939,359	2.9%
Cash Equivalents		2,028,138	3.0%
Total Investment Portfolio	**$**	**66,692,528**	**100.0%**

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

Notes to Scudder Global Blue Chip Portfolio of Investments

* *Non-income producing security.*

(a) *The cost for federal income tax purposes was $60,670,929. At June 30, 2004, net unrealized appreciation for all securities based on tax cost was $6,021,599. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $7,806,369 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $1,784,770.*

(b) *Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Daily Assets Fund Institutional, an affiliated fund, is also managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(d) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2004 amounted to $1,851,237, which is 2.9% of total net assets.*

(e) *Represents collateral held in connection with securities lending.*

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

Financial Statements

Statement of Assets and Liabilities
as of June 30, 2004 (Unaudited)

Assets

Investments:		
Investments in securities, at value (cost $56,701,181)	$	62,725,031
Investment in Daily Assets Fund Institutional (cost $1,939,359)*		1,939,359
Investment in Scudder Cash Management QP Trust (cost $2,028,138)		2,028,138
Total investments in securities, at value (cost $60,668,678)		66,692,528
Foreign currency, at value (cost $46,872)		46,919
Dividends receivable		111,591
Interest receivable		3,089
Receivable for Portfolio shares sold		182,046
Foreign taxes recoverable		24,323
Total assets		67,060,496

Liabilities

Due to custodian bank		21,146
Payable upon return of securities loaned		1,939,359
Accrued management fee		53,446
Other accrued expenses and payables		100,506
Total liabilities		2,114,457
Net assets, at value	**$**	**64,946,039**

Net Assets

Net assets consist of:		
Undistributed net investment income		80,956
Net unrealized appreciation (depreciation) on:		
Investments		6,023,850
Foreign currency related transactions		4,310
Accumulated net realized gain (loss)		(7,013,986)
Paid-in capital		65,850,909
Net assets, at value	**$**	**64,946,039**
Class A		
Net Asset Value, offering and redemption price per share ($55,172,440 ÷ 5,358,361 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**10.30**
Class B		
Net Asset Value, offering and redemption price per share ($9,773,599 ÷ 947,169 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**10.32**

* *Represents collateral on securities loaned.*

Statement of Operations
for the six months ended June 30, 2004 (Unaudited)

Investment Income

Income:		
Dividends (net of foreign taxes withheld of $43,626)	$	561,965
Interest — Scudder Cash Management QP Trust		13,883
Securities lending income		16,793
Total Income		592,641
Expenses:		
Management fee		316,049
Custodian and accounting fees		49,288
Distribution service fees (Class B)		9,763
Record keeping fees (Class B)		5,375
Auditing		37,903
Legal		6,720
Trustees' fees and expenses		1,929
Reports to shareholders		3,391
Other		8,720
Total expenses, before expense reductions		439,138
Expense reductions		(325)
Total expenses, after expense reductions		438,813
Net investment income (loss)		**153,828**

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from:		
Investments		3,087,397
Foreign currency related transactions		(18,383)
		3,069,014
Net unrealized appreciation (depreciation) during the period on:		
Investments		(3,151,434)
Foreign currency related transactions		(2,239)
		(3,153,673)
Net gain (loss) on investment transactions		**(84,659)**
Net increase (decrease) in net assets resulting from operations	**$**	**69,169**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2004 (Unaudited)	Year Ended December 31, 2003
Operations:		
Net investment income (loss)	$ 153,828	$ 469,875
Net realized gain (loss) on investment transactions	3,069,014	(902,561)
Net unrealized appreciation (depreciation) on investment transactions during the period	(3,153,673)	13,515,142
Net increase (decrease) in net assets resulting from operations	69,169	13,082,456
Distributions to shareholders from:		
Net investment income		
Class A	(686,309)	(164,671)
Class B	(57,902)	(1,208)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	5,019,333	14,111,779
Reinvestment of distributions	686,309	164,671
Cost of shares redeemed	(4,609,033)	(14,079,045)
Net increase (decrease) in net assets from Class A share transactions	1,096,609	197,405
Class B		
Proceeds from shares sold	3,700,224	5,128,199
Reinvestment of distributions	57,902	1,208
Cost of shares redeemed	(30,233)	(196,055)
Net increase (decrease) in net assets from Class B share transactions	3,727,893	4,933,352
Increase (decrease) in net assets	4,149,460	18,047,334
Net assets at beginning of period	60,796,579	42,749,245
Net assets at end of period (including undistributed net investment income of $80,956 and $671,339, respectively)	**$ 64,946,039**	**$ 60,796,579**

Other Information

Class A		
Shares outstanding at beginning of period	5,262,148	5,267,978
Shares sold	479,079	1,644,533
Shares issued to shareholders in reinvestment of distributions	64,503	21,782
Shares redeemed	(447,369)	(1,672,145)
Net increase (decrease) in Portfolio shares	96,213	(5,830)
Shares outstanding at end of period	**5,358,361**	**5,262,148**
Class B		
Shares outstanding at beginning of period	588,861	24,654
Shares sold	355,781	585,383
Shares issued to shareholders in reinvestment of distributions	5,427	160
Shares redeemed	(2,900)	(21,336)
Net increase (decrease) in Portfolio shares	358,308	564,207
Shares outstanding at end of period	**947,169**	**588,861**

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

Financial Highlights

Class A

Years Ended December 31,	2004[a]	2003	2002	2001	2000[b]	1999[b]
Selected Per Share Data						
Net asset value, beginning of period	**$ 10.39**	**$ 8.08**	**$ 9.64**	**$ 11.81**	**$ 12.37**	**$ 9.79**
Income (loss) from investment operations:						
Net investment income (loss)[c]	.03	.09	.07	.08	.03	.04
Net realized and unrealized gain (loss) on investment transactions	.01	2.25	(1.57)	(1.90)	(.44)	2.57
Total from investment operations	.04	2.34	(1.50)	(1.82)	(.41)	2.61
Less distributions from:						
Net investment income	(.13)	(.03)	(.06)	—	—	(.03)
Net realized gains on investment transactions	—	—	—	(.35)	(.15)	—
Total distributions	(.13)	(.03)	(.06)	(.35)	(.15)	(.03)
Net asset value, end of period	**$ 10.30**	**$ 10.39**	**$ 8.08**	**$ 9.64**	**$ 11.81**	**$ 12.37**
Total Return (%)	.35**	29.13[d]	(15.77)	(15.48)	(3.36)[d]	26.70[d]
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	55	55	43	44	33	17
Ratio of expenses before expense reductions (%)	1.34*	1.48	1.32	1.24	1.78	3.47
Ratio of expenses after expense reductions (%)	1.34*	1.17	1.32	1.24	1.50	1.56
Ratio of net investment income (loss) (%)	.54*	1.02	.79	.76	.28	.39
Portfolio turnover rate (%)	89*	65	41	52	54	65

[a] *For the six months ended June 30, 2004 (Unaudited).*

[b] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has 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.*

[c] *Based on average shares outstanding during the period.*

[d] *Total returns would have been lower had certain expenses not been reduced.*

* *Annualized* ** *Not annualized*

Class B

Years Ended December 31,	2004[a]	2003	2002[b]
Selected Per Share Data			
Net asset value, beginning of period	**$ 10.38**	**$ 8.06**	**$ 8.98**
Income (loss) from investment operations:			
Net investment income (loss)[c]	.01	.04	.02
Net realized and unrealized gain (loss) on investment transactions	.01	2.29	(.94)
Total from investment operations	.02	2.33	(.92)
Less distributions from:			
Net investment income	(.08)	(.01)	—
Net asset value, end of period	**$ 10.32**	**$ 10.38**	**$ 8.06**
Total Return (%)	.16**	28.96[d]	(10.24)**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period ($ millions)	10	6	.2
Ratio of expenses before expense reductions (%)	1.73*	1.87	1.60*
Ratio of expenses after expense reductions (%)	1.73*	1.64	1.60*
Ratio of net investment income (loss) (%)	.15*	.55	.49*
Portfolio turnover rate (%)	89*	65	41

[a] *For the six months ended June 30, 2004 (Unaudited).*

[b] *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*

[c] *Based on average shares outstanding during the period.*

[d] *Total returns would have been lower had certain expenses not been reduced.*

* *Annualized* ** *Not annualized*

Scudder Government & Agency Securities Portfolio

At the start of 2004, investors became more optimistic about the prospects for economic growth given that the large tax cuts pushed through by the Bush administration were still filtering their way through the economy. Looked at quarter-over-quarter, job growth has been rising steadily. For the three months ended June 30, 2004, 671,000 new jobs were created. Through the period, the Federal Reserve began to change from an accommodative to a restrictive monetary policy stance and to focus on curbing inflation, rather than deflation. The yield curve at the start of the year was steep, with many investors taking advantage of the "carry trade" by borrowing short-term and investing longer-term.

In light of this scenario, mortgage market risk, as evidenced by slowing prepayments and more-defined durations, was greatly reduced, and demand for mortgages grew. The market in general perceived greater demand for mortgages than we did, as we held a higher-than-typical 5% of portfolio assets in Treasuries and cash during the early portion of the period. Though it experienced a difficult first quarter, the portfolio posted a positive return of 0.36% (Class A shares, unadjusted for contract charges) for its most recent semiannual period ended June 30, 2004. The portfolio's benchmark, the Lehman Brothers GNMA Index, returned 0.66% during the same period.

During the period, the portfolio underweighted 4.5%-coupon GNMA mortgages. This strategy was pursued because of the prospect of extensive Fed tightening over the next 12 months, the longer duration of 4.5% mortgages and the thought that investors would be moving into higher-coupon issues. This strategy detracted from performance during the first quarter but helped performance during the second quarter as the Fed became more aggressive in warning investors that interest rates were moving higher. For defensive purposes, the portfolio will look to supplement its holdings in 15-year mortgages over the coming months. The portfolio will also maintain its overweight in 7%-coupon and 7.5%-coupon GNMAs, as their short duration and reasonable yield have looked attractive to mortgage investors and provided good returns relative to lower coupons.

The US economy seems to be on track for solid growth, despite some doubts arising from slightly weaker economic reports at the end of June. Therefore, we expect the investment environment for bonds over the next six to 12 months to be challenging, as the Federal Reserve continues to try to stem inflation by increasing the fed funds rate in small increments.

Sean P. McCaffrey
William Chepolis

Co-Managers
Deutsche Investment Management Americas Inc.

All performance shown is historical, assumes reinvestment of all dividends and capital gains, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less then their original cost. Current performance may be lower or higher than the performance data quoted. Please see scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Information concerning the portfolio holdings of the portfolio as of month-end is available upon request on the 16th of the following month.

Risk Considerations

The government guarantee relates only to the prompt payment of principal and interest and does not remove market risks. Additionally, yields will fluctuate in response to changing interest rates and may be affected by the prepayment of mortgage-backed securities. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

The unmanaged Lehman Brothers GNMA Index is a market-value-weighted measure of all fixed-rate securities backed by mortgage pools of the Government National Mortgage Association. Index returns assume reinvestment of dividends and, unlike Fund returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2004, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Scudder Government & Agency Securities Portfolio

	Principal Amount ($)	Value ($)
Government National Mortgage Association 62.8%		
Government National Mortgage Association:		
4.5%, 8/15/2018	3,288,873	3,232,060
5.0% with various maturities from 4/15/2018 until 11/15/2033 (c)	41,100,958	40,100,516
5.5% with various maturities from 12/1/2032 until 5/20/2034 (c)	78,373,483	78,358,451
6.0% with various maturities from 5/15/2016 until 5/20/2034 (c)	60,435,979	61,960,533
6.5% with various maturities from 5/15/2013 until 1/15/2034	34,241,444	35,849,665
7.0% with various maturities from 4/15/2007 until 10/15/2032	13,877,672	14,749,140
7.5% with various maturities from 12/15/2013 until 8/15/2032	8,727,806	9,411,628
8.0% with various maturities from 12/15/2026 until 11/15/2031	3,742,950	4,105,259
8.5% with various maturities from 5/15/2016 until 3/15/2031	299,274	329,920
9.0%, 8/15/2027	41,171	46,442
9.5% with various maturities from 6/15/2013 until 12/15/2022	76,322	86,128
10.0% with various maturities from 2/15/2016 until 3/15/2016	37,326	41,613
Total Government National Mortgage Association (Cost $249,154,969)		**248,271,355**
US Government Agency Sponsored Pass-Throughs 9.2%		
Federal Home Loan Mortgage Corp.:		
4.5%, 5/1/2019	84,544	82,712
5.0% with various maturities from 9/1/2033 until 6/1/2034	6,710,887	6,488,988
5.5% with various maturities from 2/1/2017 until 4/1/2034 (c)	1,349,720	1,348,981
6.0% with various maturities from 3/1/2017 until 11/1/2033	1,552,737	1,609,006
6.5% with various maturities from 9/1/2032 until 9/1/2032	1,797,990	1,875,347
7.0% with various maturities from 6/1/2024 until 9/1/2032	2,666,757	2,817,543
7.5% with various maturities from 1/1/2027 until 5/1/2032	596,316	642,383
8.0%, 11/1/2030	13,685	14,861
8.5%, 7/1/2030	9,453	10,272
Federal National Mortgage Association:		
5.0%, 10/1/2033	980,473	950,230
5.5%, 1/1/2034	3,647,452	3,634,729
6.0% with various maturities from 7/1/2016 until 9/1/2033	4,186,731	4,320,643
6.5% with various maturities from 9/1/2016 until 1/1/2033	8,689,867	9,061,737
7.0% with various maturities from 9/1/2013 until 7/1/2034	2,155,424	2,276,701
7.5% with various maturities from 6/1/2015 until 3/1/2032	4,924,562	5,278,928
8.0%, 12/1/2024	35,239	38,627
Total US Government Agency Sponsored Pass-Throughs (Cost $40,339,391)		**40,451,688**
US Government Sponsored Agencies 13.0%		
Federal Farm Credit Banks Cons, 2.25%, 9/1/2006	15,000,000	14,727,690
Federal Home Loan Mortgage Corp.:		
4.5%, 12/1/2018	4,100,000	4,002,625
5.0% with various maturities from 10/1/2017 until 12/1/2033	4,957,513	4,896,595
5.5% with various maturities from 8/1/2016 until 2/1/2033	7,750,000	7,871,168
6.0% with various maturities from 6/1/2017 until 6/1/2031	215,199	201,334
7.0%, 7/1/2032	4,404,859	4,649,200
7.5%, 11/1/2033	1,396,733	1,502,605
Federal Housing Authority, 8.5%, 3/15/2026	6,962	7,679
Federal National Mortgage Association:		
5.5%, 1/1/2033	2,850,000	2,835,750
6.0%, 1/1/2029	68,173	69,941
Tennessee Valley Authority, 5.625%, 1/18/2011	6,000,000	6,316,236
Total US Government Sponsored Agencies (Cost $47,300,524)		**47,080,823**
US Government Backed 1.1%		
US Treasury Bills, 1.0%, 7/22/2004 (d)	160,000	159,911
US Treasury Note, 4.75%, 5/15/2014	4,000,000	4,041,720
Total US Government Backed (Cost $4,156,854)		**4,201,631**

	Shares	Value ($)
Cash Equivalents 13.9%		
Scudder Cash Management QP Trust, 1.20% (b) (Cost $55,121,196)	55,121,196	**55,121,196**
Total Investment Portfolio — 100.0% (Cost $396,072,934) (a)		**395,126,693**

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

Notes to Scudder Government & Agency Securities Portfolio of Investments

(a) *The cost for federal income tax purposes was $396,072,934. At June 30, 2004, net unrealized depreciation for all securities based on tax cost was $946,241. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $1,946,925 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $93,166.*

(b) *Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Mortgage dollar roll included.*

(d) *At June 30, 2004, these securities have been segregated, in part or in whole, to cover initial margin requirements for open futures contracts.*

At June 30, 2004, open futures contracts sold short were as follows:

Futures	Expiration	Contracts	Aggregate Face Value ($)	Market Value ($)	Net Unrealized Appreciation/ (Depreciation) ($)
2 year US Treasury Note	9/21/2004	40	8,407,072	8,421,875	(14,803)
5 year US Treasury Note	9/21/2004	40	4,324,184	4,347,500	(23,316)
10 year US Treasury Note	9/21/2004	50	5,384,273	5,466,406	(82,134)
Total net unrealized depreciation					**(120,253)**

Included in the portfolio are investments in mortgage or asset-backed securities which are interests in separate pools of mortgages or assets. Effective maturities of these investments may be shorter than stated maturities due to prepayments. Some separate investments in the Federal National Mortgage Association and the Government National Mortgage Association issues which have similar coupon rates have been aggregated for presentation purposes in the investment portfolio.

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

Financial Statements

Statement of Assets and Liabilities
as of June 30, 2004 (Unaudited)

Assets

Investments:	
Investments in securities, at value (cost $340,951,738)	$ 340,005,497
Investment in Scudder Cash Management QP Trust (cost $55,121,196)	55,121,196
Total investments in securities, at value (cost $396,072,934)	395,126,693
Cash	31,982,331
Receivable for investments sold	22,515,336
Interest receivable	1,721,131
Receivable for Portfolio shares sold	153,898
Other assets	15,294
Total assets	451,514,683

Liabilities

Payable for investments purchased	73,702,738
Payable for investments purchased — mortgage dollar rolls	32,690,695
Deferred mortgage dollar roll income	181,324
Payable for Portfolio shares redeemed	206,021
Payable for daily variation margin on open futures contracts	75,939
Accrued management fee	157,417
Other accrued expenses and payables	95,269
Total liabilities	107,109,403
Net assets, at value	**$ 344,405,280**

Net Assets

Net assets consist of:	
Undistributed net investment income	4,985,305
Net unrealized appreciation (depreciation) on:	
Investments	(946,241)
Futures	(120,253)
Accumulated net realized gain (loss)	(238,798)
Paid-in capital	340,725,267
Net assets, at value	**$ 344,405,280**
Class A	
Net Asset Value, offering and redemption price per share ($296,390,998 ÷ 24,421,595 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 12.14**
Class B	
Net Asset Value, offering and redemption price per share ($48,014,282 ÷ 3,960,167 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 12.12**

Statement of Operations
for the six months ended June 30, 2004 (Unaudited)

Investment Income

Income:	
Interest	$ 6,064,958
Interest — Scudder Cash Management QP Trust	305,901
Mortgage dollar roll income	19,990
Securities lending income	10,160
Total Income	6,401,009
Expenses:	
Management fee	974,913
Custodian fees	22,264
Distribution service fees (Class B)	51,878
Record keeping fees (Class B)	29,422
Auditing	31,370
Legal	9,520
Trustees' fees and expenses	1,280
Reports to shareholders	43,660
Other	10,408
Total expenses, before expense reductions	1,174,715
Expense reductions	(1,762)
Total expenses, after expense reductions	1,172,953
Net investment income	**5,228,056**

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from:	
Investments	123,568
Futures	193,828
	317,396
Net unrealized appreciation (depreciation) during the period on:	
Investments	(4,057,223)
Futures	(139,256)
	(4,196,479)
Net gain (loss) on investment transactions	**(3,879,083)**
Net increase (decrease) in net assets resulting from operations	**$ 1,348,973**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2004 (Unaudited)	Year Ended December 31, 2003
Operations:		
Net investment income (loss)	$ 5,228,056	$ 12,142,038
Net realized gain (loss) on investment transactions	317,396	469,040
Net unrealized appreciation (depreciation) on investment transactions during the period	(4,196,479)	(3,359,459)
Net increase (decrease) in net assets resulting from operations	1,348,973	9,251,619
Distributions to shareholders from:		
Net investment income		
Class A	(8,701,916)	(14,733,066)
Class B	(986,391)	(755,455)
Net realized gains		
Class A	(2,734,887)	(9,005,857)
Class B	(359,520)	(509,269)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	9,762,158	45,404,708
Reinvestment of distributions	11,436,803	23,738,923
Cost of shares redeemed	(61,318,930)	(259,047,177)
Net increase (decrease) in net assets from Class A share transactions	(40,119,969)	(189,903,546)
Class B		
Proceeds from shares sold	19,411,764	71,406,944
Reinvestment of distributions	1,345,911	1,264,724
Cost of shares redeemed	(9,590,867)	(36,011,827)
Net increase (decrease) in net assets from Class B share transactions	11,166,808	36,659,841
Increase (decrease) in net assets	(40,386,902)	(168,995,733)
Net assets at beginning of period	384,792,182	553,787,915
Net assets at end of period (including undistributed net investment income of $4,985,305 and $9,445,556, respectively)	**$ 344,405,280**	**$ 384,792,182**

Other Information

Class A		
Shares outstanding at beginning of period	27,631,433	42,918,597
Shares sold	797,514	3,576,998
Shares issued to shareholders in reinvestment of distributions	932,855	1,917,523
Shares redeemed	(4,940,207)	(20,781,685)
Net increase (decrease) in Portfolio shares	(3,209,838)	(15,287,164)
Shares outstanding at end of period	**24,421,595**	**27,631,433**
Class B		
Shares outstanding at beginning of period	3,055,787	216,015
Shares sold	1,571,824	5,681,579
Shares issued to shareholders in reinvestment of distributions	109,781	102,159
Shares redeemed	(777,225)	(2,943,966)
Net increase (decrease) in Portfolio shares	904,380	2,839,772
Shares outstanding at end of period	**3,960,167**	**3,055,787**

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

Financial Highlights

Class A

Years Ended December 31,	2004[a]	2003	2002	2001[b]	2000[c]	1999[c]
Selected Per Share Data						
Net asset value, beginning of period	**$ 12.54**	**$ 12.84**	**$ 12.32**	**$ 11.96**	**$ 11.56**	**$ 12.08**
Income from investment operations:						
Net investment income[d]	.18	.31	.62	.61	.75	.72
Net realized and unrealized gain (loss) on investment transactions	(.12)	(.04)	.35	.25	.45	(.64)
Total from investment operations	.06	.27	.97	.86	1.20	.08
Less distributions from:						
Net investment income	(.35)	(.35)	(.45)	(.50)	(.80)	(.60)
Net realized gain on investment transactions	(.11)	(.22)	—	—	—	—
Total distributions	(.46)	(.57)	(.45)	(.50)	(.80)	(.60)
Net asset value, end of period	**$ 12.14**	**$ 12.54**	**$ 12.84**	**$ 12.32**	**$ 11.96**	**$ 11.56**
Total Return (%)	.36**	2.26	8.05	7.48	10.93	.68
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	296	347	551	305	152	146
Ratio of expenses (%)	.62*	.61	.59	.60	.61	.63
Ratio of net investment income (loss) (%)	2.97*	2.50	4.96	5.06	6.60	6.13
Portfolio turnover rate (%)	344[e]*	511[e]	534[e]	334	173	150

[a] *For the six months ended June 30, 2004 (Unaudited).*

[b] *As required, effective January 1, 2001, the Portfolio has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on debt securities. In addition, gain/losses on paydowns on mortgage-backed securities which were included in realized gain/loss on investment transactions prior to January 1, 2001 are included as interest income. The effect of this change for the year ended December 31, 2001 was to decrease net investment income per share by $.08, increase net realized and unrealized gains and losses per share by $.08 and decrease the ratio of net investment income to average net assets from 5.67% to 5.06%. Per share, ratios and supplemental data for periods prior to January 1, 2001 have not been restated to reflect this change in presentation.*

[c] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has 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.*

[d] *Based on average shares outstanding during the period.*

[e] *The portfolio turnover rate including mortgage dollar roll transactions was 374%, 536% and 651% for the periods ended June 30, 2004, December 31, 2003 and December 31, 2002, respectively.*

* *Annualized* ** *Not annualized*

Class B

Years Ended December 31,	2004[a]	2003	2002[b]
Selected Per Share Data			
Net asset value, beginning of period	**$ 12.51**	**$ 12.82**	**$ 12.36**
Income from investment operations:			
Net investment income[c]	.16	.27	.31
Net realized and unrealized gain (loss) on investment transactions	(.14)	(.04)	.15
Total from investment operations	.02	.23	.46
Less distributions from:			
Net investment income	(.30)	(.32)	—
Net realized gains on investment transactions	(.11)	(.22)	—
Total distributions	(.41)	(.54)	—
Net asset value, end of period	**$ 12.12**	**$ 12.51**	**$ 12.82**
Total Return (%)	.22**	1.83	3.72**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period ($ millions)	48	38	3
Ratio of expenses (%)	1.01*	.98	.84*
Ratio of net investment income (loss) (%)	2.58*	2.13	4.95*
Portfolio turnover rate (%)	344[d]*	511[d]	534[d]

[a] *For the six months ended June 30, 2004 (Unaudited).*

[b] *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*

[c] *Based on average shares outstanding during the period.*

[d] *The portfolio turnover rate including mortgage dollar roll transactions was 374%, 536% and 651% for the periods ended June 30, 2004, December 31, 2003 and December 31, 2002, respectively.*

* *Annualized* ** *Not annualized*

Scudder Growth Portfolio

Mixed signals muted equity returns for the six-month period ending June 30, 2004, setting the stage for slowed portfolio returns. Whereas continued economic growth and strong corporate earnings lifted the markets, geopolitical risks, high oil prices and concerns over inflation took their toll on overall performance.

Even in this climate of uncertainty, the portfolio delivered a positive total return of 2.00% (Class A shares, unadjusted for contract charges, and for the six-month period ended June 30, 2004), though it trailed its benchmark, the Russell 1000 Growth Index, which returned 2.74%. Overall, both stock selection and sector allocation contributed to the relative performance shortfall.

Positioning in the health care sector proved particularly additive to returns. We continue to focus on the medical equipment and biotechnology industries within the health care sector, as opportunities for additional growth appear plentiful. Biogen Idec and Zimmer Holdings were among the stocks that exemplified the strength of the portfolio's health care holdings over the last six months. Further contributing to performance was the portfolio's overweight position in the energy sector. While the spike in oil prices provided the catalyst for the near-term outperformance of the sector, the portfolio has been overweight in energy since early last year based on the long-term growth opportunities we feel exist in the space. Devon Energy, up significantly over the past six months, characterizes the strength of the energy sector.

Detracting from returns over this period was the portfolio's positioning in the technology sector. Specific weakness was seen in the highly cyclical semiconductor and semiconductor equipment industry, as concerns mounted over slowing order growth.

While the portfolio maintains a healthy exposure to the sector, we have altered the composition of our technology holdings to emphasize companies with more recurring revenue. In addition, we continue to believe that record levels of corporate cash flow coupled with the year-end elimination of the accelerated method of depreciation, which allows companies to depreciate capital goods at an increased rate, has the potential to ignite a meaningful increase in technology capital spending. Weakness in the financial sector also detracted from performance over this period. Investors became concerned that equity underwriting/advisory fees will not replace declining fixed-income trading revenues spurred by higher interest rates. Morgan Stanley and Lehman Brothers Holdings were examples of this weakness.

It has become clear that the rate of economic and earnings growth is likely to slow as the cycle matures. As a result, investor attention has begun to focus on the types of stocks that Scudder Growth Portfolio comprises: large-cap, high-quality companies seeking to produce consistent revenue and earnings growth. Given this market backdrop, we are enthused about the prospects for the strategy.

Julie M. Van Cleave, Jack A. Zehner and Thomas J. Schmid

Co-Managers
Deutsche Investment Management Americas Inc.

All performance shown is historical, assumes reinvestment of all dividends and capital gains, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less then their original cost. Current performance may be lower or higher than the performance data quoted. Please see scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Information concerning the portfolio holdings of the portfolio as of month-end is available upon request on the 16th of the following month.

Risk Considerations

This portfolio is subject to stock market risk, meaning stocks in the portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

The Russell 1000 Growth Index is an unmanaged, capitalization-weighted index containing those securities in the Russell 1000 Index with higher price–to–book ratios and higher forecasted growth values. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly in an index.

Portfolio management market commentary is as of June 30, 2004, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Scudder Growth Portfolio

	Shares	Value ($)
Common Stocks 96.4%		
Consumer Discretionary 13.7%		
Automobiles 1.7%		
Harley-Davidson, Inc.	84,200	**5,215,348**
Hotels Restaurants & Leisure 2.1%		
Brinker International, Inc.*	47,700	1,627,524
International Game Technology	130,300	5,029,580
		6,657,104
Internet & Catalog Retail 0.9%		
eBay, Inc.*	31,300	**2,878,035**
Media 3.9%		
Comcast Corp. "A"*	75,100	2,073,511
McGraw-Hill, Inc.	19,100	1,462,487
New York Times Co. "A"	34,200	1,529,082
Omnicom Group, Inc.	58,340	4,427,422
Viacom, Inc. "B"	77,430	2,765,800
		12,258,302
Multiline Retail 2.1%		
Kohl's Corp.*	43,900	1,856,092
Target Corp.	114,800	4,875,556
		6,731,648
Specialty Retail 3.0%		
Bed Bath & Beyond, Inc.*	57,400	2,207,030
Home Depot, Inc.	42,500	1,496,000
Lowe's Companies, Inc.	44,900	2,359,495
Staples, Inc.	118,700	3,479,097
		9,541,622
Consumer Staples 11.8%		
Beverages 2.6%		
Anheuser-Busch Companies, Inc.	24,000	1,296,000
PepsiCo, Inc.	129,450	6,974,766
		8,270,766
Food & Drug Retailing 4.0%		
Wal-Mart Stores, Inc.	155,490	8,203,653
Walgreen Co.	121,600	4,403,136
		12,606,789
Food Products 1.6%		
Dean Foods Co.*	40,800	1,522,248
General Mills, Inc.	42,400	2,015,272
Hershey Foods Corp.	35,400	1,637,958
		5,175,478
Household Products 3.6%		
Colgate-Palmolive Co.	72,840	4,257,498
Procter & Gamble Co.	127,600	6,946,544
		11,204,042
Energy 4.7%		
Energy Equipment & Services 2.8%		
Baker Hughes, Inc.	85,200	3,207,780
Nabors Industries Ltd.*	65,300	2,952,866
Schlumberger Ltd.	40,100	2,546,751
		8,707,397
Oil & Gas 1.9%		
Devon Energy Corp.	43,000	2,838,000
EOG Resources, Inc.	55,800	3,331,818
		6,169,818
Financials 7.9%		
Capital Markets 2.2%		
Goldman Sachs Group, Inc.	7,800	734,448
Lehman Brothers Holdings, Inc.	35,400	2,663,850
Morgan Stanley	68,300	3,604,191
		7,002,489
Consumer Finance 1.5%		
American Express Co.	89,300	**4,588,234**
Diversified Financial Services 2.1%		
Citigroup, Inc.	92,600	4,305,900
Fannie Mae	34,200	2,440,512
		6,746,412
Insurance 2.1%		
AFLAC, Inc.	64,000	2,611,840
American International Group, Inc.	57,810	4,120,697
		6,732,537
Health Care 22.6%		
Biotechnology 4.9%		
Amgen, Inc.*	76,000	4,147,320
Biogen Idec, Inc.*	43,900	2,776,675
Genentech, Inc.*	87,300	4,906,260
Gilead Sciences, Inc.*	56,400	3,778,800
		15,609,055
Health Care Equipment & Supplies 6.0%		
Baxter International, Inc.	71,000	2,450,210
Boston Scientific Corp.*	67,900	2,906,120
C.R. Bard, Inc.	40,400	2,288,660
Medtronic, Inc.	109,900	5,354,328
Zimmer Holdings, Inc.*	66,300	5,847,660
		18,846,978
Health Care Providers & Services 1.3%		
UnitedHealth Group, Inc.	67,600	**4,208,100**
Pharmaceuticals 10.4%		
Abbott Laboratories	35,900	1,463,284
Eli Lilly & Co.	32,500	2,272,075
Johnson & Johnson	171,086	9,529,490
Merck & Co., Inc.	52,300	2,484,250
Pfizer, Inc.	360,202	12,347,725
Teva Pharmaceutical Industries Ltd. (ADR)	71,000	4,777,590
		32,874,414
Industrials 7.7%		
Aerospace & Defense 1.8%		
United Technologies Corp.	62,600	**5,726,648**
Air Freight & Logistics 1.3%		
FedEx Corp.	52,200	**4,264,218**

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

	Shares	Value ($)
Industrial Conglomerates 4.6%		
3M Co.	37,600	3,384,376
General Electric Co.	340,140	11,020,536
		14,404,912
Information Technology 27.1%		
Communications Equipment 4.0%		
Cisco Systems, Inc.*	461,720	10,942,764
QUALCOMM, Inc.	23,900	1,744,222
		12,686,986
Computers & Peripherals 3.3%		
Dell, Inc.*	61,300	2,195,766
EMC Corp.*	333,400	3,800,760
International Business Machines Corp.	50,800	4,478,020
		10,474,546
IT Consulting & Services 2.6%		
Accenture Ltd. "A"*	43,800	1,203,624
Fiserv, Inc.*	87,300	3,395,097
Paychex, Inc.	107,900	3,655,652
		8,254,373
Semiconductors & Semiconductor Equipment 8.5%		
Analog Devices, Inc.	118,500	5,578,980
Applied Materials, Inc.*	150,760	2,957,911
Intel Corp.	336,840	9,296,784
Linear Technology Corp.	92,630	3,656,106
Texas Instruments, Inc.	113,900	2,754,102
Xilinx, Inc.	72,100	2,401,651
		26,645,534
Software 8.7%		
Adobe Systems, Inc.	15,200	706,800
Electronic Arts, Inc.*	86,100	4,696,755
Intuit, Inc.*	40,600	1,566,348
Microsoft Corp.	464,580	13,268,404
Oracle Corp.*	186,800	2,228,524
Symantec Corp.*	52,800	2,311,584
VERITAS Software Corp.*	98,000	2,714,600
		27,493,015
Materials 0.9%		
Chemicals		
Ecolab, Inc.	87,700	**2,780,090**
Total Common Stocks (Cost $243,158,900)		**304,754,890**

Other 0.4%

	Shares	Value ($)
iShares Nasdaq Biotechnology Index Fund* (Cost $1,489,994)	18,700	**1,404,370**

Cash Equivalents 3.2%

	Shares	Value ($)
Scudder Cash Management QP Trust, 1.20% (b) (Cost $10,040,411)	10,040,411	**10,040,411**
Total Investment Portfolio — 100.0% (Cost $254,689,305) (a)		**316,199,671**

Notes to Scudder Growth Portfolio of Investments

* *Non-income producing security.*

(a) *The cost for federal income tax purposes was $256,080,491. At June 30, 2004, net unrealized appreciation for all securities based on tax cost was $60,119,180. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $65,367,753 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $5,248,573.*

(b) *Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

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

Financial Statements

Statement of Assets and Liabilities
as of June 30, 2004 (Unaudited)

Assets

Investments:		
Investments in securities, at value (cost $244,648,894)	$	306,159,260
Investment in Scudder Cash Management QP Trust (cost $10,040,411)		10,040,411
Total investments in securities, at value (cost $254,689,305)		316,199,671
Cash		10,000
Dividends receivable		153,980
Interest receivable		7,861
Receivable for Portfolio shares sold		32,355
Other assets		8,397
Total assets		316,412,264

Liabilities

Payable for Portfolio shares redeemed		234,749
Accrued management fee		154,760
Other accrued expenses and payables		65,995
Total liabilities		455,504
Net assets, at value	**$**	**315,956,760**

Net Assets

Net assets consist of:		
Undistributed net investment income		214,058
Net unrealized appreciation (depreciation) on investments		61,510,366
Accumulated net realized gain (loss)		(160,832,370)
Paid-in capital		415,064,706
Net assets, at value	**$**	**315,956,760**
Class A		
Net Asset Value, offering and redemption price per share ($303,136,292 ÷ 6,101,757 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**18.83**
Class B		
Net Asset Value, offering and redemption price per share ($12,820,468 ÷ 683,392 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**18.76**

Statement of Operations
for the six months ended June 30, 2004 (Unaudited)

Investment Income

Income:		
Dividends (net of foreign taxes withheld of $3,764)	$	1,349,875
Interest — Scudder Cash Management QP Trust		25,548
Total Income		1,375,423
Expenses:		
Management fee		944,587
Custodian fees		10,928
Distribution service fees (Class B)		11,871
Record keeping fees (Class B)		6,365
Auditing		16,380
Legal		5,460
Trustees' fees and expenses		2,730
Reports to shareholders		42,115
Other		9,011
Total expenses, before expense reductions		1,049,447
Expense reductions		(993)
Total expenses, after expense reductions		1,048,454
Net investment income (loss)		**326,969**

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from investments		(575,784)
Net unrealized appreciation (depreciation) during the period on investments		6,575,418
Net gain (loss) on investment transactions		**5,999,634**
Net increase (decrease) in net assets resulting from operations	**$**	**6,326,603**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2004 (Unaudited)	Year Ended December 31, 2003
Operations:		
Net investment income (loss)	$ 326,969	$ 830,426
Net realized gain (loss) on investment transactions	(575,784)	(12,111,531)
Net unrealized appreciation (depreciation) on investment transactions during the period	6,575,418	78,050,590
Net increase (decrease) in net assets resulting from operations	6,326,603	66,769,485
Distributions to shareholders from:		
Net investment income		
Class A	(815,090)	(328,128)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	9,043,312	46,556,451
Reinvestment of distributions	815,090	328,128
Cost of shares redeemed	(25,379,540)	(45,206,144)
Net increase (decrease) in net assets from Class A share transactions	(15,521,138)	1,678,435
Class B		
Proceeds from shares sold	5,862,413	6,505,025
Cost of shares redeemed	(107,388)	(422,693)
Net increase (decrease) in net assets from Class B share transactions	5,755,025	6,082,332
Increase (decrease) in net assets	(4,254,600)	74,202,124
Net assets at beginning of period	320,211,360	246,009,236
Net assets at end of period (including undistributed net investment income of $214,058 and $702,179, respectively)	**$ 315,956,760**	**$ 320,211,360**

Other Information

Class A		
Shares outstanding at beginning of period	16,929,119	16,549,770
Shares sold	485,049	3,153,740
Shares issued to shareholders in reinvestment of distributions	43,869	22,156
Shares redeemed	(1,356,280)	(2,796,547)
Net increase (decrease) in Portfolio shares	(827,362)	379,349
Shares outstanding at end of period	**16,101,757**	**16,929,119**
Class B		
Shares outstanding at beginning of period	374,544	8,811
Shares sold	314,545	390,729
Shares redeemed	(5,697)	(24,996)
Net increase (decrease) in Portfolio shares	308,848	365,733
Shares outstanding at end of period	**683,392**	**374,544**

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

Financial Highlights

Class A

Years Ended December 31,	2004[a]	2003	2002	2001	2000[b]	1999[b]
Selected Per Share Data						
Net asset value, beginning of period	**$ 18.51**	**$ 14.86**	**$ 21.05**	**$ 30.12**	**$ 40.54**	**$ 29.57**
Income (loss) from investment operations:						
Net investment income (loss)[c]	.02	.05	.01	.03	(.01)	(.01)
Net realized and unrealized gain (loss) on investment transactions	.35	3.62	(6.20)	(6.75)	(6.81)	10.98
Total from investment operations	.37	3.67	(6.19)	(6.72)	(6.82)	10.97
Less distributions from:						
Net investment income	(.05)	(.02)	—	(.03)	—	—
Net realized gains on investment transactions	—	—	—	(2.31)	(3.60)	—
Return of capital	—	—	—	(.01)	—	—
Total distributions	(.05)	(.02)	—	(2.35)	(3.60)	—
Net asset value, end of period	**$ 18.83**	**$ 18.51**	**$ 14.86**	**$ 21.05**	**$ 30.12**	**$ 40.54**
Total Return (%)	2.00**	24.71	(29.41)	(22.34)	(19.06)	37.12
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	303	313	246	420	583	738
Ratio of expenses (%)	.65*	.64	.64	.63	.65	.66
Ratio of net investment income (loss) (%)	.22*	.29	.07	.13	(.03)	(.04)
Portfolio turnover rate (%)	24*	26	38	73	65	87

a *For the six months ended June 30, 2004 (Unaudited).*

b *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has 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.*

c *Based on average shares outstanding during the period.*

* *Annualized* ** *Not annualized*

Class B

Years Ended December 31,	2004[a]	2003	2002[b]
Selected Per Share Data			
Net asset value, beginning of period	**$ 18.43**	**$ 14.83**	**$ 16.04**
Income (loss) from investment operations:			
Net investment income (loss)[c]	(.03)	(.03)	.06
Net realized and unrealized gain (loss) on investment transactions	.36	3.63	(1.27)
Total from investment operations	.33	3.60	(1.21)
Net asset value, end of period	**$ 18.76**	**$ 18.43**	**$ 14.83**
Total Return (%)	1.79**	24.28	(7.54)**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period ($ millions)	13	7	.1
Ratio of expenses (%)	1.03*	1.03	.88*
Ratio of net investment income (loss) (%)	(.16)*	(.10)	.80*
Portfolio turnover rate (%)	24*	26	38

a *For the six months ended June 30, 2004 (Unaudited).*

b *For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*

c *Based on average shares outstanding during the period.*

* *Annualized* ** *Not annualized*

Scudder High Income Portfolio

The high-yield market produced a strong total return for the first half of the year, making high yield one of the top-performing fixed-income asset classes. During the period, investors remained concerned over renewed geopolitical concerns, the upcoming US elections, higher commodity prices and the prospect of higher interest rates. Despite these issues, the high-yield market continued to boast a solid return as a result of ongoing improvement in its fundamentals. Defaults continued to decline and are expected to remain low, recovery rates have increased, corporations continued to improve their financial positions, and the ratio of upgrades to downgrades improved. For the six-month period ended June 30, 2004, the portfolio's Class A shares produced a total return of 1.66% (Class A shares, unadjusted for contract charges), compared with 2.47% for the CS First Boston High Yield Index.

We strive to add value by using fundamental research to find undervalued individual securities rather than making broad predictions about sector performance, interest rates or the overall high-yield market. As a result of this bottom-up process, we continued to find relative-value opportunities in the single-B and CCC/split CCC credit quality segments. This, along with a corresponding underweight in issues rated BB and above, benefited return given the continued outperformance of lower-rated bonds. The portfolio remained underweight in CC/defaulted securities, where we believe the risk-reward trade-off is less favorable, and this underweight did not benefit the portfolio's performance. Some of our largest contributors to performance were Petro Stopping Centers and chemical companies GEO Specialty Chemicals and Equistar Chemicals. Securities that detracted from return included Dobson Communications and Calpine. We continue to have a positive outlook for the high-yield market as a whole, and we will therefore maintain a modestly aggressive positioning.

Andrew P. Cestone

Portfolio Manager
Deutsche Investment Management Americas Inc.

All performance shown is historical, assumes reinvestment of all dividends and capital gains, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less then their original cost. Current performance may be lower or higher than the performance data quoted. Please see scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Information concerning the portfolio holdings of the portfolio as of month-end is available upon request on the 16th of the following month.

Risk Considerations

Investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation, political and economic changes and market risks. Additionally, the portfolio may invest in lower-quality and nonrated securities which present greater risk of loss of principal and interest than higher-quality securities All of these factors may result in greater share price volatility. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

Credit quality ratings cited are the ratings of Moody's Investors Service, Inc. (Moody's) and Standard & Poor's Corporation (S&P), which represent these companies' opinions as to the quality of the securities they rate. Ratings are relative and subjective and are not absolute standards of quality. The portfolio's credit quality does not remove market risk.

CS First Boston High Yield Index (CSFB) is an unmanaged trader-priced portfolio constructed to mirror the global high-yield debt market. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2004, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Scudder High Income Portfolio

	Principal Amount ($)(c)	Value ($)
Corporate Bonds 65.0%		
Consumer Discretionary 15.0%		
Adesa, Inc., 7.625%, 6/15/2012	920,000	928,050
Advantica Restaurant Co., 12.75%, 9/30/2007	705,000	750,825
AMC Entertainment, Inc., 144A, 8.0%, 3/1/2014	1,135,000	1,083,925
American Lawyer Media, Inc., Series B, 9.75%, 12/15/2007	1,010,000	974,650
Atlantic Broadband Finance LLC, 144A, 9.375%, 1/15/2014	990,000	935,550
Avalon Cable LLC, Step-up Coupon, 11.875% to 12/1/2008	63,021	66,802
Bally Total Fitness Holdings Corp., 10.5%, 7/15/2011 (e)	1,160,000	1,090,400
Boca Resorts, Inc., 9.875%, 4/15/2009	1,040,000	1,094,600
Buffets, Inc., 11.25%, 7/15/2010	310,000	323,950
Cablevision Systems Corp.:		
144A, 1.0%, 4/1/2009** (e)	390,000	399,750
144A, 8.0%, 4/15/2012 (e)	550,000	541,750
Carrols Corp., 9.5%, 12/1/2008 (e)	625,000	646,875
Charter Communications Holdings LLC:		
Step-up Coupon, 0% to 5/15/2006, 11.75 to 5/15/2011	1,935,000	1,226,138
9.625%, 11/15/2009 (e)	1,915,000	1,551,150
144A, 10.25%, 9/15/2010	2,955,000	2,977,162
Choctaw Resort Development Enterprises, 9.25%, 4/1/2009	1,465,000	1,574,875
Circus & Eldorado, 10.125%, 3/1/2012 (e)	1,110,000	1,115,550
CKE Restaurants, Inc., 9.125%, 5/1/2009	335,000	348,400
CSC Holdings, Inc., 7.875%, 12/15/2007 (e)	1,265,000	1,315,600
Dex Media East LLC/Financial, 12.125%, 11/15/2012	5,450,000	6,362,875
DIMON, Inc.:		
7.75%, 6/1/2013	290,000	269,700
Series B, 9.625%, 10/15/2011	3,015,000	3,045,150
Dyersburg Corp., Series B, 9.75%, 9/1/2007*	1,260,000	126
EchoStar DBS Corp., 6.375%, 10/1/2011	875,000	861,875
EPL Intermediate, Inc., 144A, Step-up Coupon, 0% to 3/15/2009, 12.50% to 3/15/2010	805,000	454,825
General Motors Corp., 8.25%, 7/15/2023 (e)	1,400,000	1,466,151
Herbst Gaming, Inc., 144A, 8.125%, 6/1/2012	230,000	233,163
Imperial Home Decor Group, Inc., Series B, 11.0%, 3/15/2008*	1,050,000	0
Interep National Radio Sales, Inc., Series B, 10.0%, 7/1/2008	1,300,000	1,079,000
International Game Technology, 8.375%, 5/15/2009	1,000,000	1,176,439
Jacobs Entertainment Co., 11.875%, 2/1/2009	1,570,000	1,727,000
Kellwood Co., 7.625%, 10/15/2017	635,000	674,279
Levi Strauss & Co., 12.25%, 12/15/2012 (e)	1,100,000	1,083,500
Lin Television Corp., 6.5%, 5/15/2013 (e)	265,000	255,725
Mail-Well I Corp., 144A, 7.875%, 12/1/2013	805,000	732,550
Mandalay Resort Group, 7.625%, 7/15/2013 (e)	100,000	99,750
Mediacom LLC, 9.5%, 1/15/2013 (e)	1,015,000	979,475
MGM MIRAGE, 8.375%, 2/1/2011 (e)	760,000	794,200
Park Place Entertainment Corp., 9.375%, 2/15/2007	270,000	293,288
PEI Holding, Inc., 11.0%, 3/15/2010	935,000	1,084,600
Petro Stopping Centers, 144A, 9.0%, 2/15/2012	2,320,000	2,296,800
Premier Entertainment Biloxi LLC/Finance, 144A, 10.75%, 2/1/2012	610,000	640,500
PRIMEDIA, Inc.:		
144A, 6.615%, 5/15/2010	1,590,000	1,611,862
8.875%, 5/15/2011 (e)	910,000	900,900
Reader's Digest Association, Inc., 6.5%, 3/1/2011 (e)	445,000	434,431
Remington Arms Co., Inc., 10.5%, 2/1/2011	1,085,000	1,052,450
Renaissance Media Group, Step-up Coupon, 10.0% to 4/15/2008	1,395,000	1,436,850
Rent-Way Inc., 11.875%, 6/15/2010	355,000	389,613
Restaurant Co., Step-up Coupon, 11.25% to 5/15/2008	1,233,421	1,221,087
Schuler Homes, Inc., 10.5%, 7/15/2011	1,635,000	1,865,944
Scientific Games Corp., 12.5%, 8/15/2010	354,000	411,525
Simmons Co., 144A, 7.875%, 1/15/2014	200,000	204,000
Sinclair Broadcast Group, Inc.:		
8.0%, 3/15/2012	2,330,000	2,382,425
8.75%, 12/15/2011	1,145,000	1,225,150
Six Flags, Inc., 8.875%, 2/1/2010 (e)	40,000	39,600
Sonic Automotive, Inc., 8.625%, 8/15/2013	205,000	213,713
Toys "R" Us, Inc.:		
7.375%, 10/15/2018	1,825,000	1,685,844
7.875%, 4/15/2013 (e)	610,000	612,287
Trump Holdings & Funding, 12.625%, 3/15/2010 (e)	1,115,000	1,142,875
United Auto Group, Inc., 9.625%, 3/15/2012	1,130,000	1,237,350
Venetian Casino Resort LLC, 11.0%, 6/15/2010	550,000	635,250
VICORP Restaurants, Inc., 144A, 10.5%, 4/15/2011	940,000	935,300
Wheeling Island Gaming, Inc., 10.125%, 12/15/2009	655,000	694,300
Williams Scotsman, Inc., 9.875%, 6/1/2007 (e)	1,155,000	1,146,337
Worldspan LP/WS Finance Corp., 9.625%, 6/15/2011 (e)	535,000	545,700
XM Satellite Radio, Inc., Step-up Coupon, 0% to 12/31/2005, 14% to 12/31/2009	1,157,934	1,091,353
Young Broadcasting, Inc., 144A, 8.75%, 1/15/2014	1,110,000	1,048,950
		68,722,069

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

	Principal Amount ($)(c)	Value ($)
Consumer Staples 2.0%		
Agrilink Foods, Inc., 11.875%, 11/1/2008	573,000	605,948
Gold Kist, Inc., 144A, 10.25%, 3/15/2014	875,000	949,375
North Atlantic Trading Co., 144A, 9.25%, 3/1/2012	1,195,000	1,156,162
Pinnacle Foods Holding Corp., 144A, 8.25%, 12/1/2013	350,000	337,750
Rite Aid Corp.:		
144A, 6.125%, 12/15/2008	1,075,000	1,013,188
6.875%, 8/15/2013 (e)	645,000	593,400
"C1", Series 97, 11.25%, 7/1/2008	1,595,000	1,758,487
Standard Commercial Corp., 144A, 8.0%, 4/15/2012	395,000	387,100
Stater Brother's Holdings, Inc.:		
144A, 5.06%, 6/15/2010	665,000	675,806
144A, 8.125%, 6/15/2012	385,000	386,444
Swift & Co., 12.5%, 1/1/2010	150,000	160,500
United Agri Products, 144A, 8.25%, 12/15/2011	260,000	289,900
Wornick Co., 144A, 10.875%, 7/15/2011	910,000	930,475
		9,244,535
Energy 5.8%		
Avista Corp., 9.75%, 6/1/2008	1,915,000	2,250,125
Chesapeake Energy Corp.:		
144A, 7.5%, 6/15/2014	455,000	468,650
9.0%, 8/15/2012	385,000	433,125
Citgo Petroleum Corp., 11.375%, 2/1/2011	3,145,000	3,648,200
Continental Resources, Inc., 10.25%, 8/1/2008 (e)	1,955,000	2,018,538
Edison Mission Energy, 7.73%, 6/15/2009 (e)	2,135,000	2,076,287
El Paso Production Holdings Corp., 7.75%, 6/1/2013	4,145,000	3,803,037
FirstEnergy Corp., Series B, 6.45%, 11/15/2011	945,000	979,737
Newpark Resources, Inc., Series B, 8.625%, 12/15/2007	1,400,000	1,421,000
ON Semiconductor Corp., 13.0%, 5/15/2008 (e)	1,325,000	1,520,438
Pioneer Natural Resources Co., 9.625%, 4/1/2010 (e)	320,000	392,564
Range Resources Corp., 144A, 7.375%, 7/15/2013	455,000	452,725
Southern Natural Gas, 8.875%, 3/15/2010	1,165,000	1,272,763
Stone Energy Corp., 8.25%, 12/15/2011	1,410,000	1,469,925
Williams Cos., Inc.:		
144A, 6.75%, 4/15/2009	675,000	663,187
8.125%, 3/15/2012	700,000	747,250
8.75%, 3/15/2032	1,305,000	1,305,000
Wiser Oil Co., 9.5%, 5/15/2007	1,430,000	1,447,875
		26,370,426
Financials 6.0%		
Ahold Finance USA, Inc., 6.25%, 5/1/2009	2,575,000	2,523,500
Alamosa Delaware, Inc.:		
Step-up Coupon, 0% to 7/31/2005, 12.0% to 7/31/2009	650,000	627,250
144A, 8.5%, 1/31/2012	665,000	651,700
American Commercial Bank, 3.0%, 6/30/2006	1,565,000	1,519,028
AmeriCredit Corp., 9.25%, 5/1/2009	2,205,000	2,320,762
Atlantic Mutual Insurance Co., 144A, 8.15%, 2/15/2028	605,000	373,717
BF Saul REIT, 7.5%, 3/1/2014 (e)	1,750,000	1,732,500
Consolidated Communications Holdings, 144A, 9.75%, 4/1/2012	955,000	969,325
DA-Lite Screen Co., Inc., 144A, 9.5%, 5/15/2011	570,000	592,800
DFG Holdings, Inc.:		
144A, 13.95%, 5/15/2012	436,774	436,774
144A, 16.0%, 5/15/2012	441,021	496,149
Dollar Financial Group, Inc.:		
9.75%, 11/15/2011	980,000	1,024,100
144A, 9.75%, 11/15/2011	220,000	229,900
E*TRADE Financial Corp., 144A, 8.0%, 6/15/2011	1,380,000	1,373,100
Farmers Insurance Exchange, 144A, 8.625%, 5/1/2024	1,335,000	1,495,309
FINOVA Group, Inc., 7.5%, 11/15/2009	2,437,943	1,334,774
FRD Acquisition Co., Series B, 12.5%, 7/15/2004*	210,000	0
Global Exchange Services, LIBOR plus, 12.0%, 7/15/2008*	445,000	382,700
iStar Financial, Inc., 6.0%, 12/15/2010	1,045,000	1,038,467
Poster Financial Group, 144A, 8.75%, 12/1/2011	925,000	941,188
PXRE Capital Trust I, 8.85%, 2/1/2027	460,000	460,575
Qwest Capital Funding, Inc., 6.5%, 11/15/2018	2,250,000	1,665,000
R.H. Donnelly Finance Corp., 10.875%, 12/15/2012 (e)	1,550,000	1,798,000
Thornburg Mortgage, Inc., 8.0%, 5/15/2013	805,000	817,075
UAP Holdings Corp., 144A, Step-up Coupon, 0% to 1/15/2008, 10.75% to 7/15/2012	895,000	715,105
UGS Corp., 144A, 10.0%, 6/1/2012 (e)	150,000	159,750
Universal City Development, 11.75%, 4/1/2010	1,585,000	1,834,637
		27,513,185
Health Care 2.1%		
aaiPharma, Inc., Step-up Coupon, 11.0% to 4/1/2010 (e)	1,135,000	947,725
AmeriPath, Inc., 10.5%, 4/1/2013 (e)	880,000	888,800
AmerisourceBergen Corp., 7.25%, 11/15/2012 (e)	460,000	471,500
Curative Health Services, Inc., 144A, 10.75%, 5/1/2011	535,000	513,600
Hanger Orthopedic Group, Inc., 10.375%, 2/15/2009 (e)	740,000	756,650
InSight Health Services Corp., 9.875%, 11/1/2011 (e)	320,000	342,400
Interactive Health LLC, 144A, 7.25%, 4/1/2011	760,000	676,400
Team Health, Inc., 144A, 9.0%, 4/1/2012 (e)	440,000	422,400

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	Principal Amount ($)(c)	Value ($)
Tenet Healthcare Corp.:		
6.375%, 12/1/2011 (e)	4,600,000	4,025,000
144A, 9.875%, 7/1/2014	455,000	462,962
		9,507,437

Industrials 11.5%

	Principal Amount ($)(c)	Value ($)
Aavid Thermal Technologies, Inc., 12.75%, 2/1/2007	865,000	916,900
Aearo Co. I, 144A, 8.25%, 4/15/2012	125,000	127,500
Allied Waste North America, Inc.:		
144A, 5.75%, 2/15/2011	840,000	795,900
Series B, 8.875%, 4/1/2008	975,000	1,067,625
AMI Semiconductor, Inc., 10.75%, 2/1/2013	533,000	622,278
Amsted Industries, Inc., 144A, 10.25%, 10/15/2011	805,000	873,425
Argo-Tech Corp., 144A, 9.25%, 6/1/2011	785,000	808,550
Avondale Mills, Inc., 10.25%, 7/1/2013 (e)	1,490,000	894,000
Browning-Ferris Industries:		
7.4%, 9/15/2035	1,565,000	1,392,850
9.25%, 5/1/2021	485,000	523,800
Clean Harbors, Inc., 144A, 11.25%, 7/15/2012	715,000	722,150
Collins & Aikman Floor Cover, Series B, 9.75%, 2/15/2010	1,910,000	1,938,650
Collins & Aikman Products, 10.75%, 12/31/2011	1,900,000	1,909,500
Congoleum Corp., 8.625%, 8/1/2008*	740,000	584,600
Continental Airlines, Inc., 8.0%, 12/15/2005 (e)	1,260,000	1,111,950
Cornell Companies, Inc., 144A, 10.75%, 7/1/2012	875,000	883,750
Corrections Corp. of America, 9.875%, 5/1/2009	1,285,000	1,426,350
Dana Corp.:		
7.0%, 3/1/2029 (e)	2,120,000	2,035,200
9.0%, 8/15/2011	950,000	1,111,500
Delta Air Lines, Inc.:		
7.7%, 12/15/2005 (e)	805,000	539,350
7.9%, 12/15/2009 (e)	305,000	155,550
Eagle-Picher, Inc., 9.75%, 9/1/2013	535,000	575,125
Erico International Corp., 144A, 8.875%, 3/1/2012	645,000	657,900
Evergreen International Aviation, Inc., 12.0%, 5/15/2010 (e)	530,000	328,600
Flextronics International Ltd., 6.5%, 5/15/2013	350,000	341,250
Geo Sub Corp., 144A, 11.0%, 5/15/2012	650,000	657,313
Golden State Petroleum Transportation, 8.04%, 2/1/2019	770,000	780,919
GS Technologies, 12.0%, 9/1/2004*	315,268	788
Hercules, Inc.:		
144A, 6.75%, 10/15/2029	660,000	633,600
11.125%, 11/15/2007 (e)	1,315,000	1,538,550
Hornbeck Offshore Services, Inc., 10.625%, 8/1/2008	1,410,000	1,538,662
Interface, Inc., 144A, "A", 9.5%, 2/1/2014	850,000	845,750
ISP Chemco, Inc., Series B, 10.25%, 7/1/2011	1,380,000	1,535,250
ISP Holdings, Inc., Series B, 10.625%, 12/15/2009	345,000	379,500
J Crew Operating Corp., 10.375%, 10/15/2007	40,000	40,600
Joy Global, Inc., 8.75%, 3/15/2012	90,000	100,800
Kansas City Southern:		
7.5%, 6/15/2009 (e)	1,135,000	1,135,000
9.5%, 10/1/2008	1,670,000	1,814,037
Laidlaw International, Inc., 10.75%, 6/15/2011	1,185,000	1,293,131
Language Line, Inc., 144A, 11.125%, 6/15/2012	205,000	208,075
Meritage Corp., 7.0%, 5/1/2014	790,000	750,500
Millennium America, Inc.:		
7.625%, 11/15/2026	2,380,000	2,034,900
9.25%, 6/15/2008 (e)	495,000	532,125
144A, 9.25%, 6/15/2008	1,450,000	1,558,750
Mobile Mini, Inc., 9.5%, 7/1/2013	280,000	306,600
Motors and Gears, Inc., 10.75%, 11/15/2006	1,670,000	1,419,500
Samsonite Corp., 144A, 8.875%, 6/1/2011	1,230,000	1,273,050
Sea Containers Ltd., 10.5%, 5/15/2012	980,000	983,675
Seabulk International, Inc., 9.5%, 8/15/2013	510,000	523,388
Ship Finance International Ltd., 144A, 8.5%, 12/15/2013	1,810,000	1,746,650
Technical Olympic USA, Inc.:		
7.5%, 3/15/2011 (e)	825,000	767,250
10.375%, 7/1/2012	1,105,000	1,151,962
Tenneco Automotive, Inc., 11.625%, 10/15/2009 (e)	845,000	908,375
The Brickman Group, Ltd., Series B, 11.75%, 12/15/2009	810,000	931,500
Thermadyne Holdings Corp., 9.25%, 2/1/2014 (e)	810,000	799,875
United Rentals North America, Inc., 6.5%, 2/15/2012	1,480,000	1,398,600
Westlake Chemical Corp., 8.75%, 7/15/2011	515,000	558,775
		52,491,703

Information Technology 0.6%

	Principal Amount ($)(c)	Value ($)
Activant Solutions, Inc., 10.5%, 6/15/2011	845,000	891,475
DigitalNet, Inc., 9.0%, 7/15/2010	472,000	503,860
Itron, Inc., 144A, 7.75%, 5/15/2012	285,000	285,713
Lucent Technologies, Inc., 6.45%, 3/15/2029 (e)	1,410,000	1,089,225
		2,770,273

Materials 9.0%

	Principal Amount ($)(c)	Value ($)
Aqua Chemical, Inc., 11.25%, 7/1/2008	1,320,000	924,000
ARCO Chemical Co., 9.8%, 2/1/2020 (e)	4,695,000	4,601,100
Associated Materials, Inc., 144A, Step-up Coupon, 0% to 3/1/2009, 11.25% to 3/1/2014	2,370,000	1,587,900
Caraustar Industries, Inc., 9.875%, 4/1/2011 (e)	1,445,000	1,437,775
Constar International, Inc., 11.0%, 12/1/2012	500,000	467,500
Dayton Superior Corp.:		
10.75%, 9/15/2008	935,000	939,675
13.0%, 6/15/2009 (e)	815,000	709,050

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	Principal Amount ($)(c)	Value ($)
Equistar Chemicals LP, 8.75%, 2/15/2009 (e)	1,740,000	1,813,950
Euramax International, Inc., 8.5%, 8/15/2011	375,000	390,000
Fibermark, Inc., 10.75%, 4/15/2011*	1,450,000	870,000
GEO Specialty Chemicals, Inc.:		
7.11%, 12/31/2007	500,000	475,000
10.125%, 8/1/2008*	1,720,000	670,800
Georgia-Pacific Corp.:		
144A, 8.0%, 1/15/2024	3,965,000	3,965,000
9.375%, 2/1/2013 (e)	1,885,000	2,158,325
Hexcel Corp., 9.75%, 1/15/2009 (e)	770,000	807,538
Huntsman Advanced Materials LLC, 144A, 11.0%, 7/15/2010	1,245,000	1,403,737
Huntsman International LLC, 11.625%, 10/15/2010 (e)	1,625,000	1,795,625
IMC Global, Inc., 10.875%, 8/1/2013	1,230,000	1,466,775
International Steel Group, Inc., 144A, 6.5%, 4/15/2014	2,160,000	2,025,000
ISPAT Inland ULC, 144A, 9.75%, 4/1/2014	1,420,000	1,462,600
MMI Products, Inc., Series B, 11.25%, 4/15/2007	600,000	579,000
Mueller Group Inc., 144A, 5.919%, 11/1/2011	345,000	358,800
Neenah Corp.:		
144A, 11.0%, 9/30/2010	1,422,000	1,507,320
144A, 13.0%, 9/30/2013	1,102,460	1,080,411
Omnova Solutions, Inc., 11.25%, 6/1/2010	465,000	506,850
Owens-Brockway Glass Container, 8.25%, 5/15/2013 (e)	2,390,000	2,467,675
Pliant Corp.:		
Step-up Coupon, 0% to 12/15/2006, 11.15% to 6/15/2009	220,000	185,350
11.125%, 9/1/2009	960,000	1,027,200
13.0%, 6/1/2010 (e)	205,000	183,475
TriMas Corp., 9.875%, 6/15/2012	2,260,000	2,395,600
United States Steel LLC, 9.75%, 5/15/2010	824,000	912,580
		41,175,611

Telecommunication Services 8.2%

	Principal Amount ($)(c)	Value ($)
American Cellular Corp., Series B, 10.0%, 8/1/2011 (e)	3,515,000	3,031,687
American Tower Corp.:		
144A, 7.5%, 5/1/2012 (e)	610,000	590,175
9.375%, 2/1/2009 (e)	1,630,000	1,740,025
American Tower Escrow Corp., Zero Coupon, 8/1/2008	200,000	146,000
Cincinnati Bell, Inc.:		
7.2%, 11/29/2023	440,000	411,400
8.375%, 1/15/2014 (e)	3,625,000	3,226,250
Crown Castle International Corp.:		
7.5%, 12/1/2013	220,000	218,900
9.375%, 8/1/2011	790,000	869,000
Dobson Communications Corp., 8.875%, 10/1/2013	2,575,000	1,957,000
GCI, Inc., 144A, 7.25%, 2/15/2014	805,000	768,775
Insight Midwest LP, 9.75%, 10/1/2009 (e)	755,000	796,525
LCI International, Inc., 7.25%, 6/15/2007 (e)	1,655,000	1,497,775
Level 3 Financing, Inc., 144A, 10.75%, 10/15/2011 (e)	490,000	432,425
MCI, Inc.:		
6.688%, 5/1/2009 (e)	1,860,000	1,720,500
7.735%, 5/1/2014	2,540,000	2,273,300
Nextel Communications, Inc., 5.95%, 3/15/2014	1,200,000	1,104,000
Nextel Partners, Inc., 8.125%, 7/1/2011	1,200,000	1,224,000
Northern Telecom Capital, 7.875%, 6/15/2026	2,100,000	2,016,000
Qwest Corp., 7.25%, 9/15/2025 (e)	2,715,000	2,362,050
Qwest Services Corp.:		
6.95%, 6/30/2010	1,950,000	1,917,337
144A, 13.5%, 12/15/2010	2,380,000	2,766,750
144A, 14.0%, 12/15/2014	1,553,000	1,851,953
Rural Cellular Corp., 9.875%, 2/1/2010	1,020,000	1,012,350
SBA Telecom, Inc., Step-up Coupon, 0% to 12/15/2007, 9.75% to 12/15/2001	1,110,000	821,400
Triton PCS, Inc., 8.5%, 6/1/2013 (e)	415,000	392,175
Ubiquitel Operating Co., 144A, 9.875%, 3/1/2011	1,310,000	1,310,000
US Unwired, Inc., 144A, 10.0%, 6/15/2012	1,005,000	1,015,050
Western Wireless Corp., 9.25%, 7/15/2013 (e)	150,000	154,500
		37,627,302

Utilities 4.8%

	Principal Amount ($)(c)	Value ($)
AES Corp., 144A, 8.75%, 5/15/2013	185,000	198,181
Calpine Corp., 144A, 8.5%, 7/15/2010** (e)	4,415,000	3,653,412
CMS Energy Corp.:		
7.5%, 1/15/2009	1,790,000	1,781,050
144A, 7.75%, 8/1/2010 (e)	185,000	184,075
8.5%, 4/15/2011 (e)	2,235,000	2,279,700
DPL, Inc., 6.875%, 9/1/2011 (e)	2,860,000	2,881,450
First Energy Corp., 7.375%, 11/15/2031	360,000	375,222
Illinova Corp., 11.5%, 12/15/2010	2,305,000	2,725,663
NRG Energy, Inc., 144A, 8.0%, 12/15/2013	4,395,000	4,438,950
PG&E Corp., 144A, 6.875%, 7/15/2008	1,220,000	1,274,900
Sensus Metering Systems, 144A, 8.625%, 12/15/2013	620,000	595,200
TNP Enterprises, Inc., Series B, 10.25%, 4/1/2010	1,370,000	1,417,950
		21,805,753
Total Corporate Bonds (Cost $303,471,533)		**297,228,294**

Asset Backed 0.7%

Automobile Receivables 0.1%

	Principal Amount ($)(c)	Value ($)
MMCA Automobile Trust, "B", Series 2002-2, 4.67%, 3/15/2010	418,761	393,635

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	Principal Amount ($)(c)	Value ($)
Miscellaneous 0.6%		
Golden Tree High Yield Opportunities LP, "D1", Series 1, 13.054%, 10/31/2007	2,500,000	2,581,250
Total Asset Backed (Cost $2,883,166)		**2,974,885**

Foreign Bonds — US$ Denominated 15.4%

		Principal Amount ($)(c)	Value ($)
Abitibi-Consolidated, Inc., 144A, 5.02%, 6/15/2011		635,000	636,588
Alestra SA de RL de CV, 8.0%, 6/30/2010		1,355,000	1,084,000
Antenna TV SA, 9.0%, 8/1/2007		626,000	633,043
Avecia Group PLC, 11.0%, 7/1/2009		2,455,000	1,865,800
Axtel SA, 144A, 11.0%, 12/15/2013		1,235,000	1,170,163
BCP Caylux Holdings Luxembourg SCA, 144A, 9.625%, 6/15/2014 (e)		1,875,000	1,942,969
Biovail Corp., 7.875%, 4/1/2010 (e)		1,695,000	1,673,812
Cascades, Inc., 7.25%, 2/15/2013		1,250,000	1,243,750
Citigroup (JSC Severstal), 144A, 9.25%, 4/19/2014		1,310,000	1,159,350
Conproca SA de CV, 12.0%, 6/16/2010		820,000	1,016,800
Corp Durango SA, 144A, 13.75%, 7/15/2009*		1,435,000	717,500
Corporacion Durango SA, 13.125%, 8/1/2006* (e)		350,000	175,000
CP Ships Ltd., 10.375%, 7/15/2012		1,145,000	1,308,162
Crown Euro Holdings SA, 10.875%, 3/1/2013 (e)		1,525,000	1,738,500
Eircom Funding, 8.25%, 8/15/2013		975,000	1,014,000
Empresa Brasileira de Telecom SA, 144A, 11.0%, 12/15/2008		960,000	1,034,400
Esprit Telecom Group PLC:			
10.875%, 6/15/2008*		800,000	80
11.5%, 12/15/2007*		1,625,000	163
Fage Dairy Industry SA, 9.0%, 2/1/2007		2,873,000	2,916,095
Federative Republic of Brazil:			
C Bond, 8.0%, 4/15/2014		293,193	267,538
8.875%, 4/15/2024 (e)		475,000	387,125
Gaz Capital SA, 144A, 8.625%, 4/28/2034 (e)		815,000	789,531
Gazprom OAO, 144A, 9.625%, 3/1/2013		1,365,000	1,404,244
Grupo Iusacell SA de CV, Series B, 0.00%, 7/15/2004*		240,000	124,800
Inmarsat Finance PLC, 144A, 7.625%, 6/30/2012		1,420,000	1,373,850
Innova S. de R.L., 9.375%, 9/19/2013 (e)		1,290,000	1,351,275
INTELSAT, 6.5%, 11/1/2013		480,000	424,047
Jefra Cosmetics International, Inc., 10.75%, 5/15/2011		1,245,000	1,388,175
Kabel Deutschland GmbH, 144A, 10.625%, 7/1/2014		1,235,000	1,268,963
LeGrand SA, 8.5%, 2/15/2025		1,280,000	1,318,400
Luscar Coal Ltd., 9.75%, 10/15/2011		1,085,000	1,220,625
Millicom International Cellular SA, 144A, 10.0%, 12/1/2013		1,020,000	1,035,300
Mizuho Financial Group, 8.375%, 12/29/2049		610,000	628,300
Mobifon Holdings BV, 12.5%, 7/31/2010 (e)		1,359,000	1,549,260
Mobile Telesystems Financial, 144A, 8.375%, 10/14/2010		840,000	791,700
New ASAT (Finance) Ltd., 144A, 9.25%, 2/1/2011		1,290,000	1,277,100
Nortel Networks Corp., 6.875%, 9/1/2023 (e)		800,000	708,000
Nortel Networks Ltd., 6.125%, 2/15/2006 (e)		3,625,000	3,643,125
Petroleum Geo-Services ASA, 10.0%, 11/5/2010		3,377,066	3,495,263
Republic of Argentina:			
11.375%, 3/15/2010*		1,980,000	584,100
11.375%, 1/30/2017*		775,000	224,750
11.75%, 4/7/2009*		500,000	142,500
11.75%, 6/15/2015*		400,000	118,000
Series 2031, 12.0%, 6/19/2031*		376,300	99,719
12.375%, 2/21/2012*		1,320,000	392,700
Republic of Turkey:			
11.0%, 1/14/2013		375,000	408,750
11.5%, 1/23/2012		170,000	190,400
Republic of Uruguay:			
7.5%, 3/15/2015		300,000	220,500
7.875%, 1/15/2033		300,000	190,500
Republic of Venezuela:			
5.375%, 8/7/2010		565,000	449,175
9.25%, 9/15/2027 (e)		55,000	46,475
Rhodia SA:			
144A, 7.625%, 6/1/2010 (e)		1,510,000	1,366,550
144A, 10.25%, 6/1/2010 (e)		515,000	520,150
Rogers Wireless Communications, Inc., 144A, 6.375%, 3/1/2014		405,000	372,600
Shaw Communications, Inc.:			
Series B, 7.25%, 4/6/2011 (e)		1,300,000	1,349,035
8.25%, 4/11/2010 (e)		860,000	935,253
Sistema Capital SA, 144A, 8.875%, 1/28/2011		745,000	722,650
Stena AB, 9.625%, 12/1/2012		290,000	321,900
Telenet Group Holding NV, 144A, Step-up Coupon, 0% to 12/15/2008, 11.5% to 6/15/2014		3,200,000	2,032,000
Tembec Industries, Inc., 8.5%, 2/1/2011 (e)		3,870,000	3,908,700
TFM SA de CV:			
10.25%, 6/15/2007		2,135,000	2,113,650
Step-up Coupon, 11.75% to 6/15/2009		1,505,000	1,467,375
12.5%, 6/15/2012		1,411,000	1,502,715
United Mexican States:			
5.875%, 1/15/2014 (e)		375,000	360,375
6.625%, 3/3/2015 (e)		240,000	238,200
Vicap SA, 11.375%, 5/15/2007		790,000	774,200
Vitro SA de CV, Series A, 144A, 11.75%, 11/1/2013		960,000	880,800
Vivendi Universal SA, Series B, 9.25%, 4/15/2010		2,220,000	2,623,929
Total Foreign Bonds — US$ Denominated (Cost $73,842,909)			**70,334,447**

Foreign Bonds — Non US$ Denominated 1.3%

		Principal Amount ($)(c)	Value ($)
Cablecom Luxembourg SCA, 9.375%, 4/15/2014	EUR	675,000	806,368

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

		Principal Amount ($)(c)	Value ($)
Huntsman International LLC, 10.125%, 7/1/2009	EUR	1,400,000	1,689,533
Ispat Europe Group SA, 11.875%, 2/1/2011	EUR	2,005,000	2,651,842
Republic of Argentina:			
10.0%, 2/26/2008*	EUR	775,000	240,905
10.25%, 2/6/2049*	EUR	956,116	279,722
10.5%, 11/29/2049*	EUR	465,276	144,629
11.0%, 2/26/2008*	EUR	560,000	174,073
11.25%, 4/10/2006*	EUR	273,541	87,530
12.0%, 9/19/2016*	EUR	35,790	11,562
Total Foreign Bonds — Non US$ Denominated (Cost $5,472,286)			**6,086,164**

Convertible Bonds 0.3%

DIMON, Inc., 6.25%, 3/31/2007	1,370,000	1,260,400
HIH Capital Ltd.:		
144A, 7.5%, 9/25/2006	75,000	65,625
144A, 7.5%, 9/25/2006	280,000	249,200
Total Convertible Bonds (Cost $1,575,294)		**1,575,225**

	Shares	Value ($)

Common Stocks 0.0%

Catalina Restaurant Group, Inc.*	3,870	6,192
IMPSAT Fiber Networks, Inc.*	33,652	220,421
Total Common Stocks (Cost $1,938,197)		**226,613**

Warrants 0.0%

	Shares	Value ($)
DeCrane Aircraft Holdings, Inc., 144A	1,350	13
Destia Communications, Inc., 144A	1,260	0
Empire Gas Corp.	2,070	0
Hayes Lemmerz International, Inc.	1,690	2,704
UIH Australia Pacific, Inc., 144A	750	0
Total Warrants (Cost $182)		**2,717**

Preferred Stock 0.6%

Paxson Communications Corp., 14.25% (PIK) (e)	212	1,857,650
TNP Enterprises, Inc., 14.5%, "D"	8,251	924,103
Total Preferred Stock (Cost $2,823,080)		**2,781,753**

Convertible Preferred Stocks 0.4%

Hercules Trust II (Cost $1,430,769)	2,235	**1,676,250**

	Units	Value ($)

Other 0.0%

SpinCycle, Inc.*	9,913	56,008
SpinCycle, Inc., "F"*	69	390
Total Other (Cost $25,690)		**56,398**

	Shares	Value ($)

Securities Lending Collateral 14.8%

Daily Assets Fund Institutional, 1.15% (d) (f) (Cost $67,819,950)	67,819,950	**67,819,950**

Cash Equivalents 1.5%

Scudder Cash Management QP Trust, 1.20% (b) (Cost $6,924,676)	6,924,676	**6,924,676**
Total Investment Portfolio — 100.0% (Cost $468,207,732) (a)		**457,687,372**

Notes to Scudder High Income Portfolio of Investments

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

** *Floating rate notes are securities whose yields vary with a designated market index or market rate, such as the coupon-equivalent of the US Treasury bill rate. These securities are shown at their current rate as of June 30, 2004.*

(a) *The cost for federal income tax purposes was $468,225,098. At June 30, 2004, net unrealized depreciation for all securities based on tax cost was $10,516,368. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $7,760,410 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $18,276,778.*

(b) *Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven–day yield at period end.*

(c) *Principal amount stated in US dollars unless otherwise noted.*

(d) *Daily Assets Fund Institutional, an affiliated fund, is also managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(e) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2004, amounted to $66,510,278, which is 16.8% of total net assets.*

(f) *Represents collateral held in connection with securities lending.*

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

Currency Abbreviation	
EUR	Euro

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

Financial Statements

Statement of Assets and Liabilities
as of June 30, 2004 (Unaudited)

Assets

Investments:		
Investments in securities, at value (cost $393,463,106)	$	382,942,746
Investment in Daily Assets Fund Institutional (cost $67,819,950)*		67,819,950
Investment in Scudder Cash Management QP Trust (cost $6,924,676)		6,924,676
Total investments in securities, at value (cost $468,207,732)		457,687,372
Cash		10,000
Receivable for investments sold		8,524,146
Dividends receivable		36,319
Interest receivable		8,093,966
Receivable for Portfolio shares sold		199,286
Unrealized appreciation on forward foreign currency exchange contracts		35,353
Other assets		29,408
Total assets		474,615,850

Liabilities

Payable upon return of securities loaned		67,819,950
Payable for investments purchased		10,227,243
Payable for Portfolio shares redeemed		216,754
Unrealized depreciation on forward foreign currency exchange contracts		2,524
Accrued management fee		198,937
Other accrued expenses and payables		133,177
Total liabilities		78,598,585
Net assets, at value	**$**	**396,017,265**

Net Assets

Net assets consist of:		
Undistributed net investment income		17,147,725
Net unrealized appreciation (depreciation) on:		
Investments		(10,520,360)
Foreign currency related transactions		53,574
Accumulated net realized gain (loss)		(120,891,045)
Paid-in capital		510,227,371
Net assets, at value	**$**	**396,017,265**
Class A		
Net Asset Value, offering and redemption price per share ($348,994,106 ÷ 43,955,653 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**7.94**
Class B		
Net Asset Value, offering and redemption price per share ($47,023,159 ÷ 5,917,927 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**7.95**

* *Represents collateral on securities loaned.*

Statement of Operations
for the six months ended June 30, 2004 (Unaudited)

Investment Income

Income:		
Dividends	$	352,401
Interest		18,360,762
Interest — Scudder Cash Management QP Trust		38,348
Securities lending income		34,469
Total Income		18,785,980
Expenses:		
Management fee		1,279,394
Custodian fees		33,988
Distribution service fees (Class B)		51,789
Record keeping fees (Class B)		28,543
Auditing		26,300
Trustees' fees and expenses		1,607
Reports to shareholders		86,400
Other		8,444
Total expenses, before expense reductions		1,516,465
Expense reductions		(2,479)
Total expenses, after expense reductions		1,513,986
Net investment income		**17,271,994**

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from:		
Investments		1,332,452
Foreign currency related transactions		16,258
		1,348,710
Net unrealized appreciation (depreciation) during the period on:		
Investments		(11,840,013)
Foreign currency related transactions		201,512
		(11,638,501)
Net gain (loss) on investment transactions		**(10,289,791)**
Net increase (decrease) in net assets resulting from operations	**$**	**6,982,203**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2004 (Unaudited)	Year Ended December 31, 2003
Operations:		
Net investment income	$ 17,271,994	$ 33,045,620
Net realized gain (loss) on investment transactions	1,348,710	(3,182,002)
Net unrealized appreciation (depreciation) on investment transactions during the period	(11,638,501)	53,500,177
Net increase (decrease) in net assets resulting from operations	6,982,203	83,363,795
Distributions to shareholders from:		
Net investment income		
Class A	(29,352,659)	(29,871,076)
Class B	(3,056,845)	(462,410)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	21,076,905	120,856,182
Reinvestment of distributions	29,352,659	29,871,076
Cost of shares redeemed	(91,170,794)	(117,016,053)
Net increase (decrease) in net assets from Class A share transactions	(40,741,230)	33,711,205
Class B		
Proceeds from shares sold	28,461,992	36,410,776
Reinvestment of distributions	3,056,845	462,410
Cost of shares redeemed	(19,254,223)	(3,751,439)
Net increase (decrease) in net assets from Class B share transactions	12,264,614	33,121,747
Increase (decrease) in net assets	(53,903,917)	119,863,261
Net assets at beginning of period	449,921,182	330,057,921
Net assets at end of period (including undistributed net investment income of $17,147,725 and $32,285,235, respectively)	**$ 396,017,265**	**$ 449,921,182**

Other Information

Class A		
Shares outstanding at beginning of period	48,977,744	44,487,776
Shares sold	2,582,473	15,606,467
Shares issued to shareholders in reinvestment of distributions	3,696,808	4,207,191
Shares redeemed	(11,301,372)	(15,323,690)
Net increase (decrease) in Portfolio shares	(5,022,091)	4,489,968
Shares outstanding at end of period	**43,955,653**	**48,977,744**
Class B		
Shares outstanding at beginning of period	4,421,727	136,396
Shares sold	3,444,694	4,693,294
Shares issued to shareholders in reinvestment of distributions	384,026	65,037
Shares redeemed	(2,332,520)	(473,000)
Net increase (decrease) in Portfolio shares	1,496,200	4,285,331
Shares outstanding at end of period	**5,917,927**	**4,421,727**

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

Financial Highlights

Class A

Years Ended December 31,	2004[a]	2003	2002	2001[b]	2000[c]	1999[c]
Selected Per Share Data						
Net asset value, beginning of period	**$ 8.43**	**$ 7.40**	**$ 8.13**	**$ 9.16**	**$ 11.46**	**$ 12.27**
Income (loss) from investment operations:						
Net investment income[d]	.33	.67	.75	.84	1.14	1.22
Net realized and unrealized gain (loss) on investment transactions	(.19)	1.03	(.74)	(.59)	(2.04)	(.93)
Total from investment operations	.14	1.70	.01	.25	(.90)	.29
Less distributions from:						
Net investment income	(.63)	(.67)	(.74)	(1.28)	(1.40)	(1.10)
Net asset value, end of period	**$ 7.94**	**$ 8.43**	**$ 7.40**	**$ 8.13**	**$ 9.16**	**$ 11.46**
Total Return (%)	1.66**	24.62	(.30)	2.63	(8.68)	2.15
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	349	413	329	335	309	396
Ratio of expenses (%)	.67*	.67	.66	.70	.68	.67
Ratio of net investment income (%)	8.14*	8.62	10.07	9.89	11.23	10.40
Portfolio turnover rate (%)	173*	165	138	77	54	42

[a] *For the six months ended June 30, 2004 (Unaudited).*

[b] *As required, effective January 1, 2001, the Portfolio 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 year ended December 31, 2001 was to decrease net investment income per share by $.08, increase net realized and unrealized gains and losses per share by $.08 and decrease the ratio of net investment income to average net assets from 10.74% to 9.89%. Per share, ratios and supplemental data for periods prior to January 1, 2001 have not been restated to reflect this change in presentation.*

[c] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has 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).*

[d] *Based on average shares outstanding during the period.*

* *Annualized* ** *Not annualized*

Class B

Years Ended December 31,	2004[a]	2003	2002[b]
Selected Per Share Data			
Net asset value, beginning of period	**$ 8.41**	**$ 7.39**	**$ 7.21**
Income (loss) from investment operations:			
Net investment income[c]	.32	.64	.31
Net realized and unrealized gain (loss) on investment transactions	(.18)	1.03	(.13)
Total from investment operations	.14	1.67	.18
Less distributions from:			
Net investment income	(.60)	(.65)	—
Net asset value, end of period	**$ 7.95**	**$ 8.41**	**$ 7.39**
Total Return (%)	1.60**	24.14	2.50**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period ($ millions)	47	37	1
Ratio of expenses (%)	1.06*	1.06	.92*
Ratio of net investment income (%)	7.75*	8.23	8.78*
Portfolio turnover rate (%)	173*	165	138

[a] *For the six months ended June 30, 2004 (Unaudited).*

[b] *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*

[c] *Based on average shares outstanding during the period.*

* *Annualized* ** *Not annualized*

Scudder International Select Equity Portfolio

Overseas stock markets produced a modest gain in the first half of the year, as the benefits of improving economic growth and stronger corporate earnings outweighed concerns about rising US interest rates and China's efforts to restrain growth. For the six-month period ended June 30, 2004, the portfolio's Class A shares produced a positive absolute return of 2.06% (unadjusted for contract charges), but lagged the 3.98% return of the MSCI EAFE + EMF Index. Detractors from performance included holdings in industrials, financials and UK media stocks. Helping performance was strong stock selection in Japan, consumer staples and health care.

Despite the recent downturn in the global equity markets, our fundamental view is that the underpinnings of the world economy remain strong. With the exception of Europe, all regions continue to generate robust economic growth. We believe continued growth will have the most significant benefit in Asia, which is offering increasingly fertile ground for investment ideas due to its wealth of growth opportunities and the fact that companies have higher levels of free cash flow than they have for many years. We are therefore maintaining positions in financials and real estate companies in the region. We are less enthusiastic on Europe, where growth remains relatively anaemic. The portfolio's holdings in Europe are focused on companies we believe to be faster-growing, globally competitive companies that are improving their profit margins and taking steps to reduce debt and/or streamline their operations. Looking ahead, we intend to take advantage of broad sell-offs in the global markets to add to the portfolio's positions in companies in which we have the highest level of conviction.

Alex Tedder

Lead Portfolio Manager

Clare Gray
Matthias Knerr
Sangita Uberoi

Co-Managers
Deutsche Asset Management Investment Services Ltd., Subadvisor to the Portfolio

All performance shown is historical, assumes reinvestment of all dividends and capital gains, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less then their original cost. Current performance may be lower or higher than the performance data quoted. Please see scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Information concerning the portfolio holdings of the portfolio as of month-end is available upon request on the 16th of the following month.

Risk Considerations

This portfolio is subject to stock market risk, meaning stocks in the portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Additionally, investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation, political and economic changes and market risks. This may result in greater share price volatility. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

The MSCI EAFE + EMF Index (Morgan Stanley Capital International Europe, Australasia, Far East + Emerging Markets Free Index) is an unmanaged index generally accepted as a benchmark for major overseas markets plus emerging markets. Index returns assume reinvestment of all distributions and do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2004, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Scudder International Select Equity Portfolio

	Shares	Value ($)
Common Stocks 93.2%		
Australia 1.9%		
Telstra Corp., Ltd. (Cost $3,606,816)	1,033,500	**3,623,619**
China 1.9%		
PetroChina Co., Ltd. "H" (Cost $3,889,292)	8,031,770	**3,707,090**
France 5.4%		
Credit Agricole SA	163,909	3,996,099
Total SA	33,461	6,391,626
(Cost $7,561,026)		**10,387,725**
Germany 9.8%		
Adidas-Salomon AG	30,200	3,612,536
E.ON AG	65,400	4,727,547
Hypo Real Estate Holdings AG*	62,600	1,839,819
Metro AG (d)	75,463	3,583,905
SAP AG	5,600	930,165
Siemens AG	55,800	4,020,672
(Cost $14,859,193)		**18,714,644**
Greece 3.9%		
Alpha Bank AE	148,100	3,776,767
Public Power Corp.	150,800	3,584,589
(Cost $7,779,675)		**7,361,356**
Hong Kong 1.7%		
Wharf Holdings Ltd. (Cost $3,299,586)	1,170,421	**3,331,305**
Ireland 1.9%		
CRH PLC (Cost $2,786,130)	174,458	**3,691,850**
Italy 2.8%		
Eni SpA (d) (Cost $4,061,818)	271,560	**5,402,433**
Japan 19.5%		
Canon, Inc.	84,700	4,474,893
Dai Nippon Printing Co., Ltd.	199,000	3,186,999
Daito Trust Construction Co., Ltd.	99,500	3,839,757
Hoya Corp.	34,000	3,567,602
Kirin Brewery Co., Ltd.	373,500	3,702,913
Mitsubishi Corp.	417,000	4,061,377
Mizuho Financial Group, Inc.	975	4,434,465
Nomura Holdings, Inc.	246,600	3,659,292
Toyota Motor Corp.	156,300	6,347,646
(Cost $26,452,493)		**37,274,944**
Korea 4.2%		
POSCO (ADR)	98,900	3,314,139
Samsung Electronics Co., Ltd. (GDR), 144A	22,800	4,691,100
(Cost $8,507,218)		**8,005,239**
Netherlands 4.8%		
ING Groep NV (d)	229,918	5,437,236
TPG NV	166,300	3,807,074
(Cost $8,613,526)		**9,244,310**
Singapore 1.9%		
DBS Group Holdings Ltd. (Cost $3,608,638)	424,315	**3,556,126**
Spain 4.2%		
Indra Sistemas SA (d)	271,200	3,464,611
Telefonica SA	306,630	4,541,448
(Cost $6,871,030)		**8,006,059**
Sweden 1.0%		
Telefonaktiebolaget LM Ericsson "B"* (Cost $1,702,994)	629,800	**1,859,424**
Switzerland 10.3%		
Credit Suisse Group	100,700	3,584,203
Nestle SA (Registered)	20,766	5,547,566
Roche Holding AG	50,880	5,046,287
UBS AG (Registered)	76,490	5,399,114
(Cost $16,884,400)		**19,577,170**
Taiwan 1.1%		
Taiwan Semiconductor Manufacturing Co., Ltd. (ADR) (Cost $2,118,991)	246,997	**2,052,549**
United Kingdom 16.9%		
BHP Billiton PLC	415,450	3,613,259
EMAP PLC	155,900	2,096,893
GlaxoSmithKline PLC	334,600	6,787,166
Kingfisher PLC	723,786	3,765,772
Royal Bank of Scotland Group PLC	147,707	4,263,340
Smith & Nephew PLC	333,756	3,600,378
Trinity Mirror PLC	302,293	3,571,411
Vodafone Group PLC	2,043,121	4,484,144
(Cost $27,261,259)		**32,182,363**
Total Common Stocks (Cost $149,864,085)		**177,978,206**
Preferred Stock 1.9%		
Germany		
Henkel KGaA (Cost $2,856,192)	43,091	**3,686,408**
Securities Lending Collateral 4.5%		
Daily Assets Fund Institutional, 1.15% (c) (e) (Cost $8,551,498)	8,551,498	**8,551,498**
Cash Equivalents 0.4%		
Scudder Cash Management QP Trust, 1.20% (b) (Cost $683,011)	683,011	**683,011**
Total Investment Portfolio — 100.0% (Cost $161,954,786) (a)		**190,899,123**

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

At June 30, 2004, the Scudder International Select Equity Portfolio had the following industry diversification:

Industry		Value	Percent
Financials	$	43,277,766	22.7%
Consumer Discretionary		26,817,919	14.0%
Industrials		19,767,222	10.3%
Information Technology		16,349,243	8.6%
Energy		15,501,149	8.1%
Health Care		15,433,832	8.1%
Consumer Staples		12,936,887	6.8%
Telecommunication Services		12,649,211	6.6%
Materials		10,619,248	5.6%
Utilities		8,312,137	4.3%
Total Common and Preferred Stocks		**181,664,614**	**95.1%**
Cash Equivalents		683,011	0.4%
Securities lending Collateral		8,551,498	4.5%
Total Investment Portfolio	**$**	**190,899,123**	**100.0%**

Notes to Scudder International Select Equity Portfolio of Investments

* *Non-income producing security.*

(a) *The cost for federal income tax purposes was $162,713,258. At June 30, 2004, net unrealized appreciation for all securities based on tax cost was $28,185,865. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $30,604,596 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $2,418,731.*

(b) *Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Daily Assets Fund Institutional, an affiliated fund, is also managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(d) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2004 amounted to $8,211,391, which is 4.5% of total net assets.*

(e) *Represents collateral held in connection with securities lending.*

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

Statement of Assets and Liabilities
as of June 30, 2004 (Unaudited)

Assets

Investments:		
Investments in securities, at value (cost $152,720,277)	$	181,664,614
Investment in Daily Assets Fund Institutional* (cost $8,551,498)		8,551,498
Investment in Scudder Cash Management QP Trust (cost $683,011)		683,011
Total investments in securities, at value (cost $161,954,786)		190,899,123
Foreign currency, at value (cost $387,702)		387,960
Dividends receivable		478,253
Interest receivable		48,285
Receivable for Portfolio shares sold		290,593
Foreign taxes recoverable		250,017
Total assets		192,354,231

Liabilities

Due to custodian bank		32,574
Payable for investments purchased		1,516,980
Payable for Portfolio shares redeemed		116,034
Payable upon return of securities loaned		8,551,498
Accrued management fee		129,259
Other accrued expenses and payables		71,034
Total liabilities		10,417,379
Net assets, at value	**$**	**181,936,852**

Net Assets

Net assets consist of:		
Undistributed net investment income		1,706,495
Net unrealized appreciation (depreciation) on:		
Investments		28,944,337
Foreign currency related transactions		47,598
Accumulated net realized gain (loss)		(55,930,277)
Paid-in capital		207,168,699
Net assets, at value	**$**	**181,936,852**
Class A		
Net Asset Value, offering and redemption price per share ($149,101,617 ÷ 14,501,151 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**10.28**
Class B		
Net Asset Value, offering and redemption price per share ($32,835,235 ÷ 3,197,230 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**10.27**

* *Represents collateral on securities loaned.*

Statement of Operations
for the six months ended June 30, 2004 (Unaudited)

Investment Income

Income:		
Dividends (net of foreign taxes withheld of $309,886)	$	2,477,433
Interest — Scudder Cash Management QP Trust		19,914
Securities lending income		106,580
Total Income		2,603,927
Expenses:		
Management fee		654,964
Custodian fees		66,650
Distribution service fees (Class B)		30,314
Record keeping fees (Class B)		16,493
Auditing		24,605
Legal		4,855
Trustees' fees and expenses		7,974
Reports to shareholders		6,675
Other		5,866
Total expenses, before expense reduction		818,396
Expense reduction		(508)
Total expenses, after expense reduction		817,888
Net investment income (loss)		**1,786,039**

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from:		
Investments		4,485,718
Foreign currency related transactions		63,366
		4,549,084
Net unrealized appreciation (depreciation) during the period on:		
Investments		(3,001,243)
Foreign currency related transactions		(57,138)
		(3,058,381)
Net gain (loss) on investment transactions		**1,490,703**
Net increase (decrease) in net assets resulting from operations	**$**	**3,276,742**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2004 (Unaudited)	Year Ended December 31, 2003
Operations:		
Net investment income (loss)	$ 1,786,039	$ 1,470,136
Net realized gain (loss) on investment transactions	4,549,084	(2,277,480)
Net unrealized appreciation (depreciation) on investment transactions during the period	(3,058,381)	36,999,340
Net increase (decrease) in net assets resulting from operations	3,276,742	36,191,996
Distributions to shareholders from:		
Net investment income		
Class A	(1,616,136)	(1,518,587)
Class B	(162,336)	(31,424)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	19,806,318	34,706,923
Reinvestment of distributions	1,616,136	1,518,587
Cost of shares redeemed	(20,289,121)	(40,601,242)
Net increase (decrease) in net assets from Class A share transactions	1,133,333	(4,375,732)
Class B		
Proceeds from shares sold	16,871,313	16,228,216
Reinvestment of distributions	162,336	31,424
Cost of shares redeemed	(2,234,113)	(2,025,107)
Net increase (decrease) in net assets from Class B share transactions	14,799,536	14,234,533
Increase (decrease) in net assets	17,431,139	44,500,786
Net assets at beginning of period	164,505,713	120,004,927
Net assets at end of period (including undistributed net investment income of $1,706,495 and $1,698,928, respectively)	**$ 181,936,852**	**$ 164,505,713**

Other Information

Class A		
Shares outstanding at beginning of period	14,404,846	15,029,877
Shares sold	1,892,360	4,153,733
Shares issued to shareholders in reinvestment of distributions	154,506	216,015
Shares redeemed	(1,950,561)	(4,994,779)
Net increase (decrease) in Portfolio shares	96,305	(625,031)
Shares outstanding at end of period	**14,501,151**	**14,404,846**
Class B		
Shares outstanding at beginning of period	1,760,419	48,435
Shares sold	1,633,327	1,925,484
Shares issued to shareholders in reinvestment of distributions	15,520	4,470
Shares redeemed	(212,036)	(217,970)
Net increase (decrease) in Portfolio shares	1,436,811	1,711,984
Shares outstanding at end of period	**3,197,230**	**1,760,419**

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

Financial Highlights

Class A

Years Ended December 31,	2004[a]	2003	2002	2001	2000[b]	1999[b]
Selected Per Share Data						
Net asset value, beginning of period	**$ 10.18**	**$ 7.96**	**$ 9.24**	**$ 14.73**	**$ 21.45**	**$ 17.00**
Income (loss) from investment operations:						
Net investment income (loss)[c]	.11	.10	.12	.05	.08	.07
Net realized and unrealized gain (loss) on investment transactions	.10	2.23	(1.36)	(3.46)	(3.90)	6.73
Total from investment operations	.21	2.33	(1.24)	(3.41)	(3.82)	6.80
Less distributions from:						
Net investment income	(.11)	(.11)	(.04)	(.10)	—	(.20)
Net realized gains on investment transactions	—	—	—	(1.98)	(2.90)	(2.15)
Total distributions	(.11)	(.11)	(.04)	(2.08)	(2.90)	(2.35)
Net asset value, end of period	**$ 10.28**	**$ 10.18**	**$ 7.96**	**$ 9.24**	**$ 14.73**	**$ 21.45**
Total Return (%)	2.06**	29.83	(13.48)	(24.43)	(20.49)	45.71
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	149	147	120	121	179	252
Ratio of expenses (%)	.89*	.94	.85	.92	.84	.94
Ratio of net investment income (loss) (%)	2.07*	1.17	1.46	.44	.47	.40
Portfolio turnover rate (%)	99*	139	190	145	87	136

a *For the six months ended June 30, 2004 (Unaudited).*

b *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has 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.*

c *Based on average shares outstanding during the period.*

* *Annualized*

** *Not annualized*

Class B

Years Ended December 31,	2004[a]	2003	2002[b]
Selected Per Share Data			
Net asset value, beginning of period	**$ 10.15**	**$ 7.94**	**$ 8.98**
Income (loss) from investment operations:			
Net investment income (loss)[c]	.10	.06	.02
Net realized and unrealized gain (loss) on investment transactions	.09	2.24	(1.06)
Total from investment operations	.19	2.30	(1.04)
Less distributions from:			
Net investment income	(.07)	(.09)	—
Total distributions	(.07)	(.09)	—
Net asset value, end of period	**$ 10.27**	**$ 10.15**	**$ 7.94**
Total Return (%)	1.87**	29.42	(11.58)**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period ($ millions)	33	18	.4
Ratio of expenses (%)	1.28*	1.33	1.11*
Ratio of net investment income (loss) (%)	1.68*	.78	.54*
Portfolio turnover rate (%)	99*	139	190

a *For the six months ended June 30, 2004 (Unaudited).*

b *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*

c *Based on average shares outstanding during the period.*

* *Annualized*

** *Not annualized*

Scudder Large Cap Value Portfolio

In April, Scudder Contrarian Portfolio was renamed Scudder Large Cap Value Portfolio to better reflect its primary investment in large-company value stocks. Scudder Large Cap Value Portfolio Class A shares gained 2.54% (unadjusted for contract charges), underperforming the 3.94% total return of the portfolio's benchmark, the Russell 1000 Value Index, for the six months ended June 30, 2004.

The portfolio slipped during the first quarter, due to investor bias toward lower-quality, higher-risk and smaller-capitalization stocks. Increased interest rates and geopolitical concerns further hampered performance by prompting investors to turn away from the economically sensitive industries in which the portfolio was more heavily invested. During the second quarter, the market improved relative to the managers' approach. Also, an overweight position in health care (which benefited by being more traditionally defensive) and an underweight in financials (hit hard by increased interest rates) helped the portfolio outperform the benchmark for the period.

Contributing most were underweight positions in consumer discretionary and consumer staples stocks, which suffered during the first quarter's defensive rotation. The portfolio also benefited from positioning in industrial stocks, several of which posted solid gains, including Honeywell International, Inc. Detracting most were issue-specific disappointments within technology, including losses in Intel Corp. and Nokia Oyj. An underweight in energy also kept the portfolio from fully participating in that sector's continued strong run.

The managers continue to maintain a modest cyclical tilt and to emphasize high-quality stocks with lower valuations and higher earnings, dividend growth rates and yields than the market average.

Thomas F. Sassi
Lead Manager

Steve Scrudato
Manager

Deutsche Investment Management Americas Inc.

All performance shown is historical, assumes reinvestment of all dividends and capital gains, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less then their original cost. Current performance may be lower or higher than the performance data quoted. Please see scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Information concerning the portfolio holdings of the portfolio as of month-end is available upon request on the 16th of the following month.

Risk Considerations

The portfolio is subject to stock market risk. It focuses its investments on certain economic sectors, thereby increasing its vulnerability to any single economic, political or regulatory development. This may result in greater share price volatility. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

Russell 1000 Value Index is an unmanaged index, which consists of those stocks in the Russell 1000 Index with lower price-to-book ratios and lower forecasted-growth values. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2004, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Scudder Large Cap Value Portfolio

	Shares	Value ($)
Common Stocks 97.3%		
Consumer Discretionary 5.8%		
Hotels Restaurants & Leisure 0.9%		
McDonald's Corp.	108,400	**2,818,400**
Multiline Retail 1.2%		
Family Dollar Stores, Inc.	72,700	2,211,534
Federated Department Stores, Inc.	30,600	1,502,460
		3,713,994
Specialty Retail 3.7%		
Limited Brands	368,500	6,890,950
Sherwin-Williams Co.	99,000	4,113,450
		11,004,400
Consumer Staples 6.8%		
Food Products 4.7%		
ConAgra Foods, Inc.	180,500	4,887,940
General Mills, Inc.	91,100	4,329,983
Sara Lee Corp.	214,200	4,924,458
		14,142,381
Household Products 2.1%		
Colgate-Palmolive Co.	56,900	3,325,805
Kimberly-Clark Corp.	46,400	3,056,832
		6,382,637
Energy 7.0%		
Oil & Gas		
BP PLC (ADR)	61,344	3,286,198
ChevronTexaco Corp.	33,400	3,143,274
ConocoPhillips	52,600	4,012,854
ExxonMobil Corp.	184,000	8,171,440
Royal Dutch Petroleum Co. (NY Shares)	44,200	2,283,814
		20,897,580
Financials 30.6%		
Banks 16.8%		
AmSouth Bancorp.	229,300	5,840,271
Bank of America Corp.	114,613	9,698,552
BB&T Corp.	125,200	4,628,644
First Horizon National Corp.	51,300	2,332,611
National City Corp.	133,500	4,673,835
PNC Financial Services Group	144,200	7,654,136
SunTrust Banks, Inc.	51,400	3,340,486
US Bancorp.	222,000	6,118,320
Wachovia Corp.	139,500	6,207,750
		50,494,605
Capital Markets 3.9%		
Bear Stearns Companies, Inc.	41,900	3,532,589
Merrill Lynch & Co., Inc.	96,700	5,219,866
Morgan Stanley	55,000	2,902,350
		11,654,805
Diversified Financial Services 8.3%		
Citigroup, Inc.	188,000	8,742,000
Fannie Mae	44,000	3,139,840
Freddie Mac	44,400	2,810,520
J.P. Morgan Chase & Co.	264,700	10,262,419
		24,954,779
Insurance 1.6%		
Allstate Corp.	39,800	1,852,690
American International Group, Inc.	39,400	2,808,432
		4,661,122
Health Care 15.4%		
Health Care Equipment & Supplies 4.4%		
Baxter International, Inc.	219,500	7,574,945
Waters Corp.*	121,000	5,781,380
		13,356,325
Pharmaceuticals 11.0%		
Abbott Laboratories	116,600	4,752,616
Bristol-Myers Squibb Co.	289,900	7,102,550
Johnson & Johnson	121,100	6,745,270
Merck & Co., Inc.	107,700	5,115,750
Pfizer, Inc.	144,300	4,946,604
Wyeth	119,000	4,303,040
		32,965,830
Industrials 10.1%		
Aerospace & Defense 2.6%		
Honeywell International, Inc.	165,100	6,047,613
United Technologies Corp.	17,200	1,573,456
		7,621,069
Commercial Services & Supplies 2.1%		
Avery Dennison Corp.	63,900	4,090,239
Pitney Bowes, Inc.	50,400	2,230,200
		6,320,439
Electrical Equipment 1.0%		
Emerson Electric Co.	48,200	**3,063,110**
Industrial Conglomerates 4.4%		
General Electric Co.	257,200	8,333,280
Textron, Inc.	81,600	4,842,960
		13,176,240
Information Technology 13.9%		
Communications Equipment 1.5%		
Nokia Oyj (ADR)	295,400	**4,295,116**
Computers & Peripherals 3.8%		
Hewlett-Packard Co.	222,097	4,686,246
International Business Machines Corp.	76,000	6,699,400
		11,385,646
IT Consulting & Services 2.0%		
Automatic Data Processing, Inc.	145,200	**6,080,976**
Semiconductors & Semiconductor Equipment 5.1%		
Applied Materials, Inc.*	226,200	4,438,044
Intel Corp.	262,700	7,250,520
Texas Instruments, Inc.	150,400	3,636,672
		15,325,236

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

	Shares	Value ($)
Software 1.5%		
Microsoft Corp.	158,600	**4,529,616**
Materials 6.3%		
Chemicals 2.3%		
Air Products & Chemicals, Inc.	97,400	5,108,630
Dow Chemical Co.	45,100	1,835,570
		6,944,200
Containers & Packaging 2.2%		
Sonoco Products Co.	259,200	**6,609,600**
Metals & Mining 1.8%		
Alcoa, Inc.	162,800	**5,377,284**
Telecommunication Services 1.1%		
Diversified Telecommunication Services		
SBC Communications, Inc.	130,700	**3,169,476**
Utilities 0.3%		
Electric Utilities		
Southern Co.	27,000	**787,050**
Total Common Stocks (Cost $256,059,635)		**291,731,916**

	Shares	Value ($)
Cash Equivalents 2.7%		
Scudder Cash Management QP Trust, 1.20% (b) (Cost $8,018,889)	8,018,889	**8,018,889**
Total Investment Portfolio — 100.0% (Cost $264,078,524) (a)		**299,750,805**

Notes to Scudder Large Cap Value Portfolio of Investments

* *Non-income producing security.*

(a) *The cost for federal income tax purposes was $265,701,291. At June 30, 2004, net realized appreciation for all securities based on tax cost was $34,049,514. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $40,470,164 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $6,420,650.*

(b) *Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

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

Financial Statements

Statement of Assets and Liabilities
as of June 30, 2004 (Unaudited)

Assets

Investments:		
Investments in securities, at value (cost $256,059,635)	$	291,731,916
Investment in Scudder Cash Management QP Trust (cost $8,018,889)		8,018,889
Total investments in securities, at value (cost $264,078,524)		299,750,805
Cash		10,000
Receivable for investments sold		671,835
Dividends receivable		488,199
Interest receivable		7,486
Receivable for Portfolio shares sold		54,094
Other assets		9,407
Total assets		300,991,826

Liabilities

Payable for Portfolio shares redeemed		126,569
Accrued management fee		193,470
Other accrued expenses and payables		60,929
Total liabilities		380,968
Net assets, at value	**$**	**300,610,858**

Net Assets

Net assets consist of:		
Undistributed net investment income	$	2,084,662
Net unrealized appreciation (depreciation) on investments		35,672,281
Accumulated net realized gain (loss)		(30,348,441)
Paid-in capital		293,202,356
Net assets, at value	**$**	**300,610,858**
Class A		
Net Asset Value, offering and redemption price per share ($264,470,468 ÷ 17,977,907 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**14.71**
Class B		
Net Asset Value, offering and redemption price per share ($36,140,390 ÷ 2,455,173 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**14.72**

Statement of Operations
for the six months ended June 30, 2004 (Unaudited)

Investment Income

Income:		
Dividends (net of foreign taxes withheld of $15,511)	$	3,292,691
Interest — Scudder Cash Management QP Trust		106,445
Securities lending income		7,701
Total Income		3,406,837
Expenses:		
Management fee		1,087,048
Custodian fees		13,244
Distribution service fees (Class B)		32,923
Record keeping fees (Class B)		17,570
Auditing		29,820
Legal		2,810
Reports to shareholders		20,084
Other		1,940
Total expenses, before expense reductions		1,205,439
Expense reductions		(785)
Total expenses, after expense reductions		1,204,654
Net investment income (loss)		**2,202,183**

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from investments		9,834,619
Net unrealized appreciation (depreciation) during the period on investments		(4,761,462)
Net gain (loss) on investment transactions		**5,073,157**
Net increase (decrease) in net assets resulting from operations	**$**	**7,275,340**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2004 (Unaudited)	Year Ended December 31, 2003
Operations:		
Net investment income (loss)	$ 2,202,183	$ 4,449,706
Net realized gain (loss) on investment transactions	9,834,619	(2,062,532)
Net unrealized appreciation (depreciation) on investment transactions during the period	(4,761,462)	64,744,276
Net increase (decrease) in net assets resulting from operations	7,275,340	67,131,450
Distributions to shareholders from:		
Net investment income		
Class A	(4,099,698)	(4,338,949)
Class B	(305,336)	(34,467)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	13,302,105	21,484,093
Reinvestment of distributions	4,099,698	4,338,949
Cost of shares redeemed	(18,245,213)	(38,394,030)
Net increase (decrease) in net assets from Class A share transactions	(843,410)	(12,570,988)
Class B		
Proceeds from shares sold	18,093,115	15,038,872
Reinvestment of distributions	305,336	34,467
Cost of shares redeemed	(325,849)	(130,010)
Net increase (decrease) in net assets from Class B share transactions	18,072,602	14,943,329
Increase (decrease) in net assets	20,099,498	65,130,375
Net assets at beginning of period	280,511,360	215,380,985
Net assets at end of period (including undistributed net investment income of $2,084,662 and $4,287,513, respectively)	**$ 300,610,858**	**$ 280,511,360**

Other Information

Class A		
Shares outstanding at beginning of period	18,033,776	19,122,645
Shares sold	908,988	1,748,402
Shares issued to shareholders in reinvestment of distributions	282,738	417,608
Shares redeemed	(1,247,595)	(3,254,879)
Net increase (decrease) in Portfolio shares	(55,869)	(1,088,869)
Shares outstanding at end of period	**17,977,907**	**18,033,776**
Class B		
Shares outstanding at beginning of period	1,221,656	44,927
Shares sold	1,234,876	1,182,972
Shares issued to shareholders in reinvestment of distributions	21,029	3,314
Shares redeemed	(22,388)	(9,557)
Net increase (decrease) in Portfolio shares	1,233,517	1,176,729
Shares outstanding at end of period	**2,455,173**	**1,221,656**

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

Financial Highlights

Class A

Years Ended December 31,	2004[a]	2003	2002	2001	2000[b]	1999[b]
Selected Per Share Data						
Net asset value, beginning of period	**$ 14.57**	**$ 11.24**	**$ 13.40**	**$ 13.40**	**$ 14.70**	**$ 17.57**
Income (loss) from investment operations:						
Net investment income (loss)[c]	.11	.24	.23	.23	.30	.37
Net realized and unrealized gain (loss) on investment transactions	.26	3.33	(2.20)	.01	1.40	(1.94)
Total from investment operations	.37	3.57	(1.97)	.24	1.70	(1.57)
Less distributions from:						
Net investment income	(.23)	(.24)	(.19)	(.24)	(.40)	(.30)
Net realized gains on investment transactions	—	—	—	—	(2.60)	(1.00)
Total distributions	(.23)	(.24)	(.19)	(.24)	(3.00)	(1.30)
Net asset value, end of period	**$ 14.71**	**$ 14.57**	**$ 11.24**	**$ 13.40**	**$ 13.40**	**$ 14.70**
Total Return (%)	2.54**	32.60	(14.98)	1.87	16.13	(10.21)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	264	263	215	257	219	237
Ratio of expenses before expense reductions (%)	.79*	.80	.79	.79	.80	.81
Ratio of expenses after expense reductions (%)	.79*	.80	.79	.79	.80	.80
Ratio of net investment income (loss) (%)	1.54*	1.94	1.84	1.75	2.55	2.14
Portfolio turnover rate (%)	51*	58	84	72	56	88

[a] *For the six months ended June 30, 2004 (Unaudited).*

[b] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has 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.*

[c] *Based on average shares outstanding during the period.*

* *Annualized* ** *Not annualized*

Class B

Years Ended December 31,	2004[a]	2003	2002[b]
Selected Per Share Data			
Net asset value, beginning of period	**$ 14.55**	**$ 11.23**	**$ 12.77**
Income (loss) from investment operations:			
Net investment income (loss)[c]	.08	.18	.15
Net realized and unrealized gain (loss) on investment transactions	.26	3.35	(1.69)
Total from investment operations	.34	3.53	(1.54)
Less distributions from:			
Net investment income	(.17)	(.21)	—
Net asset value, end of period	**$ 14.72**	**$ 14.55**	**$ 11.23**
Total Return (%)	2.35**	32.19	(12.06)**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period ($ millions)	36	18	.5
Ratio of expenses (%)	1.17*	1.19	1.04*
Ratio of net investment income (loss) (%)	1.16*	1.55	2.74*
Portfolio turnover rate (%)	51*	58	84**

[a] *For the six months ended June 30, 2004 (Unaudited).*

[b] *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*

[c] *Based on average shares outstanding during the period.*

* *Annualized* ** *Not annualized*

Scudder Money Market Portfolio

At the start of 2004, with economic recovery beginning to gather momentum, the market's focus turned to job creation. With every monthly announcement by the government during the first quarter of 2004, investors grew more and more disappointed, as job creation remained subdued. Money market yields reacted accordingly, with the one-year LIBOR declining from 1.60% at the start of this year to 1.35% by the end of March. Then, in early April, fixed-income markets experienced a dramatic turnaround as the government reported that the economy had created more than 300,000 new jobs in March. Throughout the first half of 2004, the Federal Reserve was hinting that it would soon change its policy and shift away from an accommodative stance. The Fed finally acted during its late-June meetings, raising the federal funds rate by 25 basis points and stating that it would conduct its credit tightening program "at a pace that is likely to be measured."

For the six-month period ended June 30, 2004, the portfolio provided a total return of 0.33% (Class A shares, unadjusted for contract charges), compared with the 0.26% average return for funds in the Lipper Variable Money Market Funds category for the same period, according to Lipper Inc. The seven-day current yield for the portfolio was 0.51% as of June 30, 2004.

During the period, we pursued a "barbell" strategy, that is, we purchased longer-duration instruments with maturities of six to nine months and — increasingly — short-term securities with maturities of three months or less. We kept the shorter-term securities in the portfolio to meet liquidity needs. Toward the close of the period, we began to decrease the portfolio's average maturity slightly so that more of its securities would mature more quickly, and we could invest at higher interest rates when the Fed began to increase the federal funds rate. Going forward, we will continue our insistence on the highest credit quality within the portfolio and maintain our conservative investment strategies and standards.

A group of investment professionals is responsible for the day-to-day management of the portfolio. These investment professionals have a broad range of experience managing money market funds.

Deutsche Investment Management Americas Inc.

Performance is historical, assumes reinvestment of all dividends, and does not guarantee future results. Current performance may be higher or lower than the performance quoted. Please see scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns. The yield quotation more closely reflects the current earnings of the fund than the total return quotation.

Information concerning the portfolio holdings of the portfolio as of month-end is available upon request on the 16th of the following month.

Risk Considerations

An investment in this portfolio is not insured or guaranteed by the Federal Deposit Insurance Corporation or by any other government agency. Although the portfolio seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the portfolio. Please read this portfolio's prospectus for specific details regarding its investment and risk profile.

LIBOR, the London Interbank Offered Rate, is the most widely used benchmark or reference rate for short-term interest rates. LIBOR is the rate of interest at which banks borrow funds from other banks, in large volume, in the international market.

The Lipper Variable Money Market Funds category includes funds that invest in high-quality financial instruments rated in the top two grades with dollar-weighted average maturities of less than 90 days and that intend to keep a constant net asset value. It is not possible to invest directly in a Lipper category.

Portfolio management market commentary is as of June 30, 2004, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Scudder Money Market Portfolio

	Principal Amount ($)	Value ($)
Certificates of Deposit and Bank Notes 18.2%		
ABN Amro Bank NV, 1.45%, 11/17/2004	2,500,000	2,502,024
Barclays Bank PLC:		
1.11%, 9/7/2004	5,000,000	5,000,275
1.21%, 10/19/2004	8,000,000	7,990,934
HBOS Treasury Service PLC, 1.12%, 8/10/2004	10,000,000	10,000,000
KBC Bank NV, 1.47%, 11/12/2004	12,000,000	11,999,540
Nationwide Building, 1.1%, 9/9/2004	15,000,000	15,000,290
Societe Generale, 1.185%, 1/4/2005	5,000,000	5,000,000
Toronto Dominion Bank, 1.25%, 12/31/2004	3,000,000	3,001,796
UniCredito Italiano SpA, 1.105%, 8/17/2004	5,000,000	5,000,032
Westdeutsche Landesbank AG, 1.41%, 9/3/2004	5,000,000	5,000,088
Total Certificates of Deposit and Bank Notes (Cost $70,494,979)		**70,494,979**
Commercial Paper 30.1%		
Apreco LLC, 1.07%**, 7/15/2004	5,000,000	4,997,919
CC (USA), Inc., 1.1%**, 7/22/2004	2,263,000	2,261,548
GE Capital International Funding, Inc., 1.07%**, 7/1/2004	12,000,000	12,000,000
Genworth Finance, Inc., 1.1%**, 7/1/2004	5,000,000	5,000,000
Grampain Funding Ltd., 1.5%**, 11/15/2004	6,000,000	5,965,750
Irish Life and Permanent PLC, 1.18%**, 8/6/2004	12,000,000	11,985,840
K2 (USA) LLC:		
1.09%*, 9/28/2004	4,500,000	4,487,874
1.1%*, 8/16/2004	12,000,000	11,983,133
Lake Constance Funding LLC:		
0.01%**, 7/15/2004	3,000,000	2,998,705
1.1%**, 8/11/2004	10,000,000	9,987,472
1.25%**, 10/20/2004	4,000,000	3,984,584
Liberty Street Funding Corp., 1.26%**, 7/9/2004	18,000,000	17,994,960
Preferred Receivables Funding, 1.26%**, 7/16/2004	18,000,000	17,990,550
Sheffield Receivables Corp., 1.26%**, 7/21/2004	5,000,000	4,996,500
Total Commercial Paper (Cost $116,634,835)		**116,634,835**
Floating Rate Notes* 23.4%		
American Honda Finance Corp., 144A, 1.29%, 10/7/2004	5,000,000	5,002,562
Bayerische Landesbank Girozentrale, 1.26%, 8/25/2004	10,000,000	9,999,999
Canadian Imperial Bank of Commerce, 1.27%, 8/25/2004	10,000,000	10,000,227
CC (USA), Inc., 144A, 1.246%, 10/20/2004	10,000,000	9,999,698
Depfa Bank Plc, 1.27%, 6/15/2005	4,000,000	4,000,000
Dorada Finance, Inc., 144A, 1.235%, 10/20/2004	10,000,000	9,999,717
Freddie Mac, 1.1%, 10/7/2005	10,000,000	10,000,000
General Electric Capital Corp., 1.67%, 9/15/2004	5,600,000	5,602,231
IBM Corp., 1.535%, 9/10/2004	6,000,000	6,002,011
Morgan Stanley:		
1.23%, 7/23/2004	5,000,000	5,000,000
1.23%, 8/27/2004	5,000,000	5,000,000
Norddeutsche Landesbank Girozentrale, 1.236%, 7/26/2004	10,000,000	9,999,898
Total Floating Rate Notes (Cost $90,606,343)		**90,606,343**
Short-Term Notes 4.2%		
Abbott Laboratories, 5.125%, 7/1/2004	3,545,000	3,545,000
American General Finance Corp., 7.45%, 1/15/2005	7,000,000	7,232,799
AriStar, Inc., 7.375%, 9/1/2004	3,100,000	3,132,616
Chase Manhattan Corp., 6.75%, 12/1/2004	2,500,000	2,556,634
Total Fixed Rate Notes (Cost $16,467,049)		**16,467,049**
US Government Sponsored Agencies 3.5%		
Federal Home Loan Bank, 1.5%, 3/8/2005	5,000,000	5,000,000
Federal Home Loan Mortgage Corp., 1.219%, 2/14/2005	5,000,000	5,000,000
Federal National Mortgage Association, 1.75%, 5/23/2005	3,500,000	3,500,000
Total US Government Sponsored Agencies (Cost $13,500,000)		**13,500,000**
US Government Agency Sponsored Pass-Thrus 1.3%		
Federal Home Loan Mortgage Corp., 1.135%, 11/7/2005 (Cost $5,000,000)	5,000,000	**5,000,000**
Asset Backed 0.1%		
Nissan Auto Receivables Owner Trust, "A1", Series 2003-C, 1.148%, 11/15/2004 (Cost $364,432)	364,488	**364,432**

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

	Principal Amount ($)	Value ($)
Government National Mortgage Association 2.6%		
Government National Mortgage Association, 1.23%, 2/18/2005 (Cost $10,000,000)	10,000,000	**10,000,000**
Promissory Notes 2.6%		
Goldman Sachs Group, Inc.:		
1.31%, 9/3/2004	5,000,000	5,000,000
1.43%, 9/3/2004	5,000,000	5,000,000
Total Promissory Note (Cost $10,000,000)		**10,000,000**

	Principal Amount ($)	Value ($)
Repurchase Agreements 14.0%		
Goldman Sachs Co., Inc., 1.6%, dated 6/30/2004, to be repurchased at $53,002,356 on 7/1/2004 (b)	53,000,000	53,000,000
State Street Bank and Trust Co., 1.35%, dated 6/30/2004, to be repurchased at $1,370,051 on 7/1/2004 (c)	1,370,000	1,370,000
Total Repurchase Agreements (Cost $54,370,000)		**54,370,000**
Total Investment Portfolio — 100.0% (Cost $387,437,638) (a)		**387,437,638**

Notes to Scudder Money Market Portfolio of Investments

* *Floating rate notes are securities whose yields vary with a designated market index or market rate, such as the coupon-equivalent of the US Treasury bill rate. These securities are shown at their current rate as of June 30, 2004.*

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

(a) *Cost for federal income tax purposes was $387,437,637.*

(b) *Collateralized by:*

Principal Amount ($)	Security	Rate (%)	Maturity Date	Collateral Value ($)
11,262,205	Fannie Mae	6.00	7/1/2034	11,459,857
6,863,348	Fannie Mae	5.00	5/1/2034	6,595,609
6,801,931	Fannie Mae	4.00	12/1/2033	6,008,282
7,354,410	Fannie Mae	5.50	9/1/2017	7,516,060
9,358,033	Fannie Mae	6.50	7/1/2032	9,722,529
8,261,964	Fannie Mae	6.50	10/1/2021	8,625,820
3,817,555	Fannie Mae	6.00	7/1/2034	3,884,553
				53,812,710

(c) *Collateralized by a $1,400,000 US Treasury Note, 1.11% maturing on 8/5/2004 with a value of $1,398,320.*

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

Statement of Assets and Liabilities
as of June 30, 2004 (Unaudited)

Assets		
Investments:		
Investments in securities, at amortized cost	$	333,067,638
Repurchase agreements, at amortized cost		54,370,000
Total investments in securities, at amortized cost		387,437,638
Cash		9,692
Receivable for investments sold		47,940
Interest receivable		907,028
Total assets		388,402,298
Liabilities		
Payable for Portfolio shares redeemed		873,098
Dividends payable		73,953
Accrued management fee		161,342
Other accrued expenses and payables		19,723
Total liabilities		1,128,116
Net assets, at value	**$**	**387,274,182**
Net Assets		
Net assets consist of:		
Accumulated distributions in excess of net investment income		(67,451)
Accumulated net realized gain (loss)		3,761
Paid-in capital		387,337,872
Net assets, at value	**$**	**387,274,182**
Class A		
Net Asset Value, offering and redemption price per share ($322,297,596 ÷ 322,349,220 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**1.00**
Class B		
Net Asset Value, offering and redemption price per share ($64,976,586 ÷ 64,985,171 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**1.00**

Statement of Operations
for the six months ended June 30, 2004 (Unaudited)

Investment Income		
Income:		
Interest	$	2,213,737
Expenses:		
Management fee		954,656
Custodian fees		5,230
Distribution service fees (Class B)		79,095
Record keeping fees (Class B)		43,079
Auditing		6,210
Other		283
Total expenses, before expense reductions		1,088,553
Expense reductions		(1,797)
Total expenses, after expense reductions		1,086,756
Net investment income		**1,126,981**
Net realized gain (loss) from investments		**3,761**
Net increase (decrease) in net assets resulting from operations	**$**	**1,130,742**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2004 (Unaudited)	Year Ended December 31, 2003
Operations:		
Net investment income	$ 1,126,981	$ 3,494,967
Net realized gain (loss) on investment transactions	3,761	41
Net increase (decrease) in net assets resulting from operations	1,130,742	3,495,008
Distributions to shareholders from:		
Net investment income		
Class A	(1,083,208)	(3,404,574)
Class B	(86,784)	(96,426)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	166,822,073	312,219,158
Reinvestment of distributions	1,114,902	3,301,598
Cost of shares redeemed	(172,090,965)	(559,028,884)
Net increase (decrease) in net assets from Class A share transactions	(4,153,990)	(243,508,128)
Class B		
Proceeds from shares sold	43,738,467	92,463,564
Reinvestment of distributions	93,014	87,495
Cost of shares redeemed	(45,273,468)	(28,805,563)
Net increase (decrease) in net assets from Class B share transactions	(1,441,987)	63,745,496
Increase (decrease) in net assets	(5,635,227)	(179,768,624)
Net assets at beginning of period	392,909,409	572,678,033
Net assets at end of period (including accumulated distributions in excess of net investment income of $67,451 and $24,440, respectively)	**$ 387,274,182**	**$ 392,909,409**

Other Information

Class A		
Shares outstanding at beginning of period	326,503,210	570,017,689
Shares sold	166,822,073	312,219,158
Shares issued to shareholders in reinvestment of distributions	1,114,902	3,301,598
Shares redeemed	(172,090,965)	(559,035,235)
Net increase (decrease) in Portfolio shares	(4,153,990)	(243,514,479)
Shares outstanding at end of period	**322,349,220**	**326,503,210**
Class B		
Shares outstanding at beginning of period	66,427,158	2,681,662
Shares sold	43,738,467	92,463,564
Shares issued to shareholders in reinvestment of distributions	93,014	87,495
Shares redeemed	(45,273,468)	(28,805,563)
Net increase (decrease) in Portfolio shares	(1,441,987)	63,745,496
Shares outstanding at end of period	**64,985,171**	**66,427,158**

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

Financial Highlights

Class A

Years Ended December 31,	2004[a]	2003	2002	2001	2000	1999
Selected Per Share Data						
Net asset value, beginning of period	**$ 1.000**	**$ 1.000**	**$ 1.000**	**$ 1.000**	**$ 1.000**	**$ 1.000**
Income from investment operations:						
Net investment income	.003	.007	.013	.037	.059	.050
Total from investment operations	.003	.007	.013	.037	.059	.050
Less distributions from:						
Net investment income	(.003)	(.007)	(.013)	(.037)	(.059)	(.050)
Total distributions	(.003)	(.007)	(.013)	(.037)	(.059)	(.050)
Net asset value, end of period	**$ 1.000**	**$ 1.000**	**$ 1.000**	**$ 1.000**	**$ 1.000**	**$ 1.000**
Total Return (%)	.33**	.72	1.35	3.75	6.10	4.84
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	322	326	570	671	279	231
Ratio of expenses (%)	.50*	.54	.54	.55	.58	.54
Ratio of net investment income (%)	.64*	.73	1.35	3.39	5.94	4.77

Class B

Years Ended December 31,	2004[a]	2003	2002[b]
Selected Per Share Data			
Net asset value, beginning of period	**$ 1.000**	**$ 1.000**	**$ 1.000**
Income from investment operations:			
Net investment income	.001	.004	.007
Total from investment operations	.001	.004	.007
Less distributions from:			
Net investment income	(.001)	(.004)	(.007)
Total distributions	(.001)	(.004)	(.007)
Net asset value, end of period	**$ 1.000**	**$ 1.000**	**$ 1.000**
Total Return (%)	.14**	.42	.67**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period ($ millions)	65	66	3
Ratio of expenses before expense reductions (%)	.89*	.93	.79*
Ratio of expenses after expense reductions (%)	.89*	.92	.64*
Ratio of net investment income (%)	.25*	.35	1.11*

a *For the six months ended June 30, 2004 (Unaudited).*

b *For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*

* *Annualized*

** *Not annualized*

Scudder Small Cap Growth Portfolio

Small-cap shares produced solid returns during the first half of the year, outperforming both mid- and larger-cap issues. Notably, the type of small, low-quality and richly valued companies that dominated market returns last year continued their year-to-date reversal. This provided a more favorable investment backdrop for managers such as us, who focus on quality companies with attractive valuations and fundamentals. In this environment, the portfolio produced a total return of 6.17% (Class A shares, unadjusted for contract charges, and for the six-month period ended June 30, 2004), ahead of the 5.68% return of the Russell 2000 Growth Index.

From the standpoint of sector allocation, relative performance was helped by an overweight in consumer staples and an underweight in financials but was hurt by an underweight in health care and an overweight in information technology. With respect to individual stock selection, we added value with our picks in the consumer staples and information technology sectors, while our investment decisions within health care and consumer discretionary detracted. On a net basis, sector allocation had a neutral effect while stock selection was a positive. Top-10 holding United Natural Foods, Inc. was the most significant individual contributor, and Alliance Gaming Corp. (not held as of June 30) was the largest detractor.

We believe the market's renewed focus on fundamentals and valuations should better enable us to add value through our specialty, individual stock selection. We are looking to increase the portfolio's exposure in the health care sector, and we have begun to trim its weighting in financials. In general, our goal is to position the portfolio for a potentially more challenging environment by focusing on companies that are generating the strongest earnings growth.

Audrey M.T. Jones*
Samuel A. Dedio
Robert S. Janis

Co-Managers
Deutsche Investment Management Americas Inc.

* *Ms. Jones retired on June 30, 2004. Effective July 1, 2004, Mr. Dedio and Mr. Janis are co-lead portfolio managers of the Portfolio.*

All performance shown is historical, assumes reinvestment of all dividends and capital gains, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less then their original cost. Current performance may be lower or higher than the performance data quoted. Please see scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Information concerning the portfolio holdings of the portfolio as of month-end is available upon request on the 16th of the following month.

Risk Considerations

This portfolio is subject to stock market risk, meaning stocks in the portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Additionally, stocks of small companies involve greater risk than securities of larger, more-established companies, as they often have limited product lines, markets or financial resources and may be subject to more erratic and abrupt market movements. Finally, derivatives may be more volatile and less liquid than traditional securities and the portfolio could suffer losses on its derivatives positions. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

The Russell 2000 Growth Index is an unmanaged, capitalization-weighted index containing the growth stocks in the Russell 2000 Index. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly in an index.

Portfolio management market commentary is as of June 30, 2004, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Scudder Small Cap Growth Portfolio

	Shares	Value ($)
Common Stocks 84.3%		
Consumer Discretionary 14.4%		
Auto Components 1.8%		
Keystone Automotive Industries, Inc.*	171,100	**4,771,979**
Automobiles 1.5%		
Thor Industries, Inc.	125,600	**4,202,576**
Hotels Restaurants & Leisure 4.7%		
Buffalo Wild Wings, Inc.* (d)	76,100	2,104,165
LIFE TIME FITNESS, Inc.*	63,200	1,327,200
Panera Bread Co. "A"* (d)	81,200	2,913,456
RARE Hospitality International, Inc.*	142,700	3,553,230
Shuffle Master, Inc.* (d)	84,400	3,064,564
		12,962,615
Internet & Catalog Retail 0.9%		
Sharper Image Corp.*	81,000	**2,542,590**
Media 1.8%		
Netflix, Inc.* (d)	134,800	**4,846,060**
Specialty Retail 2.8%		
Aeropostale, Inc.*	168,200	4,526,262
Cost Plus, Inc.*	90,500	2,936,725
		7,462,987
Textiles, Apparel & Luxury Goods 0.9%		
Gildan Activewear, Inc. "A"*	81,000	**2,324,700**
Consumer Staples 2.6%		
Food & Drug Retailing		
United Natural Foods, Inc.*	240,100	**6,941,291**
Energy 2.5%		
Energy Equipment & Services 1.2%		
FMC Technologies, Inc.*	112,500	**3,240,000**
Oil & Gas 1.3%		
Western Gas Resources, Inc.	105,000	**3,410,400**
Financials 6.7%		
Capital Markets 3.4%		
Jefferies Group, Inc.	154,800	4,786,416
Piper Jaffray Companies, Inc.*	100,300	4,536,569
		9,322,985
Diversified Financial Services 2.3%		
Affiliated Managers Group, Inc.* (d)	68,150	3,432,716
National Financial Partners Corp.	78,900	2,782,803
		6,215,519
Insurance 1.0%		
Triad Guaranty, Inc.*	44,300	**2,578,260**
Health Care 19.2%		
Biotechnology 4.2%		
Digene Corp.* (d)	105,700	3,861,221
Martek Biosciences Corp.*	73,200	4,111,644
Neurocrine Biosciences, Inc.*	66,200	3,432,470
		11,405,335

	Shares	Value ($)
Health Care Equipment & Supplies 4.2%		
ICU Medical, Inc.* (d)	130,200	4,365,606
Ocular Sciences, Inc.*	109,600	4,164,800
PSS World Medical, Inc.*	257,300	2,881,760
		11,412,166
Health Care Providers & Services 7.4%		
American Healthways, Inc.* (d)	95,800	2,550,196
AMERIGROUP Corp.*	79,700	3,921,240
Apria Healthcare Group, Inc.*	71,400	2,049,180
Centene Corp.*	71,000	2,737,050
Omnicell, Inc.*	117,500	1,716,675
Select Medical Corp.	254,100	3,410,022
United Surgical Partners International, Inc.*	88,400	3,489,148
Wellcare Group, Inc.	7,300	124,100
		19,997,611
Pharmaceuticals 3.4%		
Able Laboratories, Inc.*	126,400	2,598,784
Connetics Corp.*	212,300	4,288,460
NPS Pharmaceuticals, Inc.* (d)	114,774	2,410,254
		9,297,498
Industrials 7.7%		
Airlines 1.8%		
Frontier Airlines, Inc.*	76,200	829,056
SkyWest, Inc.	239,800	4,174,918
		5,003,974
Commercial Services & Supplies 2.1%		
Bright Horizons Family Solutions, Inc.*	52,500	2,814,525
CoStar Group, Inc.*	60,450	2,776,468
		5,590,993
Electrical Equipment 1.6%		
General Cable Corp.* (d)	251,300	2,148,615
Ultralife Batteries, Inc.*	116,200	2,249,632
		4,398,247
Road & Rail 1.1%		
Heartland Express, Inc.	107,900	**2,952,144**
Transportation Infrastructure 1.1%		
Overnite Corp.	99,000	**2,910,600**
Information Technology 30.3%		
Communications Equipment 5.8%		
Adaptec, Inc.*	444,500	3,760,470
Avocent Corp.*	93,600	3,438,864
Foundry Networks, Inc.*	327,000	4,600,890
Juniper Networks, Inc.*	157,809	3,877,367
		15,677,591
Computers & Peripherals 2.3%		
Mobility Electronics, Inc.* (d)	142,400	1,199,008
Synaptics, Inc.*	266,300	5,099,645
		6,298,653

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

	Shares	Value ($)
Electronic Equipment & Instruments 5.1%		
Digital Theater Systems, Inc.*	189,900	4,965,885
Identix, Inc.*	375,200	2,802,744
Vishay Intertechnology, Inc.*	323,600	6,012,488
		13,781,117
Semiconductors & Semiconductor Equipment 6.5%		
AMIS Holdings, Inc.*	301,300	5,097,996
Applied Micro Circuits Corp.*	878,900	4,675,748
ATMI, Inc.*	90,500	2,471,555
Laedis Technology, Inc.* (d)	97,900	1,312,839
Micrel, Inc.*	343,800	4,177,170
		17,735,308
Software 10.6%		
Hyperion Solutions Corp.*	88,300	3,860,476
Interwoven, Inc.*	539,950	5,453,495
Kronos, Inc.*	141,300	5,821,560
Macromedia, Inc.*	190,000	4,664,500
NetIQ Corp.*	451,596	5,961,067
THQ, Inc.*	128,000	2,931,200
		28,692,298

	Shares	Value ($)
Materials 0.9%		
Containers & Packaging		
Packaging Corp. of America	104,000	**2,485,600**
Total Common Stocks (Cost $192,013,350)		**228,461,097**
Preferred Stock 0.0%		
Convergent Networks, Inc.* (c)	113,149	6,789
fusionOne* (c)	230,203	25,322
Planetweb, Inc. "E"* (c)	137,868	0
Total Preferred Stock (Cost $2,000,004)		**32,111**
Securities Lending Collateral 10.2%		
Daily Assets Fund Institutional, 1.15% (e) (f) (Cost $27,724,375)	27,724,375	**27,724,375**
Cash Equivalents 5.5%		
Scudder Cash Management QP Trust 1.20% (b) (Cost $14,935,341)	14,935,341	**14,935,341**
Total Investment Portfolio — 100.0% (Cost $236,673,070) (a)		**271,152,924**

Notes to Scudder Small Cap Growth Portfolio of Investments

* *Non-income producing security.*

(a) *The cost for federal income tax purposes was $236,734,328. At June 30, 2004, net unrealized appreciation for all securities based on tax cost was $34,272,934. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $43,020,695 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $8,747,761.*

(b) *Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Restricted securities are securities which have not been registered with the Securities and Exchange Commission under the Securities Act of 1933.*

Schedule of Restricted Securities

Securities	Acquisition Date	Acquisition Cost ($)	Value ($)	Value as % of Net Assets
Convergent Networks, Inc.	June 2003	—	6,789	.003
fusionOne	October 2000	1,250,002	25,322	.011
Planetweb, Inc. "E"	September 2000	750,002	—	—
Total Restricted Securities			**32,111**	**.014**

(d) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2004 amounted to $27,044,756, which is 11.4% of net assets.*

(e) *Daily Assets Fund Institutional, an affiliated fund, is also managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(f) *Represents collateral held in connection with securities lending.*

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

Financial Statements

Statement of Assets and Liabilities
as of June 30, 2004 (Unaudited)

Assets

Investments:		
Investments in securities, at value (cost $194,013,354)	$	228,493,208
Investment in Daily Assets Fund Institutional (cost $27,724,375)*		27,724,375
Investment in Scudder Cash Management QP Trust (cost $14,935,341)		14,935,341
Total investments in securities, at value (cost $236,673,070)		271,152,924
Receivable for investments sold		1,272,997
Dividends receivable		41,860
Interest receivable		27,568
Receivable for Portfolio shares sold		68,823
Other assets		22,803
Total assets		272,586,975

Liabilities

Payable upon return of securities loaned		27,724,375
Payable for investments purchased		6,990,054
Payable for Portfolio shares redeemed		205,838
Accrued management fee		126,755
Other accrued expenses and payables		61,605
Total liabilities		35,108,627
Net assets, at value	**$**	**237,478,348**

Net Assets

Net assets consist of:		
Accumulated net investment loss		(590,890)
Net unrealized appreciation (depreciation) on investments		34,479,854
Accumulated net realized gain (loss)		(137,010,212)
Paid-in capital		340,599,596
Net assets, at value	**$**	**237,478,348**
Class A		
Net Asset Value, offering and redemption price per share ($212,661,804 ÷ 17,670,209 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**12.04**
Class B		
Net Asset Value, offering and redemption price per share ($24,816,544 ÷ 2,075,771 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**11.96**

* *Represents collateral on securities loaned.*

Statement of Operations
for the six months ended June 30, 2004 (Unaudited)

Investment Income

Income:		
Dividends	$	183,305
Interest — Scudder Cash Management QP Trust		49,935
Securities lending income		41,599
Total Income		274,839
Expenses:		
Management fee		756,276
Custodian fees		8,488
Distribution service fees (Class B)		24,373
Record keeping fees (Class B)		13,376
Auditing		24,995
Legal		7,595
Trustees' fees and expenses		2,019
Reports to shareholders		11,249
Other		3,409
Total expenses, before expense reductions		851,780
Expense reductions		(746)
Total expenses, after expense reductions		851,034
Net investment income (loss)		**(576,195)**

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from investments		9,392,165
Net unrealized appreciation (depreciation) during the period on investments		4,728,565
Net gain (loss) on investment transactions		**14,120,730**
Net increase (decrease) in net assets resulting from operations	**$**	**13,544,535**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2004 (Unaudited)	Year Ended December 31, 2003
Operations:		
Net investment income (loss)	$ (576,195)	$ (782,215)
Net realized gain (loss) on investment transactions	9,392,165	21,248,380
Net unrealized appreciation (depreciation) on investment transactions during the period	4,728,565	31,300,241
Net increase (decrease) in net assets resulting from operations	13,544,535	51,766,406
Portfolio share transactions:		
Class A		
Proceeds from shares sold	29,221,733	46,393,822
Cost of shares redeemed	(39,047,279)	(40,809,284)
Net increase (decrease) in net assets from Class A share transactions	(9,825,546)	5,584,538
Class B		
Proceeds from shares sold	8,586,752	13,298,753
Cost of shares redeemed	(201,148)	(51,363)
Net increase (decrease) in net assets from Class B share transactions	8,385,604	13,247,390
Increase (decrease) in net assets	12,104,593	70,598,334
Net assets at beginning of period	225,373,755	154,775,421
Net assets at end of period (including accumulated net investment loss of $590,890 and $14,695, respectively)	**$ 237,478,348**	**$ 225,373,755**

Other Information

Class A		
Shares outstanding at beginning of period	18,522,593	18,086,694
Shares sold	2,429,809	4,700,650
Shares redeemed	(3,282,193)	(4,264,751)
Net increase (decrease) in Portfolio shares	(852,384)	435,899
Shares outstanding at end of period	**17,670,209**	**18,522,593**
Class B		
Shares outstanding at beginning of period	1,358,975	52,833
Shares sold	733,871	1,310,980
Shares redeemed	(17,075)	(4,838)
Net increase (decrease) in Portfolio shares	716,796	1,306,142
Shares outstanding at end of period	**2,075,771**	**1,358,975**

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

Financial Highlights

Class A

Years Ended December 31,	2004[a]	2003	2002	2001	2000[b]	1999[b]
Selected Per Share Data						
Net asset value, beginning of period	**$ 11.34**	**$ 8.53**	**$ 12.80**	**$ 21.64**	**$ 26.54**	**$ 19.71**
Income (loss) from investment operations:						
Net investment income (loss)[c]	(.03)	(.04)	(.02)	(.02)	(.09)	(.06)
Net realized and unrealized gain (loss) on investment transactions	.73	2.85	(4.25)	(6.27)	(2.01)	6.89
Total from investment operations	.70	2.81	(4.27)	(6.29)	(2.10)	6.83
Less distributions from:						
Net realized gains on investment transactions	—	—	—	(2.52)	(2.80)	—
Return of capital	—	—	—	(.03)	—	—
Total distributions	—	—	—	(2.55)	(2.80)	—
Net asset value, end of period	**$ 12.04**	**$ 11.34**	**$ 8.53**	**$ 12.80**	**$ 21.64**	**$ 26.54**
Total Return (%)	6.17**	32.94	(33.36)	(28.91)	(10.71)	34.56
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	213	210	154	232	301	264
Ratio of expenses (%)	.69*	.69	.71	.68	.72	.71
Ratio of net investment income (loss) (%)	(.46)*	(.41)	(.24)	(.12)	(.34)	(.30)
Portfolio turnover rate (%)	91*	123	68	143	124	208

a *For the six months ended June 30, 2004 (Unaudited).*

b *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has 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.*

c *Based on average shares outstanding during the period.*

* *Annualized*

** *Not annualized*

Class B

Years Ended December 31,	2004[a]	2003	2002[b]
Selected Per Share Data			
Net asset value, beginning of period	**$ 11.29**	**$ 8.52**	**$ 9.39**
Income (loss) from investment operations:			
Net investment income (loss)[c]	(.05)	(.09)	(.02)
Net realized and unrealized gain (loss) on investment transactions	.72	2.86	(.85)
Total from investment operations	.67	2.77	(.87)
Net asset value, end of period	**$ 11.96**	**$ 11.29**	**$ 8.52**
Total Return (%)	5.93**	32.51	(9.27)**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period ($ millions)	25	15	.5
Ratio of expenses (%)	1.07*	1.08	.96*
Ratio of net investment income (loss) (%)	(.84)*	(.80)	(.39)*
Portfolio turnover rate (%)	91*	123	68

a *For the six months ended June 30, 2004 (Unaudited).*

b *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*

c *Based on average shares outstanding during the period.*

* *Annualized*

** *Not annualized*

Scudder Strategic Income Portfolio

Over the past six months, some initial positive performance for emerging-markets and high-yield bonds at the start of the period was followed by several months of reduced market activity, with less opportunity to add value strategically. For the six-month period ended June 30, 2004, the portfolio returned –1.42% (Class A shares, unadjusted for contract charges). This compares with the portfolio benchmarks' returns of –2.82% for the JP Morgan Emerging Markets Bond Plus Index, 1.34% for the Merrill Lynch High Yield Master Cash Pay Only Index, –0.20% for the Lehman Brothers US Treasury Index and –1.53% for the Citigroup World Government Bond Index.

In late January, emerging-markets bonds sold off in reaction to indications by the Federal Reserve that it would soon be ending its accommodative stance on interest rates. Emerging-markets bonds then became range-bound until April. At that point, the combination of (1) investors' concern over anticipated Fed actions to tighten credit, (2) measurably increased US economic activity and (3) hedge funds' reversal of the "carry trade" led to another sell-off in emerging-markets bonds. While this sell-off did cause prices of the emerging-markets debt in the portfolio to fall in value, we continued to maintain our exposure, as we feel that the wider spreads do not reflect a significant increase in potential for default, but rather a decrease in the risk appetite among market participants. As a result, we have continued to hold our position in order to maintain the yield advantage associated with the emerging-markets debt holdings in the portfolio.

In the face of concern over near-term Fed actions, high-yield bonds sold off somewhat during the period, though they staged a brief rally in April. High-yield bonds outperformed emerging-markets bonds dramatically during the latter part of the period, and we continue to hold a significant position in high yield. Of course past performance does not guarantee future results.

Jan C. Faller

Lead Manager

Andrew P. Cestone
Sean P. McCaffrey

Portfolio Managers
Deutsche Investment Management Americas Inc.

Brett Diment
Edwin Gutierrez

Portfolio Managers
Deutsche Asset Management Investment Services Ltd.

All performance shown is historical, assumes reinvestment of all dividends and capital gains, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less then their original cost. Current performance may be lower or higher than the performance data quoted. Please see scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Information concerning the portfolio holdings of the portfolio as of month-end is available upon request on the 16th of the following month.

Risk Considerations

The portfolio invests in individual bonds whose yields and market values fluctuate so that your investment may be worth more or less than its original cost. Additionally, investments by the portfolio in lower-rated bonds present greater risk to principal and income than investments in higher-quality securities. Finally, investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation, political and economic changes and market risks. All of these factors may result in greater share price volatility. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

The JP Morgan Emerging Markets Bond Plus Index is an unmanaged foreign securities index of US dollar and other external-currency-denominated Brady bonds, loans, Eurobonds and local market debt instruments traded in emerging markets. The Merrill Lynch High Yield Master Cash Pay Only Index tracks the performance of below-investment-grade US dollar-denominated corporate bonds publicly issued in the United States domestic market. The Lehman Brothers US Treasury Index is an unmanaged index reflecting the performance of all public obligations and does not focus on one particular segment of the Treasury market. The Citigroup World Government Bond Index (formerly known as Salomon Smith Barney World Government Bond Index) is an unmanaged index comprised of government bonds from 18 developed countries including the US with maturities greater than one year. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2004, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Scudder Strategic Income Portfolio

	Principal Amount ($)(c)	Value ($)
Corporate Bonds 30.1%		
Consumer Discretionary 5.8%		
Adesa, Inc., 7.625%, 6/15/2012	65,000	65,569
Advantica Restaurant Co., 12.75%, 9/30/2007	53,000	56,445
AMC Entertainment, Inc., 144A, 8.0%, 3/1/2014	85,000	81,175
Atlantic Broadband Finance LLC, 144A, 9.375%, 1/15/2014	75,000	70,875
Bally Total Fitness Holdings Corp., 10.5%, 7/15/2011	85,000	79,900
Buffets, Inc., 11.25%, 7/15/2010	25,000	26,125
Cablevision Systems Corp.:		
144A, 5.67%, 4/1/2009** (e)	25,000	25,625
144A, 8.0%, 4/15/2012	45,000	44,325
Carrols Corp., 9.5%, 12/1/2008	55,000	56,925
Charter Communications Holdings LLC:		
Step-up Coupon, 0% to 1/15/2007, 12.125% to 1/15/2012	250,000	160,038
9.625%, 11/15/2009	70,000	56,700
144A, 10.25%, 9/15/2010	225,000	226,687
Choctaw Resort Development Enterprises, 9.25%, 4/1/2009	110,000	118,250
Circus & Eldorado, 10.125%, 3/1/2012	85,000	85,425
CKE Restaurants, Inc., 9.125%, 5/1/2009	65,000	67,600
CSC Holdings, Inc., 7.875%, 12/15/2007	105,000	109,200
Dex Media East LLC/Financial, 12.125%, 11/15/2012	410,000	478,675
DIMON, Inc., Series B, 9.625%, 10/15/2011	215,000	217,150
EchoStar DBS Corp., 6.375%, 10/1/2011	65,000	64,025
EPL Intermediate, Inc., 144A, Step-up Coupon, 0% to 3/15/2009, 12.50% to 3/15/2010	60,000	33,900
General Motors Corp., 8.25%, 7/15/2023	105,000	109,961
Herbst Gaming, Inc., 144A, 8.125%, 6/1/2012	20,000	20,275
Interep National Radio Sales, Inc., Series B, 10.0%, 7/1/2008	100,000	80,000
International Game Technology, 8.375%, 5/15/2009	85,000	99,997
Jacobs Entertainment Co., 11.875%, 2/1/2009	120,000	133,800
Levi Strauss & Co., 12.25%, 12/15/2012	80,000	78,800
Mail-Well I Corp., 144A, 7.875%, 12/1/2013	60,000	54,600
Mediacom LLC, 9.5%, 1/15/2013	105,000	101,325
MGM MIRAGE, 8.375%, 2/1/2011 (e)	60,000	62,700
Park Place Entertainment Corp., 9.375%, 2/15/2007	20,000	21,725
PEI Holding, Inc., 11.0%, 3/15/2010	70,000	81,200
Petro Stopping Centers, 144A, 9.0%, 2/15/2012	170,000	168,300
Premier Entertainment Biloxi LLC\Finance, 144A, 10.75%, 2/1/2012	45,000	47,250
PRIMEDIA, Inc.:		
144A, 6.615%, 5/15/2010	120,000	121,650
8.875%, 5/15/2011	70,000	69,300
Reader's Digest Association, Inc., 6.5%, 3/1/2011	35,000	34,169
Remington Arms Co., Inc., 10.5%, 2/1/2011	80,000	77,600
Renaissance Media Group, Step-up Coupon, 10.0% to 4/15/2008	105,000	108,150
Rent-Way Inc., 11.875%, 6/15/2010	25,000	27,437
Restaurant Co., Step-up Coupon, 11.25% to 5/15/2008	83,965	83,125
Schuler Homes, Inc., 10.5%, 7/15/2011	120,000	136,950
Scientific Games Corp., 12.5%, 8/15/2010	35,000	40,687
Simmons Co., 144A, 7.875%, 1/15/2014	15,000	15,300
Sinclair Broadcast Group, Inc.:		
8.0%, 3/15/2012	170,000	173,825
8.75%, 12/15/2011	90,000	96,300
Sonic Automotive, Inc., 8.625%, 8/15/2013	15,000	15,638
Toys "R" Us, Inc.:		
7.375%, 10/15/2018	120,000	110,850
7.875%, 4/15/2013	60,000	60,225
Trump Holdings & Funding, 12.625%, 3/15/2010 (e)	95,000	97,375
United Auto Group, Inc., 9.625%, 3/15/2012	85,000	93,075
Venetian Casino Resort LLC, 11.0%, 6/15/2010	40,000	46,200
VICORP Restaurants, Inc., 144A, 10.5%, 4/15/2011	65,000	64,675
Wheeling Island Gaming, Inc., 10.125%, 12/15/2009	50,000	53,000
Williams Scotsman, Inc., 9.875%, 6/1/2007	80,000	79,400
Worldspan LP\WS Finance Corp., 9.625%, 6/15/2011 (e)	40,000	40,800
XM Satellite Radio, Inc., Step-up Coupon, 0% to 12/31/2005, 14% to 12/31/2009	86,321	81,358
Young Broadcasting, Inc., 144A, 8.75%, 1/15/2014	83,000	78,435
		4,990,071
Consumer Staples 0.8%		
Gold Kist, Inc., 144A, 10.25%, 3/15/2014	65,000	70,525
North Atlantic Trading Co., 144A, 9.25%, 3/1/2012	90,000	87,075
Pinnacle Foods Holding Corp., 144A, 8.25%, 12/1/2013	25,000	24,125
Rite Aid Corp.:		
144A, 6.125%, 12/15/2008	170,000	160,225
"C1", Series 97, 11.25%, 7/1/2008	120,000	132,300
Standard Commercial Corp., 144A, 8.0%, 4/15/2012	30,000	29,400

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

	Principal Amount ($)(c)	Value ($)
Stater Brother's Holdings, Inc.:		
144A, 5.06%, 6/15/2010	50,000	50,812
144A, 8.125%, 6/15/2012	30,000	30,113
Swift & Co., 12.5%, 1/1/2010	10,000	10,700
United Agri Products, 144A, 8.25%, 12/15/2011	15,000	16,725
Wornick Co., 144A, 10.875%, 7/15/2011	70,000	71,575
		683,575
Energy 2.3%		
Avista Corp., 9.75%, 6/1/2008	145,000	170,375
Chesapeake Energy Corp.:		
144A, 7.5%, 6/15/2014	35,000	36,050
9.0%, 8/15/2012	30,000	33,750
Citgo Petroleum Corp., 11.375%, 2/1/2011	250,000	290,000
Continental Resources, Inc., 10.25%, 8/1/2008	145,000	149,712
Edison Mission Energy, 7.73%, 6/15/2009	185,000	179,912
El Paso Production Holdings Corp., 7.75%, 6/1/2013	310,000	284,425
FirstEnergy Corp., Series B, 6.45%, 11/15/2011	60,000	62,206
Newpark Resources, Inc., Series B, 8.625%, 12/15/2007	110,000	111,650
ON Semiconductor Corp., 13.0%, 5/15/2008	100,000	114,750
Pioneer Natural Resources Co., 9.625%, 4/1/2010	25,000	30,669
Range Resources Corp., 144A, 7.375%, 7/15/2013	35,000	34,825
Southern Natural Gas, 8.875%, 3/15/2010	85,000	92,863
Stone Energy Corp., 8.25%, 12/15/2011	105,000	109,462
Williams Cos., Inc.:		
144A, 6.75%, 4/15/2009	70,000	68,775
8.125%, 7/1/2004	30,000	32,025
8.75%, 3/15/2032	100,000	100,000
Wiser Oil Co., 9.5%, 5/15/2007	95,000	96,188
		1,997,637
Financials 7.4%		
Ahold Finance USA, Inc., 6.25%, 5/1/2009	195,000	191,100
Alamosa Delaware, Inc.:		
Step-up Coupon, 0% to 7/31/2005, 12.0% to 7/31/2009	45,000	43,425
144A, 8.5%, 1/31/2012	60,000	58,800
AmeriCredit Corp., 9.25%, 5/1/2009	150,000	157,875
Atlantic Mutual Insurance Co., 144A, 8.15%, 2/15/2028	40,000	24,708
BF Saul REIT, 7.5%, 3/1/2014	130,000	128,700
Consolidated Communications Holdings, 144A, 9.75%, 4/1/2012	65,000	65,975
DA-Lite Screen Co., Inc., 144A, 9.5%, 5/15/2011	45,000	46,800
Dollar Financial Group, Inc.:		
9.75%, 11/15/2011	65,000	67,925
144A, 9.75%, 11/15/2011	20,000	20,900
E*TRADE Financial Corp., 144A, 8.0%, 6/15/2011	105,000	104,475

	Principal Amount ($)(c)	Value ($)
Farmers Insurance Exchange, 144A, 8.625%, 5/1/2024	100,000	112,008
FINOVA Group, Inc., 7.5%, 11/15/2009	183,996	100,738
iStar Financial, Inc., 6.0%, 12/15/2010	80,000	79,500
Poster Financial Group, 144A, 8.75%, 12/1/2011	70,000	71,225
PXRE Capital Trust I, 8.85%, 2/1/2027	35,000	35,044
Qwest Capital Funding, Inc., 6.5%, 11/15/2018	170,000	125,800
R.H. Donnelly Finance Corp., 10.875%, 12/15/2012	120,000	139,200
Tennessee Valley Authority, "A", 6.79%, 5/23/2012	1,500,000	1,686,829
Trac-X North America Holdings, 144A, 7.375%, 3/25/2009	3,000,000	2,932,500
UAP Holdings Corp., 144A, Step-up Coupon, 0% to 1/15/2008, 10.75% to 7/15/2012	55,000	43,945
UGS Corp., 144A, 10.0%, 6/1/2012	10,000	10,650
Universal City Development, 11.75%, 4/1/2010	120,000	138,900
		6,387,022
Health Care 0.8%		
aaiPharma, Inc., Step-up Coupon, 11.0% to 4/1/2010 (e)	85,000	70,975
AmeriPath, Inc., 10.5%, 4/1/2013	65,000	65,650
AmerisourceBergen Corp., 7.25%, 11/15/2012	40,000	41,000
Curative Health Services, Inc., 144A, 10.75%, 5/1/2011	40,000	38,400
Hanger Orthopedic Group, Inc., 10.375%, 2/15/2009	55,000	56,238
InSight Health Services Corp., 9.875%, 11/1/2011 (e)	25,000	26,750
Interactive Health LLC, 144A, 7.25%, 4/1/2011	55,000	48,950
Team Health, Inc., 144A, 9.0%, 4/1/2012	35,000	33,600
Tenet Healthcare Corp.:		
6.375%, 12/1/2011 (e)	350,000	306,250
144A, 9.875%, 7/1/2014	35,000	35,612
		723,425
Industrials 4.3%		
Aavid Thermal Technologies, Inc., 12.75%, 2/1/2007	55,000	58,300
Aearo Co. I, 144A, 8.25%, 4/15/2012	10,000	10,200
Allied Waste North America, Inc., 144A, 5.75%, 2/15/2011	150,000	142,125
AMI Semiconductor, Inc., 10.75%, 2/1/2013	35,000	40,863
Argo-Tech Corp., 144A, 9.25%, 6/1/2011	60,000	61,800
Avondale Mills, Inc., 10.25%, 7/1/2013	105,000	63,000
Browning-Ferris Industries:		
7.4%, 9/15/2035	135,000	120,150
9.25%, 5/1/2021	20,000	21,600
Clean Harbors, Inc., 144A, 11.25%, 7/15/2012	55,000	55,550
Collins & Aikman Floor Cover, Series B, 9.75%, 2/15/2010	139,000	141,085

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

	Principal Amount ($)(c)	Value ($)
Collins & Aikman Products, 10.75%, 12/31/2011	140,000	140,700
Congoleum Corp., 8.625%, 8/1/2008*	55,000	43,450
Continental Airlines, Inc., 8.0%, 12/15/2005	95,000	83,838
Cornell Companies, Inc., 144A, 10.75%, 7/1/2012	65,000	65,650
Corrections Corp. of America, 9.875%, 5/1/2009	95,000	105,450
Dana Corp.:		
7.0%, 3/1/2029	160,000	153,600
9.0%, 8/15/2011	70,000	81,900
Delta Air Lines, Inc.:		
7.7%, 12/15/2005 (e)	60,000	40,200
7.9%, 12/15/2009 (e)	10,000	5,100
Eagle-Picher, Inc., 9.75%, 9/1/2013	40,000	43,000
Erico International Corp., 144A, 8.875%, 3/1/2012	45,000	45,900
Flextronics International Ltd., 6.5%, 5/15/2013	25,000	24,375
Geo Sub Corp., 144A, 11.0%, 5/15/2012	50,000	50,563
Hercules, Inc.:		
144A, 6.75%, 10/15/2029	50,000	48,000
11.125%, 11/15/2007	100,000	117,000
Hornbeck Offshore Services, Inc., 10.625%, 8/1/2008	100,000	109,125
Interface, Inc., 144A, "A", 9.5%, 2/1/2014	65,000	64,675
ISP Chemco, Inc., Series B, 10.25%, 7/1/2011	115,000	127,937
ISP Holdings, Inc., Series B, 10.625%, 12/15/2009	25,000	27,500
Joy Global, Inc., 8.75%, 3/15/2012	10,000	11,200
Kansas City Southern:		
7.5%, 6/15/2009	115,000	115,000
9.5%, 10/1/2008	100,000	108,625
Laidlaw International, Inc., 10.75%, 6/15/2011	90,000	98,212
Lanaguage Line, Inc., 144A, 11.125%, 6/15/2012	15,000	15,225
Meritage Corp., 7.0%, 5/1/2014	60,000	57,000
Millennium America, Inc.:		
7.625%, 11/15/2026	180,000	153,900
9.25%, 6/15/2008	115,000	123,625
144A, 9.25%, 6/15/2008	30,000	32,250
Mobile Mini, Inc., 9.5%, 7/1/2013	20,000	21,900
Motors and Gears, Inc., 10.75%, 11/15/2006	125,000	106,250
Samsonite Corp., 144A, 8.875%, 6/1/2011	95,000	98,325
Sea Containers Ltd., 10.5%, 5/15/2012	75,000	75,281
Seabulk International, Inc., 9.5%, 8/15/2013	40,000	41,050
Ship Finance International Ltd., 144A, 8.5%, 12/15/2013	135,000	130,275
Technical Olympic USA, Inc.:		
7.5%, 3/15/2011	80,000	74,400
10.375%, 7/1/2012	65,000	67,762
Tenneco Automotive, Inc., 11.625%, 10/15/2009	10,000	10,750
The Brickman Group, Ltd., Series B, 11.75%, 12/15/2009	50,000	57,500
Thermadyne Holdings Corp., 9.25%, 2/1/2014	60,000	59,250
United Rentals North America, Inc., 6.5%, 2/15/2012	110,000	103,950
Westlake Chemical Corp., 8.75%, 7/15/2011	35,000	37,975
		3,692,341
Information Technology 0.2%		
Activant Solutions, Inc., 10.5%, 6/15/2011	65,000	68,575
DigitalNet, Inc., 9.0%, 7/15/2010	35,000	37,363
Itron, Inc., 144A, 7.75%, 5/15/2012	20,000	20,050
Lucent Technologies, Inc., 6.45%, 3/15/2029	110,000	84,975
		210,963
Materials 3.5%		
Aqua Chemical, Inc., 11.25%, 7/1/2008	100,000	70,000
ARCO Chemical Co., 9.8%, 2/1/2020	355,000	347,900
Associated Materials, Inc., 144A, Step-up Coupon, 0% to 3/1/2009, 11.25% to 3/1/2014	175,000	117,250
Caraustar Industries, Inc., 9.875%, 4/1/2011	110,000	109,450
Constar International, Inc., 11.0%, 12/1/2012	40,000	37,400
Dayton Superior Corp.:		
10.75%, 9/15/2008	70,000	70,350
13.0%, 6/15/2009	70,000	60,900
Equistar Chemicals LP, 8.75%, 2/15/2009	130,000	135,525
Euramax International, Inc., 8.5%, 8/15/2011	30,000	31,200
Fibermark, Inc., 10.75%, 4/15/2011*	110,000	66,000
GEO Specialty Chemicals, Inc., 10.125%, 8/1/2008*	130,000	50,700
Georgia-Pacific Corp.:		
144A, 8.0%, 1/15/2024	295,000	295,000
9.375%, 2/1/2013	140,000	160,300
Hexcel Corp., 9.75%, 1/15/2009	60,000	62,925
Huntsman Advanced Materials LLC, 144A, 11.0%, 7/15/2010	95,000	107,113
Huntsman International LLC, 11.625%, 10/15/2010	120,000	132,600
IMC Global, Inc., 10.875%, 8/1/2013	95,000	113,288
International Steel Group, Inc., 144A, 6.5%, 4/15/2014	165,000	154,687
ISPAT Inland ULC, 144A, 9.75%, 4/1/2014	100,000	103,000
MMI Products, Inc., Series B, 11.25%, 4/15/2007	45,000	43,425
Mueller Group Inc., 144A, 5.919%, 11/1/2011	25,000	26,000
Neenah Corp.:		
144A, 11.0%, 9/30/2010	95,000	100,700
144A, 13.0%, 9/30/2013	74,000	72,520
Owens-Brockway Glass Container, 8.25%, 5/15/2013	170,000	175,525
Pliant Corp.:		
Step-up Coupon, 0% to 12/15/2006, 11.15% to 6/15/2009	20,000	16,850

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

	Principal Amount ($)(c)	Value ($)
11.125%, 9/1/2009	75,000	80,250
13.0%, 6/1/2010	15,000	13,425
TriMas Corp., 9.875%, 6/15/2012	175,000	185,500
United States Steel LLC, 9.75%, 5/15/2010	60,000	66,450
		3,006,233

Telecommunication Services 3.1%

	Principal Amount ($)(c)	Value ($)
American Cellular Corp., Series B, 10.0%, 8/1/2011	265,000	228,563
American Tower Corp.:		
144A, 7.5%, 5/1/2012	35,000	33,863
9.375%, 2/1/2009	130,000	138,775
American Tower Escrow Corp., Zero Coupon, 8/1/2008	15,000	10,950
Cincinnati Bell, Inc.:		
7.2%, 11/29/2023	35,000	32,725
8.375%, 1/15/2014 (e)	270,000	240,300
Crown Castle International Corp.:		
7.5%, 12/1/2013	55,000	54,725
9.375%, 8/1/2011	55,000	60,500
Dobson Communications Corp., 8.875%, 10/1/2013 (e)	195,000	148,200
GCI, Inc., 144A, 7.25%, 2/15/2014	60,000	57,300
LCI International, Inc., 7.25%, 6/15/2007	125,000	113,125
Level 3 Financing, Inc., 144A, 10.75%, 10/15/2011	40,000	35,300
MCI, Inc.:		
6.688%, 5/1/2009	115,000	106,375
7.735%, 5/1/2014	215,000	192,425
Nextel Communications, Inc., 5.95%, 3/15/2014	110,000	101,200
Nextel Partners, Inc., 8.125%, 7/1/2011	100,000	102,000
Northern Telecom Capital, 7.875%, 6/15/2026	40,000	38,400
Qwest Corp.:		
5.625%, 11/15/2008	240,000	234,600
7.25%, 9/15/2025	110,000	95,700
Qwest Services Corp.:		
144A, 13.5%, 12/15/2010	180,000	209,250
144A, 14.0%, 12/15/2014	115,000	137,137
Rural Cellular Corp., 9.875%, 2/1/2010	70,000	69,475
SBA Telecom Inc., Zero Coupon, 11/30/2007	85,000	62,900
Triton PCS, Inc., 8.5%, 6/1/2013	30,000	28,350
Ubiquitel Operating Co., 144A, 9.875%, 3/1/2011	100,000	100,000
US Unwired, Inc., 144A, 10.0%, 6/15/2012	75,000	75,750
Western Wireless Corp., 9.25%, 7/15/2013	10,000	10,300
		2,718,188

Utilities 1.9%

	Principal Amount ($)(c)	Value ($)
AES Corp., 144A, 8.75%, 5/15/2013	15,000	16,069
Calpine Corp., 144A, 8.5%, 7/15/2010**	340,000	281,350
CMS Energy Corp.:		
7.5%, 1/15/2009	20,000	19,900
8.5%, 4/15/2011	295,000	300,900
DPL, Inc., 6.875%, 9/1/2011	215,000	216,612
First Energy Corp., 7.375%, 11/15/2031	30,000	31,268
Illinova Corp., 11.5%, 12/15/2010	175,000	206,938
NRG Energy, Inc., 144A, 8.0%, 12/15/2013	355,000	358,550
PG&E Corp., 144A, 6.875%, 7/15/2008	95,000	99,275
Sensus Metering Systems, 144A, 8.625%, 12/15/2013	45,000	43,200
TNP Enterprises, Inc., Series B, 10.25%, 4/1/2010	100,000	103,500
		1,677,562
Total Corporate Bonds (Cost $26,922,628)		**26,087,017**

Foreign Bonds — US$ Denominated 16.3%

	Principal Amount ($)(c)	Value ($)
Abitibi-Consolidated, Inc., 144A, 5.02%, 6/15/2011	50,000	50,125
Alestra SA de RL de CV, 8.0%, 6/30/2010	100,000	80,000
Antenna TV SA, 9.0%, 8/1/2007	40,000	40,450
Avecia Group PLC, 11.0%, 7/1/2009	185,000	140,600
Axtel SA, 144A, 11.0%, 12/15/2013	100,000	94,750
Banque Centrale de Tunisie, 7.375%, 4/25/2012	70,000	76,300
BCP Caylux Holdings Luxembourg SCA, 144A, 9.625%, 6/15/2014	140,000	145,075
Biovail Corp., 7.875%, 4/1/2010	125,000	123,437
Cascades, Inc., 7.25%, 2/15/2013	95,000	94,525
Citigroup (JSC Severstal), 144A, 9.25%, 4/19/2014	90,000	79,650
Conproca SA de CV, 12.0%, 6/16/2010	100,000	124,000
Corp Durango SA, 144A, 13.75%, 7/15/2009*	110,000	55,000
Corporacion Durango SA, 13.125%, 8/1/2006*	25,000	12,500
CP Ships Ltd., 10.375%, 7/15/2012	85,000	97,113
Crown Euro Holdings SA, 10.875%, 3/1/2013	115,000	131,100
Eircom Funding, 8.25%, 8/15/2013	65,000	67,600
Empresa Brasileira de Telecom SA, 144A, 11.0%, 12/15/2008	75,000	80,813
Fage Dairy Industry SA, 9.0%, 2/1/2007	210,000	213,150
Federative Republic of Brazil:		
Floating Rate Note Debt Conversion Bond, LIBOR plus .875%, Series L, 2.125%**, 4/15/2012	103,530	86,577
C Bond, 8.0%, 4/15/2014	206,333	188,279
8.875%, 4/15/2024	35,000	28,525
14.5%, 10/15/2009	20,000	23,300
Gaz Capital SA, 144A, 8.625%, 4/28/2034	55,000	53,281
Gazprom OAO, 144A, 9.625%, 3/1/2013	110,000	113,163
Government of Jamaica, 10.625%, 6/20/2017	100,000	90,000
Government of Ukraine, 7.65%, 6/11/2013	180,000	171,000
Inmarsat Finance PLC, 144A, 7.625%, 6/30/2012	105,000	101,588
Innova S. de R.L., 9.375%, 9/19/2013	110,000	115,225

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	Principal Amount ($)(c)	Value ($)
INTELSAT, 6.5%, 11/1/2013	35,000	30,920
Jefra Cosmetics International, Inc., 10.75%, 5/15/2011	95,000	105,925
Kabel Deutschland GmbH, 144A, 10.625%, 7/1/2014	95,000	97,613
LeGrand SA, 8.5%, 2/15/2025	95,000	97,850
Luscar Coal Ltd., 9.75%, 10/15/2011	80,000	90,000
Millicom International Cellular SA, 144A, 10.0%, 12/1/2013	75,000	76,125
Mizuho Financial Group, 8.375%, 12/29/2049	40,000	41,200
Mobifon Holdings BV, 12.5%, 7/31/2010	105,000	119,700
Mobile Telesystems Financial, 144A, 8.375%, 10/14/2010	65,000	61,263
Morroco Resources, 1.0%, 1/5/2009	280,000	274,400
New ASAT (Finance) Ltd., 144A, 9.25%, 2/1/2011	95,000	94,050
Nigeria, Promissory Note, Series RC, 5.092%, 1/5/2010	380,000	131,100
Nortel Networks Corp., 6.875%, 9/1/2023	180,000	159,300
Nortel Networks Ltd., 6.125%, 2/15/2006	270,000	271,350
Petroleum Geo-Services ASA, 10.0%, 11/5/2010	255,005	263,930
Petroliam Nasional Berhad:		
7.625%, 10/15/2026	140,000	148,063
7.75%, 8/15/2015	530,000	601,257
Republic of Argentina:		
9.75%, 9/19/2027*	260,000	68,900
Series BGL4, 11.0%, 10/9/2006*	50,000	14,690
11.375%, 3/15/2010*	905,000	266,975
11.375%, 1/30/2017*	15,000	4,350
11.75%, 4/7/2009*	45,000	12,825
11.75%, 6/15/2015*	35,000	10,325
Republic of Bulgaria:		
2.0%, 7/28/2011	70,500	70,288
8.25%, 1/15/2015	640,000	746,240
Republic of Colombia:		
8.125%, 5/21/2024	240,000	194,400
10.0%, 1/23/2012	350,000	362,250
Republic of Philippines:		
9.375%, 1/18/2017	150,000	151,312
9.875%, 1/15/2019	330,000	328,350
Republic of South Africa, 8.5%, 6/23/2017	420,000	475,650
Republic of Turkey:		
8.0%, 2/14/2034	60,000	54,150
9.0%, 6/30/2011	130,000	130,487
9.5%, 1/15/2014	70,000	70,525
11.0%, 1/14/2013	235,000	256,150
11.5%, 1/23/2012	15,000	16,800
11.875%, 1/15/2030	110,000	129,938
12.375%, 6/15/2009	560,000	640,500
Republic of Uruguay:		
7.5%, 3/15/2015	430,000	316,050
7.875%, 1/15/2033	115,000	73,025
Republic of Venezuela:		
1.0%, 4/20/2011	160,000	123,200
9.375%, 1/13/2034	320,000	270,400
10.75%, 9/19/2013	260,000	255,450
Rhodia SA:		
144A, 7.625%, 6/1/2010 (e)	105,000	95,025
144A, 10.25%, 6/1/2010 (e)	45,000	45,450
Rogers Wireless Communications, Inc., 144A, 6.375%, 3/1/2014	30,000	27,600
Russian Federation:		
Step-up Coupon, 5.0%**, 3/31/2007	515,000	470,195
12.75%, 6/24/2028	100,000	145,500
Russian Ministry of Finance:		
3.0%, 5/14/2011	180,000	136,125
3.0%, 5/14/2008	300,000	262,875
Shaw Communications, Inc.:		
Series B, 7.25%, 4/6/2011	95,000	98,583
8.25%, 4/11/2010	65,000	70,688
Sistema Capital SA, 144A, 8.875%, 1/28/2011	60,000	58,200
Telenet Group Holding NV, 144A, Step-up Coupon, 0% to 12/15/2008, 11.5% to 6/15/2014	270,000	171,450
Tembec Industries, Inc., 8.5%, 2/1/2011	290,000	292,900
TFM SA de CV:		
10.25%, 6/15/2007	215,000	212,850
Step-up Coupon, 11.75% to 6/15/2009	110,000	107,250
12.5%, 6/15/2012	60,000	63,900
United Mexican States:		
5.875%, 1/15/2014	25,000	24,025
6.625%, 3/3/2015	15,000	14,887
7.5%, 4/8/2033	310,000	300,080
8.0%, 9/24/2022	490,000	508,865
9.875%, 2/1/2010	220,000	264,330
Vitro SA de CV, Series A, 144A, 11.75%, 11/1/2013	145,000	133,037
Vivendi Universal SA, Series B, 9.25%, 4/15/2010	190,000	224,570
Total Foreign Bonds — US$ Denominated (Cost $14,547,124)		**14,112,787**

Foreign Bonds — Non US$ Denominated 15.1%

		Principal Amount ($)(c)	Value ($)
Cablecom Luxembourg SCA, 9.375%, 4/15/2014	EUR	45,000	53,758
Federal Republic of Germany, 6.25%, 1/4/2024	EUR	1,030,000	1,484,898
Huntsman International LLC, 10.125%, 7/1/2009	EUR	105,000	126,715
Ispat Europe Group SA, 11.875%, 2/1/2011	EUR	155,000	205,005
Kredit Fuer Wiederaufbau, 5.0%, 7/4/2011	EUR	1,680,000	2,166,778
Pemex Project Funding Master Trust, 6.625%, 4/4/2010	EUR	90,000	115,360
Province of Ontario, 1.875%, 1/25/2010	JPY	140,000,000	1,346,771
Republic of Argentina:			
7.5%, 5/23/2049*	EUR	201,939	54,156
9.0%, 6/20/2049*	EUR	100,000	29,256
9.75%, 2/26/2008*	ARS	160,000	49,735
10.0%, 1/7/2049*	EUR	80,000	24,868
11.0%, 2/26/2008*	EUR	250,000	77,711
11.75%, 11/13/2026*	EUR	46,016	14,445

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

		Principal Amount ($)(c)	Value ($)
Republic of Greece, 4.65%, 4/19/2007	EUR	1,635,000	2,075,557
Republic of Italy, 4.75%, 3/15/2006	EUR	1,300,000	1,637,693
Republic of Romania, 8.5%, 5/8/2012	EUR	370,000	536,725
United Kingdom Treasury Bond:			
7.75%, 9/8/2006	GBP	50,000	96,176
8.75%, 8/25/2017	GBP	500,000	1,226,642
9.0%, 7/12/2011	GBP	785,000	1,752,978
Total Foreign Bonds — Non US$ Denominated (Cost $11,410,433)			**13,075,227**

	Principal Amount ($)(c)	Value ($)
US Government Backed 12.1%		
US Treasury Bond:		
5.375%, 2/15/2031 (e)	890,000	897,614
6.0%, 2/15/2026	275,000	296,323
8.5%, 2/15/2020 (e)	760,000	1,028,375
10.375%, 11/15/2012 (e)	3,350,000	4,090,665
12.75%, 11/15/2010 (e)	500,000	569,004
US Treasury Note, 5.75%, 8/15/2010 (e)	3,250,000	3,543,514
Total US Government Backed (Cost $10,432,311)		**10,425,495**
US Government Sponsored Agencies 4.3%		
Federal Home Loan Mortgage Corp.:		
2.875%, 9/15/2005 (e)	1,000,000	1,005,425
5.125%, 7/15/2012	2,700,000	2,728,156
Total US Government Sponsored Agencies (Cost $3,734,302)		**3,733,581**
Asset Backed 0.0%		
MMCA Automobile Trust, "B", Series 2002-2, 4.67%, 3/15/2010 (Cost $24,182)	26,408	**24,824**
Convertible Bond 0.2%		
DIMON, Inc., 6.25%, 3/31/2007	135,000	124,200
HIH Capital Ltd., 144A, 7.5%, 9/25/2006	20,000	17,800
Total Convertible Bond (Cost $144,031)		**142,000**

	Shares	Value ($)
Convertible Preferred Stocks 0.1%		
Hercules Trust II (Cost $62,800)	80	**60,000**
Preferred Stock 0.2%		
Paxson Communications Corp., 14.25% (PIK)	17	148,962
TNP Enterprises, Inc., 14.5%, "D"	546	61,180
Total Preferred Stock (Cost $240,465)		**210,142**

	Principal Amount ($)(c)	Value ($)
Loan Participation 0.1%		
Republic of Algeria, Floating Rate Debt Conversion Bond, LIBOR plus .8125%, 1.0%**, 3/4/2010 (Cost $121,400)	126,000	**123,480**
Foreign Currency Options 0.1%		
JPY Call / USD Put, 7/27/2004	735,630	9,801
JPY Call / USD Put, 7/27/2004	1,516,620	24,944
SEK Call / USD Put, 7/27/2004	102,844	34,877
Total Foreign Currency Option (Cost $70,258)		**69,622**

	Shares	Value ($)
Securities Lending Collateral 16.9%		
Daily Assets Fund Institutional, 1.08% (d) (f) (Cost $14,636,134)	14,636,134	**14,636,134**
Cash Equivalents 4.5%		
Scudder Cash Management QP Trust, 1.20% (b) (Cost $3,916,833)	3,916,833	**3,916,833**
Total Investment Portfolio — 100.0% (Cost $86,262,901) (a)		**86,617,142**

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

Notes to Scudder Strategic Income Portfolio of Investments

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

** *Floating rate notes are securities whose yields vary with a designated market index or market rate, such as the coupon-equivalent of the US Treasury bill rate. These securities are shown at their current rate as of June 30, 2004.*

(a) The cost for federal income tax purposes was $86,304,411. At June 30, 2004, net unrealized appreciation for all securities based on tax cost was $305,671. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $1,918,337 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $1,612,666.

(b) Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.

(c) Principal amount stated in US dollars unless otherwise noted.

(d) Daily Assets Fund Institutional, an affiliated fund, is also managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.

(e) All or a portion of these securities were on loan (see Notes to Financial Statements). The value of securities loaned at June 30, 2004 amounted to $14,400,087, which is 19.6% of total net assets.

(f) Represents collateral held in connection with securities lending.

At June 30, 2004, open written options were as follows:

Written Options	**Contract Amount**	**Expiration Date**	**Strike Price**	**Value ($)**
SEK Put	102,844	7/27/2004	7.68	6,292
JPY Put	1,516,620	7/27/2004	109.90	10,034
JPY Put	735,630	7/27/2004	109.30	6,286
Total outstanding written options (Premiums received $69,134)				**22,612**

(g) At June 30, 2004, these securities have been segregated, in whole or in part, to cover initial margin requirements for open futures contracts.

At June 30, 2004, open futures contracts purchased were as follows:

Futures	**Expiration Date**	**Contracts**	**Aggregate Face Value ($)**	**Value ($)**	**Unrealized Appreciation/ (Depreciation) ($)**
10 year Canada Government Bond	9/21/2004	40	4,266,295	4,296,000	29,705
UK Treasury Bond	9/28/2004	5	524,647	529,100	4,453
10 year Japanese Government Bond	9/9/2004	1	1,230,763	1,241,329	10,566
10 year US Treasury Note	9/21/2004	25	2,713,672	2,733,203	19,531
Total net unrealized appreciation					**64,255**

At June 30, 2004, open futures contracts sold short were as follows:

Futures	**Expiration Date**	**Contracts**	**Aggregate Face Value ($)**	**Value ($)**	**Unrealized Appreciation/ (Depreciation) ($)**
10 year German Federal Bond	9/8/2004	(9)	(1,015,168)	(1,018,350)	(3,182)
2 year US Treasury Note	9/30/2004	(127)	(13,727,907)	(13,803,313)	(75,406)
5 year US Treasury Note	9/21/2004	(40)	(8,403,125)	(8,421,875)	(18,750)
Total net unrealized depreciation					**(97,338)**

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registrations, normally to qualified institutional buyers.

Currency Abbreviation			
EUR	Euro	JPY	Japanese Yen
PLN	Polish Zloty	GBP	British Pounds
ARS	Argentine Peso	SEK	Swedish Krona

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

Statement of Assets and Liabilities
as of June 30, 2004 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $67,709,934)	$	68,064,175
Investment in Daily Assets Fund Institutional (cost $14,636,134)*		14,636,134
Investment in Scudder Cash Management QP Trust (cost $3,916,833)		3,916,833
Total investments in securities, at value (cost $86,262,901)		86,617,142
Foreign currency, at value (cost $123,576)		124,248
Receivable for investments sold		973,700
Dividends receivable		1,300
Interest receivable		1,397,281
Receivable for Portfolio shares sold		280,792
Receivable for daily variation margin on open futures contracts		27,305
Unrealized appreciation on forward foreign currency exchange contracts		223,028
Other assets		26,304
Total assets		89,671,100
Liabilities		
Due to custodian bank		65,531
Payable for investments purchased		1,027,456
Payable for Portfolio shares redeemed		141,118
Payable upon return of securities loaned		14,636,134
Written options, at value (premiums received $69,134)		22,612
Unrealized depreciation on forward foreign currency exchange contracts		281,279
Net payable on closed forward foreign currency exchange contracts		2,763
Accrued management fee		32,716
Other accrued expenses and payables		46,267
Total liabilities		16,255,876
Net assets, at value	**$**	**73,415,224**
Net Assets		
Net assets consist of:		
Undistributed net investment income		2,698,757
Net unrealized appreciation (depreciation) on:		
Investments		354,241
Futures		(33,083)
Written options		46,522
Foreign currency related transactions		(70,126)
Accumulated net realized gain (loss)		451,445
Paid-in capital		69,967,468
Net assets, at value	**$**	**73,415,224**
Class A Shares **Net asset value,** offering and redemption price per share ($55,803,329 ÷ 5,016,066 shares outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**11.12**
Class B Shares **Net asset value,** offering and redemption price per share ($17,611,895 ÷ 1,589,120 shares outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**11.08**

Statement of Operations
for the six months ended June 30, 2004 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $2,560)	$	16,058
Interest		2,006,019
Interest — Scudder Cash Management QP Trust		26,535
Securities lending income		4,471
Total Income		2,053,083
Expenses:		
Management fee		232,191
Custodian and accounting fees		31,066
Distribution service fees (Class B)		14,938
Record keeping fees (Class B)		7,373
Auditing		23,550
Legal		4,075
Trustees' fees and expenses		1,775
Reports to shareholders		3,996
Other		845
Total expenses, before expense reductions		319,809
Expense reductions		(595)
Total expenses, after expense reductions		319,214
Net investment income		**1,733,869**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		(373,929)
Futures		29,439
Written options		(38,870)
Foreign currency related transactions		954,994
		571,634
Net unrealized appreciation (depreciation) during the period on:		
Investments		(4,245,216)
Futures		(38,885)
Written options		(13,130)
Foreign currency related transactions		820,378
		(3,476,853)
Net gain (loss) on investment transactions		**(2,905,219)**
Net increase (decrease) in net assets resulting from operations	**$**	**(1,171,350)**

* *Represents collateral on securities loaned.*

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2004 (Unaudited)	Year Ended December 31, 2003
Operations:		
Net investment income	$ 1,733,869	$ 2,379,002
Net realized gain (loss) on investment transactions	571,634	1,464,156
Net unrealized appreciation (depreciation) on investment transactions during the period	(3,476,853)	869,023
Net increase (decrease) in net assets resulting from operations	(1,171,350)	4,712,181
Distributions to shareholders from:		
Net investment income		
Class A	—	(853,600)
Net realized gains		
Class A	(2,822,807)	(28,838)
Class B	(547,427)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	6,915,381	39,373,917
Reinvestment of distributions	2,822,807	882,438
Cost of shares redeemed	(12,344,197)	(41,393,653)
Net increase (decrease) in net assets from Class A share transactions	(2,606,009)	(1,137,298)
Class B		
Proceeds from shares sold	9,863,358	8,762,505
Reinvestment of distributions	547,428	—
Cost of shares redeemed	(341,804)	(662,224)
Net increase (decrease) in net assets from Class B share transactions	10,068,982	8,100,281
Increase (decrease) in net assets	2,921,389	10,792,726
Net assets at beginning of period	70,493,835	59,701,109
Net assets at end of period (including undistributed net investment income of $2,698,757 and $964,888, respectively)	**$ 73,415,224**	**$ 70,493,835**

Other Information

Class A		
Shares outstanding at beginning of period	5,264,429	5,379,967
Shares sold	593,038	3,451,262
Shares issued to shareholders in reinvestment of distributions	247,832	78,789
Shares redeemed	(1,089,233)	(3,645,589)
Net increase (decrease) in Portfolio shares	(248,363)	(115,538)
Shares outstanding at end of period	**5,016,066**	**5,264,429**
Class B		
Shares outstanding at beginning of period	701,718	—
Shares sold	868,981	759,236
Shares issued to shareholders in reinvestment of distributions	48,232	—
Shares redeemed	(29,811)	(57,518)
Net increase (decrease) in Portfolio shares	887,402	701,718
Shares outstanding at end of period	**1,589,120**	**701,718**

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

Financial Highlights

Class A

Years Ended December 31,	2004[a]	2003	2002	2001[b]	2000[c]	1999[c]
Selected Per Share Data						
Net asset value, beginning of period	**$ 11.82**	**$ 11.10**	**$ 10.27**	**$ 9.86**	**$ 9.86**	**$ 11.09**
Income (loss) from investment operations:						
Net investment income[d]	.28	.41	.45	.48	.51	.47
Net realized and unrealized gain (loss) on investment transactions	(.44)	.47	.68	.03	(.26)	(1.10)
Total from investment operations	(.16)	.88	1.13	.51	.25	(.63)
Less distributions from:						
Net investment income	—	(.15)	(.30)	(.10)	(.25)	(.40)
Net realized gains on investment transactions	(.54)	(.01)	—	—	—	(.20)
Total distributions	(.54)	(.16)	(.30)	(.10)	(.25)	(.60)
Net asset value, end of period	**$ 11.12**	**$ 11.82**	**$ 11.10**	**$ 10.27**	**$ 9.86**	**$ 9.86**
Total Return (%)	(1.42)**	7.85	11.30	5.23	2.57	(5.85)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	56	62	60	21	9	6
Ratio of expenses before expense reductions (%)	.83*	.83	.73	.66	1.14	1.03
Ratio of expenses after expense reductions (%)	.83*	.83	.73	.65	1.10	1.01
Ratio of net investment income (%)	4.92*	3.60	4.26	4.76	5.26	4.57
Portfolio turnover rate (%)	310*	160	65	27	154	212

[a] *For the six months ended June 30, 2004 (Unaudited).*

[b] *As required, effective January 1, 2001, the Portfolio has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on debt securities. In addition, paydowns on mortgage-backed securities which were included in realized gain/loss on investment transactions prior to January 1, 2001 are included as interest income. The effect of this change for the year ended December 31, 2001 was to decrease net investment income per share by $.04, increase net realized and unrealized gains and losses per share by $.04 and decrease the ratio of net investment income to average net assets from 5.16% to 4.76%. Per share, ratios and supplemental data for periods prior to January 1, 2001 have not been restated to reflect this change in presentation.*

[c] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has 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.*

[d] *Based on average shares outstanding during the period.*

* *Annualized* ** *Not annualized*

Class B

	2004[a]	2003[b]
Selected Per Share Data		
Net asset value, beginning of period	**$ 11.78**	**$ 11.44**
Income (loss) from investment operations:		
Net investment income[c]	.26	.17
Net realized and unrealized gain (loss) on investment transactions	(.42)	.17
Total from investment operations	(.16)	.34
Less distributions from:		
Net realized gains on investment transactions	(.54)	—
Net asset value, end of period	**$ 11.08**	**$ 11.78**
Total Return (%)	(1.51)**	2.97**
Ratios to Average Net Assets and Supplemental Data		
Net assets, end of period ($ millions)	18	8
Ratio of expenses (%)	1.20*	1.26*
Ratio of net investment income (%)	4.55*	1.80*
Portfolio turnover rate (%)	310*	160

[a] *For the six months ended June 30, 2004 (Unaudited).*

[b] *For the period from May 1, 2003 (commencement of operations of Class B shares) to December 31, 2003.*

[c] *Based on average shares outstanding during the period.*

* *Annualized* ** *Not annualized*

Scudder Technology Growth Portfolio

After opening the year on a strong note, technology stocks fell victim to profit-taking in the second quarter. The sector finished the first half with a flat return, making it the worst performer among the 10 S&P industry sectors. For the six-month period ended June 30, 2004, the portfolio returned 0.11% (Class A shares, unadjusted for contract charges). In comparison, the Goldman Sachs Technology Index returned 0.75% and the Russell 1000 Growth Index returned 2.74%. Performance was helped by strong stock selection within semiconductors and positions in Ericsson (not held as of June 30, 2004), Symantec and Agilent Technologies. BEA Systems and EMC were notable detractors, but we remain confident in the long-term outlook for both. Performance was also penalized by stock selection in IT services and an underweight in Yahoo!, a top performer for the period.

Upon assuming management duties in February, we trimmed the portfolio's position in large caps and purchased a number of small- and mid-cap stocks. In the process, we created a more diversified portfolio that is balanced among large-cap technology stocks that we believe represent an attractive value and smaller companies that are likely to experience rapid earnings growth. The portfolio also holds a larger weighting in international tech stocks. Recent additions include Samsung Electronics, of Korea, and Quanta Computer, of Taiwan. In total, we believe the changes we have made to the portfolio will help us achieve our ultimate goal of long-term outperformance.

Ian Link	Anne Meisner
Lead Manager	Portfolio Manager

Deutsche Investment Management Americas Inc.

All performance shown is historical, assumes reinvestment of all dividends and capital gains, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less then their original cost. Current performance may be lower or higher than the performance data quoted. Please see scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Information concerning the portfolio holdings of the portfolio as of month-end is available upon request on the 16th of the following month.

Risk Considerations

Investments by the portfolio in small companies present greater risk of loss than investments in larger, more established companies. Concentration of the portfolio's investment in technology stocks may present a greater risk than investments in a more diversified portfolio. Investments by the portfolio in emerging technology companies present greater risk than investments in more established technology companies. This portfolio is non-diversified and can take larger positions in fewer companies, increasing its overall potential risk. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

The Goldman Sachs Technology Index is an unmanaged, capitalization-weighted index based on a universe of technology-related stocks. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly into an index.

The Russell 1000 Growth Index is an unmanaged, capitalization-weighted index containing those securities in the Russell 1000 Index with higher price–to–book ratios and higher forecasted growth values. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2004, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Scudder Technology Growth Portfolio

	Shares	Value ($)
Common Stocks 93.3%		
Consumer Discretionary 3.5%		
Internet & Catalog Retail		
eBay, Inc.*	97,700	**8,983,515**
Information Technology 89.1%		
Communications Equipment 14.9%		
Andrew Corp.*	96,900	1,938,969
Avaya, Inc.*	14,700	232,113
Avocent Corp.* (d)	58,800	2,160,312
Cisco Systems, Inc.*	469,900	11,136,630
Corning, Inc.*	331,700	4,332,002
Juniper Networks, Inc.* (d)	108,400	2,663,388
Motorola, Inc.	515,084	9,400,283
QUALCOMM, Inc.	95,558	6,973,823
		38,837,520
Computers & Peripherals 14.6%		
ATI Technologies, Inc.*	79,100	1,491,826
Dell, Inc.*	168,075	6,020,447
EMC Corp.*	797,700	9,093,780
Hewlett-Packard Co.	623,352	13,152,727
Lexmark International, Inc.*	51,125	4,935,096
Network Appliance, Inc.*	89,100	1,918,323
Quanta Computer, Inc.	709,000	1,508,735
		38,120,934
Electronic Equipment & Instruments 4.0%		
Agilent Technologies, Inc.*	184,322	5,396,948
Celestica, Inc.* (d)	96,400	1,923,180
Flextronics International Ltd.*	200,100	3,191,595
		10,511,723
Internet Software & Services 2.8%		
Check Point Software Technologies Ltd.* (d)	155,200	4,188,848
Yahoo!, Inc.*	87,000	3,160,710
		7,349,558
IT Consulting & Services 7.6%		
Accenture Ltd. "A"*	100,500	2,761,740
Affiliated Computer Services, Inc. "A"*	78,800	4,171,672
BearingPoint, Inc.* (d)	54,400	482,528
Cognizant Technology Solutions Corp.*	54,600	1,387,386
First Data Corp.	75,379	3,355,873
Paychex, Inc.	100,708	3,411,987
Unisys Corp.*	298,500	4,143,180
		19,714,366
Semiconductors & Semiconductor Equipment 22.7%		
Analog Devices, Inc.	54,378	2,560,116
ASML Holding NV*	138,337	2,366,946
Atmel Corp.* (d)	96,800	573,056
Broadcom Corp. "A"*	126,158	5,900,410
Infineon Technologies AG (ADR)* (d)	133,600	1,816,960
Intel Corp.	510,789	14,097,776
KLA-Tencor Corp.*	38,700	1,911,006
Konnklijke (Royal) Philips Electronics NV (ADR)	91,900	2,499,680
Linear Technology Corp.	64,040	2,527,659
Maxim Integrated Products, Inc.	93,637	4,908,452
Microchip Technology, Inc.	96,500	3,043,610
National Semiconductor Corp.*	209,900	4,615,701
Novellus Systems, Inc.*	82,000	2,578,080
Samsung Electronics Co., Ltd.	3,900	1,611,347
Texas Instruments, Inc.	266,644	6,447,452
Xilinx, Inc.	49,466	1,647,712
		59,105,963
Software 22.5%		
Amdocs Ltd.*	43,400	1,016,862
BEA Systems, Inc.*	461,958	3,797,295
Electronic Arts, Inc.*	55,620	3,034,071
Intuit, Inc.*	98,313	3,792,915
Microsoft Corp.	791,146	22,595,130
Oracle Corp.*	775,500	9,251,715
SAP AG (ADR) (d)	49,700	2,077,957
Symantec Corp.*	77,000	3,371,060
TIBCO Software, Inc.* (d)	524,900	4,435,405
VERITAS Software Corp.*	187,856	5,203,611
		58,576,021
Telecommunication Services 0.7%		
Wireless Telecommunication Services		
Telefonaktiebolaget LM Ericsson (ADR)* (d)	60,600	**1,813,152**
Total Common Stocks (Cost $203,662,563)		**243,012,752**
Securities Lending Collateral 3.3%		
Daily Assets Fund Institutional, 1.15% (c) (e) (Cost $8,541,204)	8,541,204	**8,541,204**
Cash Equivalents 3.4%		
Scudder Cash Management QP Trust, 1.20% (b) (Cost $8,829,214)	8,829,214	**8,829,214**
Total Investment Portfolio — 100.0% (Cost $221,032,981) (a)		**260,383,170**

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

Notes to Scudder Technology Growth Portfolio

* *Non-income producing security.*

(a) *The cost for federal income tax purposes was $240,932,218. At June 30, 2004, net unrealized appreciation for all securities based on tax cost was $19,450,952. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $23,694,022 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $4,243,070.*

(b) *Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Daily Assets Fund Institutional, an affiliated Fund, is managed by Deutsche Asset Management, Inc. The rate shown is the seven-day yield at period end.*

(d) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2004 amounted to $8,378,578 which is 3.3% of total net assets.*

(e) *Represents collateral held in connection with securities lending.*

At June 30, 2004, open written options were as follows:

Written Options	Contract Amount	Expiration Date	Strike Price	Value ($)
Broadcom Corp. Call	318	7/17/2004	45.00	(63,215)
Telefonaktiebolaget LM Ericsson Call	606	7/17/2004	30.00	(54,540)
TIBCO Software, Inc. Call	269	7/16/2004	9.00	(3,059)
Total outstanding written options (Premiums received $94,468)				**(120,814)**

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

Statement of Assets and Liabilities
as of June 30, 2004 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $203,662,563)	$	243,012,752
Investment in Daily Assets Fund Institutional (cost $8,541,204)*		8,541,204
Investment in Scudder Cash Management QP Trust (cost $8,829,214)		8,829,214
Total investments in securities, at value (cost $221,032,981)		260,383,170
Margin deposit		126,100
Foreign currency, at value (cost $184,086)		185,044
Receivable for investments sold		4,546,803
Dividends receivable		72,304
Interest receivable		5,308
Receivable for Portfolio shares sold		108,832
Foreign taxes recoverable		69
Total assets		265,427,630
Liabilities		
Due to custodian		671
Payable for investments purchased		1,560,913
Payable for Portfolio shares redeemed		75,390
Payable upon return of securities loaned		8,541,204
Written options, at value (premiums received $94,468)		120,814
Accrued management fee		150,182
Other accrued expenses and payables		115,877
Total liabilities		10,565,051
Net assets, at value	**$**	**254,862,579**
Net Assets		
Net assets consist of:		
Accumulated net investment loss	$	(631,089)
Net unrealized appreciation (depreciation) on:		
Investments		39,350,189
Written options		(26,346)
Foreign currency related transactions		929
Accumulated net realized gain (loss)		(287,787,902)
Paid-in capital		503,956,798
Net assets, at value	**$**	**254,862,579**
Class A		
Net Asset Value, offering and redemption price per share ($239,444,000 ÷ 27,041,304 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**8.85**
Class B		
Net Asset Value, offering and redemption price per share ($15,418,579 ÷ 1,754,201 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**8.79**

* *Represents collateral on securities loaned.*

Statement of Operations
for the six months ended June 30, 2004 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $8,643)	$	433,255
Interest — Scudder Cash Management QP Trust		27,499
Securities lending income		8,717
Total Income		469,471
Expenses:		
Management fee		971,486
Custodian and accounting fees		41,302
Distribution service fees (Class B)		16,157
Record keeping fees (Class B)		8,723
Auditing		15,810
Trustees' fees and expenses		4,457
Reports to shareholders		28,960
Other		11,661
Total expenses, before expense reductions		1,098,556
Expense reductions		(796)
Total expenses, after expense reductions		1,097,760
Net investment income (loss)		**(628,289)**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		11,310,084
Written options		452,215
Foreign currency related transactions		(5,089)
		11,757,210
Net unrealized appreciation (depreciation) during the period on:		
Investments		(11,637,880)
Written options		(26,346)
Foreign currency related transactions		929
		(11,663,297)
Net gain (loss) on investment transactions		**93,913**
Net increase (decrease) in net assets resulting from operations	**$**	**(534,376)**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2004 (Unaudited)	Year Ended December 31, 2003
Operations:		
Net investment income (loss)	$ (628,289)	$ (1,109,123)
Net realized gain (loss)	11,757,210	(64,854,046)
Net unrealized appreciation (depreciation) on investment transactions during the period	(11,663,297)	148,935,889
Net increase (decrease) in net assets resulting from operations	(534,376)	82,972,720
Portfolio share transactions:		
Class A		
Proceeds from shares sold	23,013,011	51,551,950
Cost of shares redeemed	(39,753,596)	(94,728,478)
Net increase (decrease) in net assets from Class A share transactions	(16,740,585)	(43,176,528)
Class B		
Proceeds from shares sold	5,054,439	9,021,390
Cost of shares redeemed	(345,993)	(349,231)
Net increase (decrease) in net assets from Class B share transactions	4,708,446	8,672,159
Increase (decrease) in net assets	(12,566,515)	48,468,351
Net assets at beginning of period	267,429,094	218,960,743
Net assets at end of period (including accumulated net investment loss of $631,089 and $2,800, respectively)	**$ 254,862,579**	**$ 267,429,094**

Other Information

Class A		
Shares outstanding at beginning of period	29,035,542	36,318,161
Shares sold	2,586,004	7,017,960
Shares redeemed	(4,580,242)	(14,300,579)
Net increase (decrease) in Portfolio shares	(1,994,238)	(7,282,619)
Shares outstanding at end of period	**27,041,304**	**29,035,542**
Class B		
Shares outstanding at beginning of period	1,217,540	51,379
Shares sold	576,862	1,206,790
Shares redeemed	(40,201)	(40,629)
Net increase (decrease) in Portfolio shares	536,661	1,166,161
Shares outstanding at end of period	**1,754,201**	**1,217,540**

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

Financial Highlights

Class A

Years Ended December 31,	2004[a]	2003	2002	2001	2000[b]	1999[b,c]
Selected Per Share Data						
Net asset value, beginning of period	**$ 8.84**	**$ 6.02**	**$ 9.36**	**$ 13.87**	**$ 17.77**	**$ 10.00**
Income (loss) from investment operations:						
Net investment income (loss)[d]	(.02)	(.04)	(.03)	.01	.04	.05
Net realized and unrealized gain (loss) on investment transactions	.03	2.86	(3.30)	(4.50)	(3.84)	7.72
Total from investment operations	.01	2.82	(3.33)	(4.49)	(3.80)	7.77
Less distributions from:						
Net investment income	—	—	(.01)	(.02)	—	—
Net realized gains on investment transactions	—	—	—	—	(.10)	—
Total distributions	—	—	(.01)	(.02)	(.10)	—
Net asset value, end of period	**$ 8.85**	**$ 8.84**	**$ 6.02**	**$ 9.36**	**$ 13.87**	**$ 17.77**
Total Return (%)	.11**	46.84	(35.52)	(32.39)	(21.57)	77.70[e]**
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	239	257	219	351	270	84
Ratio of expenses before expense reductions (%)	.83*	.86	.80	.81	.82	1.19*
Ratio of expenses after expense reductions (%)	.83*	.86	.80	.81	.82	.94*
Ratio of net investment income (loss) (%)	(.47)*	(.50)	(.37)	.12	.21	.60*
Portfolio turnover rate (%)	131*	66	64	56	107	34*

a *For the six months ended June 30, 2004 (Unaudited).*

b *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has 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.*

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*

Class B

Years Ended December 31,	2004[a]	2003	2002[b]
Selected Per Share Data			
Net asset value, beginning of period	**$ 8.80**	**$ 6.01**	**$ 6.32**
Income (loss) from investment operations:			
Net investment income (loss)[c]	(.04)	(.07)	(.02)
Net realized and unrealized gain (loss) on investment transactions	.03	2.86	(.29)
Total from investment operations	(.01)	2.79	(.31)
Net asset value, end of period	**$ 8.79**	**$ 8.80**	**$ 6.01**
Total Return (%)	(.11)**	46.42	(4.75)**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period ($ millions)	15	11	.3
Ratio of expenses (%)	1.21*	1.25	1.06*
Ratio of net investment income (loss) (%)	(.85)*	(.89)	(.79)*
Portfolio turnover rate (%)	131*	66	64

a *For the six months ended June 30, 2004 (Unaudited).*

b *For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*

c *Based on average shares outstanding during the period.*

* *Annualized* ** *Not annualized*

Scudder Total Return Portfolio

Mixed signals muted equity and fixed-income returns for the six-month period ending June 30, 2004. Whereas economic growth and strong corporate earnings lifted the markets, geopolitical risks, high oil prices and concerns over inflation took their toll on overall performance. Even in this climate of mixed messages, the portfolio delivered a positive total return of 2.06% (Class A shares, unadjusted for contract charges, and for the six-month period ended June 30, 2004), as both the equity and fixed-income portions of the portfolio posted strong relative performance. The portfolio's benchmarks, the Lehman Brothers Aggregate Bond Index and the Standard and Poor's 500 (S&P 500) index, returned 0.15% and 3.44%, respectively.

The equity portfolio benefited as investors abandoned the lower-quality, early-cycle stocks that dominated market performance in 2003 and gravitated to higher-quality names such as those held in the portfolio. During the first half of 2004, security selection, specifically within the health care sector, was additive to equity returns as the medical equipment and biotechnology industries continued to be focal points of the portfolio. Examples of strength within the equity portfolio's health care holdings include Genentech, Gilead Sciences and Zimmer Holdings. Further contributing to equity returns was the portfolio's overweight position in energy stocks. While the spike in oil prices provided the catalyst for the near-term outperformance of the sector, the equity portfolio has been overweight in energy since early last year based on the long-term growth opportunities that we feel exist. Positioning in the technology sector, specifically semiconductors and semiconductor equipment, detracted from performance as investors sold off due to concerns over slowing growth within the industry.

Over the period, volatility continued within the fixed-income markets as Treasury rates declined in the first quarter in response to disappointing job-creation reports. Treasury yields then spiked — with the yield of the 10-year Treasury note increasing 24 basis points in just one day — when a surprisingly strong jobs report came out in April. During the period, mortgages outperformed comparable Treasuries and were a significant contributor to performance. Although underperforming Treasuries in the second quarter, our overall overweight in the asset-backed sector boosted six-month returns. Credit (corporate bonds) was the worst-performing sector in the investment-grade universe during the first half of the year. Concerns about valuations in the context of a rising-interest-rate environment have halted the sector's momentum. But the good news again this quarter is that individual security selection has generated positive returns from the credit sector for the portfolio.

Julie M. Van Cleave   Jack A. Zehner   Thomas J. Schmid
Portfolio Managers — Equity portion of the Portfolio

J. Christopher Gagnier   Gary W. Bartlett   Andrew P. Cestone
Daniel R. Taylor   Thomas Flaherty   Warren S. Davis
William T. Lissenden   Timothy C. Vile   Brett Diment
Portfolio Managers — Fixed Income portion of the Portfolio

Janet Campagna, *Portfolio Manager — Asset Allocation portion of the Portfolio*

Deutsche Investment Management Americas Inc.

All performance shown is historical, assumes reinvestment of all dividends and capital gains, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less then their original cost. Current performance may be lower or higher than the performance data quoted. Please see scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Information concerning the portfolio holdings of the portfolio as of month-end is available upon request on the 16th of the following month.

Risk Considerations

The portfolio is subject to stock market risk, meaning stocks in the portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. The portfolio also invests in individual bonds whose yields and market values fluctuate so that your investment may be worth more or less than its original cost. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

The Lehman Brothers Aggregate Bond Index is an unmanaged, market-value-weighted measure of Treasury issues, agency issues, corporate bond issues and mortgage securities.

The Standard & Poor's (S&P) 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 reinvested dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2004, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Scudder Total Return Portfolio

	Shares	Value ($)
Common Stocks 62.8%		
Consumer Discretionary 8.2%		
Automobiles 1.0%		
Harley-Davidson, Inc.	112,200	**6,949,668**
Hotels Restaurants & Leisure 1.6%		
International Game Technology	170,200	6,569,720
YUM! Brands, Inc.*	105,900	3,941,598
		10,511,318
Internet & Catalog Retail 0.4%		
eBay, Inc.*	27,300	**2,510,235**
Media 2.6%		
Comcast Corp., "A"*	117,600	3,246,936
McGraw-Hill, Inc.	64,700	4,954,079
Omnicom Group, Inc.	75,800	5,752,462
Viacom, Inc. "B"	109,239	3,902,017
		17,855,494
Multiline Retail 1.3%		
Kohl's Corp.*	51,400	2,173,192
Target Corp.	158,700	6,739,989
		8,913,181
Specialty Retail 1.3%		
Bed Bath & Beyond, Inc.*	33,900	1,303,455
Home Depot, Inc.	28,700	1,010,240
Lowe's Companies, Inc.	64,600	3,394,730
Staples, Inc.	95,400	2,796,174
		8,504,599
Consumer Staples 7.6%		
Beverages 2.1%		
PepsiCo, Inc.	185,120	9,974,266
The Coca-Cola Co.	85,000	4,290,800
		14,265,066
Food & Drug Retailing 2.3%		
Wal-Mart Stores, Inc.	205,400	10,836,904
Walgreen Co.	131,000	4,743,510
		15,580,414
Food Products 0.6%		
Dean Foods Co.*	32,400	1,208,844
Hershey Foods Corp.	56,400	2,609,628
		3,818,472
Household Products 2.6%		
Colgate-Palmolive Co.	143,500	8,387,575
Procter & Gamble Co.	173,000	9,418,120
		17,805,695
Energy 4.5%		
Energy Equipment & Services 2.5%		
Baker Hughes, Inc.	119,200	4,487,880
Nabors Industries Ltd.*	150,600	6,810,132
Schlumberger Ltd.	86,800	5,512,668
		16,810,680
Oil & Gas 2.0%		
Burlington Resources, Inc.	122,800	4,442,904
ConocoPhillips	76,800	5,859,072
EOG Resources, Inc.	54,400	3,248,224
		13,550,200
Financials 6.8%		
Banks 0.8%		
Bank of America Corp.	59,600	**5,043,352**
Capital Markets 1.6%		
Goldman Sachs Group, Inc.	21,300	2,005,608
Lehman Brothers Holdings, Inc.	27,700	2,084,425
Morgan Stanley	92,200	4,865,394
State Street Corp.	43,600	2,138,144
		11,093,571
Consumer Finance 1.3%		
American Express Co.	168,700	**8,667,806**
Diversified Financial Services 1.7%		
Citigroup, Inc.	146,799	6,826,154
Fannie Mae	62,800	4,481,408
		11,307,562
Insurance 1.4%		
AFLAC, Inc.	77,900	3,179,099
American International Group, Inc.	87,137	6,211,125
		9,390,224
Health Care 14.3%		
Biotechnology 2.9%		
Amgen, Inc.*	18,400	1,004,088
Genentech, Inc.*	228,200	12,824,840
Gilead Sciences, Inc.*	82,000	5,494,000
		19,322,928
Health Care Equipment & Supplies 3.6%		
Baxter International, Inc.	104,900	3,620,099
Boston Scientific Corp.*	92,100	3,941,880
C.R. Bard, Inc.	45,600	2,583,240
Hospira, Inc.*	16,650	459,540
Medtronic, Inc.	114,500	5,578,440
Zimmer Holdings, Inc.*	93,300	8,229,060
		24,412,259
Health Care Providers & Services 1.1%		
UnitedHealth Group, Inc.	122,800	**7,644,300**
Pharmaceuticals 6.7%		
Abbott Laboratories	166,500	6,786,540
Eli Lilly & Co.	109,300	7,641,163
Johnson & Johnson	220,766	12,296,666
Merck & Co., Inc.	79,500	3,776,250
Pfizer, Inc.	421,775	14,458,447
		44,959,066
Industrials 4.6%		
Aerospace & Defense 1.2%		
United Technologies Corp.	87,600	**8,013,648**

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

	Shares	Value ($)
Air Freight & Logistics 0.7%		
FedEx Corp.	58,800	**4,803,372**
Industrial Conglomerates 2.7%		
3M Co.	47,000	4,230,470
General Electric Co.	438,500	14,207,400
		18,437,870
Information Technology 15.7%		
Communications Equipment 1.8%		
Cisco Systems, Inc.*	515,800	**12,224,460**
Computers & Peripherals 2.6%		
Dell, Inc.*	91,100	3,263,202
EMC Corp.*	542,200	6,181,080
International Business Machines Corp.	89,500	7,889,425
		17,333,707
IT Consulting & Services 1.2%		
Accenture Ltd. "A"*	61,300	1,684,524
Fiserv, Inc.*	117,700	4,577,353
Paychex, Inc.	57,800	1,958,264
		8,220,141
Semiconductors & Semiconductor Equipment 4.6%		
Applied Materials, Inc.*	210,400	4,128,048
Intel Corp.	530,700	14,647,320
Linear Technology Corp.	127,500	5,032,425
Texas Instruments, Inc.	288,900	6,985,602
		30,793,395
Software 5.5%		
Adobe Systems, Inc.	21,400	995,100
BEA Systems, Inc.*	76,300	627,186
Electronic Arts, Inc.*	116,000	6,327,800
Intuit, Inc.*	56,200	2,168,196
Microsoft Corp.	639,800	18,272,688
MicroStrategy, Inc.*	22	939
Oracle Corp.*	269,400	3,213,942
Symantec Corp.*	74,100	3,244,098
VERITAS Software Corp.*	73,600	2,038,720
		36,888,669
Materials 0.5%		
Chemicals		
Ecolab, Inc.	106,000	**3,360,200**
Telecommunication Services 0.6%		
Diversified Telecommunication Services 0.2%		
Verizon Communications, Inc.	37,900	**1,371,601**
Wireless Telecommunication Services 0.4%		
AT&T Wireless Services, Inc.*	186,300	**2,667,816**
Total Common Stocks (Cost $336,519,362)		**423,030,969**
Warrants 0.0%		
MircoStrategy, Inc.* (Cost $0)	96	**10**

	Shares	Value ($)
Convertible Preferred Stocks 0.0%		
Hercules Trust II (Cost $75,312)	120	**90,000**

	Principal Amount ($)	Value ($)
Convertible Bond 0.0%		
DIMON, Inc., 6.25%, 3/31/2007 (Cost $46,141)	50,000	**46,000**
Corporate Bonds 9.0%		
Consumer Discretionary 1.0%		
Adesa, Inc., 7.625%, 6/15/2012	35,000	35,306
Bally Total Fitness Holdings Corp., 10.5%, 7/15/2011	45,000	42,300
Boca Resorts, Inc., 9.875%, 4/15/2009	65,000	68,412
Buffets, Inc., 11.25%, 7/15/2010	20,000	20,900
Cablevision Systems Corp.144A, 5.67%, 4/1/2009**	55,000	56,375
Carrols Corp., 9.5%, 12/1/2008	30,000	31,050
Choctaw Resort Development Enterprises, 9.25%, 4/1/2009	80,000	86,000
Circus & Eldorado, 10.125%, 3/1/2012	45,000	45,225
Comcast Cable Communications:		
6.2%, 11/15/2008	120,000	127,843
8.375%, 3/15/2013	577,000	677,366
CSC Holdings, Inc., 7.875%, 12/15/2007	80,000	83,200
DaimlerChrysler NA Holdings Corp., 4.75%, 1/15/2008	1,065,000	1,073,826
Dex Media East LLC/Financial, 12.125%, 11/15/2012	190,000	221,825
DIMON, Inc., Series B, 9.625%, 10/15/2011	150,000	151,500
EchoStar DBS Corp., 6.375%, 10/1/2011	60,000	59,100
General Motors Corp., 8.25%, 7/15/2023	85,000	89,016
Herbst Gaming, Inc., 144A, 8.125%, 6/1/2012	35,000	35,481
International Game Technology, 8.375%, 5/15/2009	80,000	94,115
Jacobs Entertainment Co., 11.875%, 2/1/2009	80,000	88,000
Liberty Media Corp., Series A, 3.02%, 9/17/2006	1,111,000	1,131,587
Lin Television Corp., 6.5%, 5/15/2013	40,000	38,600
Mail-Well I Corp., 144A, 7.875%, 12/1/2013	35,000	31,850
Mediacom LLC, 9.5%, 1/15/2013	70,000	67,550
MGM MIRAGE, 8.375%, 2/1/2011	50,000	52,250
Park Place Entertainment Corp., 9.375%, 2/15/2007	10,000	10,863
PEI Holding, Inc., 11.0%, 3/15/2010	60,000	69,600
Petro Stopping Centers, 144A, 9.0%, 2/15/2012	115,000	113,850
Premier Entertainment Biloxi LLC/Finance, 144A, 10.75%, 2/1/2012	35,000	36,750

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

	Principal Amount ($)	Value ($)
PRIMEDIA, Inc.:		
144A, 6.615%, 5/15/2010	55,000	55,756
8.875%, 5/15/2011	50,000	49,500
Reader's Digest Association, Inc., 6.5%, 3/1/2011	25,000	24,406
Rent-Way Inc., 11.875%, 6/15/2010	15,000	16,463
Schuler Homes, Inc., 10.5%, 7/15/2011	95,000	108,419
Scientific Games Corp., 12.5%, 8/15/2010	50,000	58,125
Sinclair Broadcast Group, Inc.:		
8.0%, 3/15/2012	120,000	122,700
8.75%, 12/15/2011	45,000	48,150
Sonic Automotive, Inc., 8.625%, 8/15/2013	30,000	31,275
Tele-Communications, Inc., 9.875%, 6/15/2022	670,000	882,485
Toys "R" Us, Inc.:		
7.375%, 10/15/2018	120,000	110,850
7.875%, 4/15/2013	35,000	35,131
United Auto Group, Inc., 9.625%, 3/15/2012	65,000	71,175
Venetian Casino Resort LLC, 11.0%, 6/15/2010	45,000	51,975
VICORP Restaurants, Inc., 144A, 10.5%, 4/15/2011	40,000	39,800
Wheeling Island Gaming, Inc., 10.125%, 12/15/2009	45,000	47,700
Williams Scotsman, Inc., 9.875%, 6/1/2007	45,000	44,663
Worldspan LP/WS Finance Corp., 9.625%, 6/15/2011	30,000	30,600
		6,468,913

Consumer Staples 0.1%

	Principal Amount ($)	Value ($)
Agrilink Foods, Inc., 11.875%, 11/1/2008	15,000	15,863
Gold Kist, Inc., 144A, 10.25%, 3/15/2014	45,000	48,825
North Atlantic Trading Co., 144A, 9.25%, 3/1/2012	55,000	53,212
Pinnacle Foods Holding Corp., 144A, 8.25%, 12/1/2013	25,000	24,125
Rite Aid Corp., 7.3%, 3/10/2019	169	160
Standard Commercial Corp., 144A, 8.0%, 4/15/2012	40,000	39,200
Stater Brother's Holdings, Inc.:		
144A, 5.06%, 6/15/2010	45,000	45,731
144A, 8.125%, 6/15/2012	40,000	40,150
Swift & Co., 12.5%, 1/1/2010	25,000	26,750
United Agri Products, 144A, 8.25%, 12/15/2011	30,000	33,450
Wornick Co., 144A, 10.875%, 7/15/2011	35,000	35,787
		363,253

Energy 1.2%

	Principal Amount ($)	Value ($)
Avista Corp., 9.75%, 6/1/2008	100,000	117,500
Chesapeake Energy Corp.:		
144A, 7.5%, 6/15/2014	15,000	15,450
9.0%, 8/15/2012	35,000	39,375
Citgo Petroleum Corp., 11.375%, 2/1/2011	155,000	179,800
El Paso Production Holdings Corp., 7.75%, 6/1/2013	125,000	114,688
FirstEnergy Corp., Series B, 6.45%, 11/15/2011	75,000	77,757
Newpark Resources, Inc., Series B, 8.625%, 12/15/2007	65,000	65,975
Pedernales Electric Cooperative, Series 02-A, 144A, 6.202%, 11/15/2032	2,090,000	2,090,313
Pemex Project Funding Master Trust, 144A, 2.82%, 6/15/2010	805,000	808,622
Pioneer Natural Resources Co., 9.625%, 4/1/2010	2,345,000	2,876,759
Range Resources Corp., 144A, 7.375%, 7/15/2013	15,000	14,925
Southern Natural Gas, 8.875%, 3/15/2010	65,000	71,013
Stone Energy Corp., 8.25%, 12/15/2011	80,000	83,400
Tri-State Generation & Transmission Association, 144A, 7.144%, 7/31/2033	1,340,000	1,391,027
Williams Cos., Inc.:		
144A, 6.75%, 4/15/2009	35,000	34,388
8.125%, 3/15/2012	20,000	21,350
8.75%, 3/15/2032	75,000	75,000
		8,077,342

Financials 3.0%

	Principal Amount ($)	Value ($)
Ahold Finance USA, Inc., 6.25%, 5/1/2009	130,000	127,400
Americredit Corp., 9.25%, 5/1/2009	100,000	105,250
ASIF Global Finance, 144A, 4.9%, 1/17/2013	1,340,000	1,308,679
BF Saul REIT, 7.5%, 3/1/2014	95,000	94,050
Capital One Bank:		
5.0%, 6/15/2009	900,000	902,576
5.125%, 2/15/2014	565,000	534,620
Consolidated Communications Holdings, 144A, 9.75%, 4/1/2012	35,000	35,525
DA-Lite Screen Co., Inc., 144A, 9.5%, 5/15/2011	45,000	46,800
Dollar Financial Group, Inc.:		
9.75%, 11/15/2011	35,000	36,575
144A, 9.75%, 11/15/2011	10,000	10,450
E*TRADE Financial Corp., 144A, 8.0%, 6/15/2011	75,000	74,625
Farmers Insurance Exchange, 144A, 8.625%, 5/1/2024	85,000	95,207
Ford Motor Credit Co.:		
5.8%, 1/12/2009	1,000,000	1,009,399
6.875%, 2/1/2006	2,448,000	2,567,700
General Motors Acceptance Corp.:		
5.625%, 5/15/2009	130,000	129,740
6.75%, 1/15/2006	4,910,000	5,144,948
6.875%, 9/15/2011	630,000	645,937
Goldman Sachs Group, Inc.:		
5.15%, 1/15/2014	970,000	931,508
6.345%, 2/15/2034	700,000	657,351
HSBC Bank USA, 4.625%, 4/1/2014	1,130,000	1,051,863
iStar Financial, Inc., 6.0%, 12/15/2010	75,000	74,531
Morgan Stanley, 4.75%, 4/1/2014	2,280,000	2,103,576

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

	Principal Amount ($)	Value ($)
Poster Financial Group, 144A, 8.75%, 12/1/2011	60,000	61,050
PXRE Capital Trust I, 8.85%, 2/1/2027	45,000	45,056
R.H. Donnelly Finance Corp., 10.875%, 12/15/2012	80,000	92,800
Rabobank Capital Fund II, 144A, 1.0%, 12/29/2049	110,000	106,445
RAM Holdings Ltd., 144A, 6.875%, 4/1/2024	1,500,000	1,398,604
Republic New York Corp., 5.875%, 10/15/2008	985,000	1,039,067
Thornburg Mortgage, Inc., 8.0%, 5/15/2013	55,000	55,825
UGS Corp., 144A, 10.0%, 6/1/2012	15,000	15,975
Universal City Development, 11.75%, 4/1/2010	80,000	92,600
		20,595,732

Health Care 0.5%

	Principal Amount ($)	Value ($)
AmerisourceBergen Corp., 7.25%, 11/15/2012	55,000	56,375
Curative Health Services, Inc., 144A, 10.75%, 5/1/2011	25,000	24,000
Hanger Orthopedic Group, Inc., 10.375%, 2/15/2009	40,000	40,900
Health Care Service Corp., 144A, 7.75%, 6/15/2011	2,695,000	3,069,158
InSight Health Services Corp., 9.875%, 11/1/2011	25,000	26,750
Interactive Health LLC, 144A, 7.25%, 4/1/2011	45,000	40,050
Team Health, Inc., 144A, 9.0%, 4/1/2012	20,000	19,200
Tenet Healthcare Corp.:		
6.375%, 12/1/2011	185,000	161,875
144A, 9.875%, 7/1/2014	15,000	15,262
		3,453,570

Industrials 0.5%

	Principal Amount ($)	Value ($)
Aeari Co. I, 144A, 8.25%, 4/15/2012	30,000	30,600
Allied Waste North America, Inc., 144A, 5.75%, 2/15/2011	105,000	99,487
AMI Semiconductor, Inc., 10.75%, 2/1/2013	40,000	46,700
Argo-Tech Corp., 144A, 9.25%, 6/1/2011	40,000	41,200
BAE System 2001 Asset Trust, "B", Series B 2001, 144A, 7.156%, 12/15/2011	317,307	337,737
Browning-Ferris Industries:		
7.4%, 9/15/2035	60,000	53,400
9.25%, 5/1/2021	15,000	16,200
Clean Harbors, Inc., 144A, 11.25%, 7/15/2012	30,000	30,300
Collins & Aikman Floor Cover, Series B, 9.75%, 2/15/2010	95,000	96,425
Collins & Aikman Products, 10.75%, 12/31/2011	75,000	75,375
Cornell Companies, Inc., 144A, 10.75%, 7/1/2012	45,000	45,450
Corrections Corp. of America, 9.875%, 5/1/2009	70,000	77,700
Dana Corp.:		
7.0%, 3/1/2029	120,000	115,200
9.0%, 8/15/2011	50,000	58,500
Delta Air Lines, Inc.:		
Series 02-1, 6.417%, 7/2/2012	315,000	325,828
Series 2002-1, 6.718%, 1/2/2023	297,326	306,224
Eagle-Picher, Inc., 9.75%, 9/1/2013	30,000	32,250
Erico International Corp., 144A, 8.875%, 3/1/2012	35,000	35,700
Flextronics International Ltd., 6.5%, 5/15/2013	50,000	48,750
Golden State Petroleum Transportation, 8.04%, 2/1/2019	50,000	50,709
Hercules, Inc.:		
144A, 6.75%, 10/15/2029	60,000	57,600
11.125%, 11/15/2007	75,000	87,750
Hornbeck Offshore Services, Inc., 10.625%, 8/1/2008	75,000	81,844
ISP Chemco, Inc., Series B, 10.25%, 7/1/2011	75,000	83,438
ISP Holdings, Inc., Series B, 10.625%, 12/15/2009	35,000	38,500
Kansas City Southern:		
7.5%, 6/15/2009	55,000	55,000
9.5%, 10/1/2008	90,000	97,762
Laidlaw International, Inc., 10.75%, 6/15/2011	55,000	60,019
Meritage Corp., 7.0%, 5/1/2014	55,000	52,250
Millennium America, Inc.:		
7.625%, 11/15/2026	115,000	98,325
9.25%, 6/15/2008	60,000	64,500
144A, 9.25%, 6/15/2008	20,000	21,500
Mobile Mini, Inc., 9.5%, 7/1/2013	25,000	27,375
Samsonite Corp., 144A, 8.875%, 6/1/2011	50,000	51,750
Sea Containers Ltd., 10.5%, 5/15/2012	40,000	40,150
Seabulk International, Inc., 9.5%, 8/15/2013	30,000	30,788
Ship Finance International Ltd., 144A, 8.5%, 12/15/2013	75,000	72,375
Technical Olympic USA, Inc.:		
7.5%, 3/15/2011	30,000	27,900
10.375%, 7/1/2012	55,000	57,337
The Brickman Group, Ltd., Series B, 11.75%, 12/15/2009	50,000	57,500
United Rentals North America, Inc., 6.5%, 2/15/2012	80,000	75,600
Westlake Chemical Corp., 8.75%, 7/15/2011	40,000	43,400
		3,206,398

Information Technology 0.0%

	Principal Amount ($)	Value ($)
Activant Solutions, Inc., 10.5%, 6/15/2011	45,000	47,475
DigitalNet, Inc., 9.0%, 7/15/2010	42,000	44,835
Itron, Inc., 144A, 7.75%, 5/15/2012	10,000	10,025
		102,335

Materials 0.5%

	Principal Amount ($)	Value ($)
ARCO Chemical Co., 9.8%, 2/1/2020	185,000	181,300
Caraustar Industries, Inc., 9.875%, 4/1/2011	45,000	44,775
Dayton Superior Corp., 10.75%, 9/15/2008	50,000	50,250
Dow Chemical Co., 7.0%, 8/15/2005	1,625,000	1,696,131

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

	Principal Amount ($)	Value ($)
Equistar Chemicals LP:		
8.75%, 2/15/2009	65,000	67,762
10.625%, 5/1/2011	15,000	16,650
Euramax International, Inc., 8.5%, 8/15/2011	40,000	41,600
Georgia-Pacific Corp.:		
144A, 8.0%, 1/15/2024	305,000	305,000
9.375%, 2/1/2013	100,000	114,500
Huntsman Advanced Materials LLC, 144A, 11.0%, 7/15/2010	65,000	73,288
Huntsman International LLC, 11.625%, 10/15/2010	70,000	77,350
IMC Global, Inc., 10.875%, 8/1/2013	70,000	83,475
International Steel Group, Inc., 144A, 6.5%, 4/15/2014	115,000	107,812
Mueller Group Inc., 144A, 5.919%, 11/1/2011	20,000	20,800
Omnova Solutions, Inc., 11.25%, 6/1/2010	20,000	21,800
Owens-Brockway Glass Container, 8.25%, 5/15/2013	110,000	113,575
Pliant Corp.:		
Step-up Coupon, 0.00%, 6/15/2009	25,000	21,063
11.125%, 9/1/2009	35,000	37,450
TriMas Corp., 9.875%, 6/15/2012	105,000	111,300
United States Steel LLC, 9.75%, 5/15/2010	58,000	64,235
		3,250,116

Telecommunication Services 0.5%

	Principal Amount ($)	Value ($)
American Cellular Corp., Series B, 10.0%, 8/1/2011	145,000	125,062
Cincinnati Bell, Inc., 8.375%, 1/15/2014	145,000	129,050
Continental Cable, 9.0%, 9/1/2008	180,000	209,767
GCI, Inc., 144A, 7.25%, 2/15/2014	55,000	52,525
Insight Midwest LP:		
10.5%, 11/1/2010	30,000	32,700
144A, 10.5%, 11/1/2010	5,000	5,450
MCI, Inc., 7.735%, 5/1/2014	190,000	170,050
Nextel Communications, Inc., 5.95%, 3/15/2014	85,000	78,200
Northern Telecom Capital, 7.875%, 6/15/2026	110,000	105,600
Qwest Corp.:		
5.625%, 11/15/2008	360,000	351,900
7.25%, 9/15/2025	10,000	8,700
Telecomunicaciones de Puerto Rico, Inc., 6.65%, 5/15/2006	910,000	961,358
Triton PCS, Inc., 8.5%, 6/1/2013	30,000	28,350
Verizon Pennsylvania, 5.65%, 11/15/2011	974,000	988,139
		3,246,851

Utilities 1.7%

	Principal Amount ($)	Value ($)
Alabama Power Co., 7.125%, 8/15/2004	800,000	804,670
American Electric Power, 6.125%, 5/15/2006	940,000	986,779
Appalachian Power Co., 5.95%, 5/15/2033	1,330,000	1,226,363
CMS Energy Corp.:		
7.5%, 1/15/2009	95,000	94,525
144A, 7.75%, 8/1/2010	50,000	49,750
8.5%, 4/15/2011	35,000	35,700
Consumers Energy Co., Series F, 4.0%, 5/15/2010	1,245,000	1,178,686
DPL, Inc., 6.875%, 9/1/2011	135,000	136,013
First Energy Corp., 7.375%, 11/15/2031	15,000	15,634
Illinova Corp., 11.5%, 12/15/2010	120,000	141,900
Metropolitan Edison Co., 144A, 4.875%, 4/1/2014	2,185,000	2,036,518
NRG Energy, Inc., 144A, 8.0%, 12/15/2013	200,000	202,000
PG&E Corp., 144A, 6.875%, 7/15/2008	85,000	88,825
Progress Energy, Inc., 6.75%, 3/1/2006	2,550,000	2,689,054
TNP Enterprises, Inc., Series B, 10.25%, 4/1/2010	65,000	67,275
Xcel Energy, Inc., 7.0%, 12/1/2010	1,780,000	1,968,997
		11,722,689
Total Corporate Bonds (Cost $60,619,318)		**60,487,199**

Asset Backed 2.6%

Automobile Receivables 0.9%

	Principal Amount ($)	Value ($)
Chase Manhattan Auto Owner Trust, "A4", Series 2003-B, 2.57%, 2/16/2010	2,415,000	2,360,075
Daimler Chrysler Auto Trust, "A4", Series 2002-A, 4.49%, 10/6/2008	672,000	684,550
MMCA Automobile Trust:		
"A4", Series 2002-4, 3.05%, 11/16/2009	700,000	698,236
"B", Series 2002-2, 4.67%, 3/15/2010	15,090	14,185
"B", Series 2002-1, 5.37%, 1/15/2010	2,487,446	2,375,511
		6,132,557

Credit Card Receivables 0.5%

	Principal Amount ($)	Value ($)
MBNA Credit Card Master Note Trust:		
"A2", Series 2004-A2, 1.389%, 7/15/2013	590,000	589,640
2.7%, 9/15/2009	2,980,000	2,915,117
		3,504,757

Home Equity Loans 1.1%

	Principal Amount ($)	Value ($)
Argent NIM Trust, "A", Series 2004-WN2, 144A, 4.55%, 4/25/2034	760,472	758,981
Countrywide Asset-Backed Certificates, "N1", Series 2004-2N, 144A, 5.0%, 2/25/2035	1,050,000	1,044,586
Countrywide Home Loan, "A16", Series 2002-36, 5.25%, 1/25/2033	1,163,914	1,170,795
Equity One ABS, Inc., "AF3", Series 2004-1, 3.054%, 4/25/2034	750,000	732,746
Long Beach Mortgage Loan Trust, "A3", Series 2004-1, 1.6%, 2/25/2034	1,651,557	1,652,811

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	Principal Amount ($)	Value ($)
Residential Asset Securities Corp., "AI6", Series 2000-KS1, 7.905%, 2/25/2031	1,919,313	2,033,810
		7,393,729

Miscellaneous 0.1%

	Principal Amount ($)	Value ($)
Northwest Airlines, "G", Series 1999-3, 7.935%, 4/1/2019	804,126	**860,113**
Total Asset Backed (Cost $18,237,182)		**17,891,156**

Foreign Bonds — US$ Denominated 3.8%

	Principal Amount ($)	Value ($)
Abitibi-Consolidated, Inc., 144A, 5.02%, 6/15/2011	25,000	25,063
Alestra SA de RL de CV, 8.0%, 6/30/2010	35,000	28,000
Antenna TV SA, 9.0%, 8/1/2007	30,000	30,338
Arcel Finance Ltd., 144A, 5.984%, 2/1/2009	2,026,954	2,101,850
Axtel SA, 144A, 11.0%, 12/15/2013	75,000	71,062
BCP Caylux Holdings Luxembourg SCA, 144A, 9.625%, 6/15/2014	80,000	82,900
Biovail Corp., 7.875%, 4/1/2010	85,000	83,937
Cascades, Inc., 7.25%, 2/15/2013	85,000	84,575
Celulosa Arauco y Constitucion SA, 7.75%, 9/13/2011	435,000	487,826
Citigroup (JSC Severstal), 144A, 9.25%, 4/19/2014	60,000	53,100
Conproca SA de CV, 12.0%, 6/16/2010	100,000	124,000
CP Ships Ltd., 10.375%, 7/15/2012	65,000	74,262
Crown Euro Holdings SA, 10.875%, 3/1/2013	80,000	91,200
Deutsche Telekom International Finance BV:		
8.5%, 6/15/2010	240,000	280,454
8.75%, 6/15/2030	1,249,000	1,520,203
Eircom Funding, 8.25%, 8/15/2013	65,000	67,600
Empresa Brasileira de Telecom SA, 144A, 11.0%, 12/15/2008	65,000	70,038
Esprit Telecom Group PLC, 11.5%, 12/15/2007*	630,000	63
Fage Dairy Industry SA, 9.0%, 2/1/2007	230,000	233,450
Federative Republic of Brazil, 8.875%, 4/15/2024	50,000	40,750
Gazprom OAO, 144A, 9.625%, 3/1/2013	100,000	102,875
HSBC Capital Funding LP, 144A, 4.61%, 12/29/2049	1,115,000	1,010,791
Inmarsat Finance PLC, 144A, 7.625%, 6/30/2012	80,000	77,400
Innova S. de R.L., 9.375%, 9/19/2013	75,000	78,562
INTELSAT, 6.5%, 11/1/2013	15,000	13,251
Jefra Cosmetics International, Inc., 10.75%, 5/15/2011	70,000	78,050
Kabel Deutschland GmbH, 144A, 10.625%, 7/1/2014	55,000	56,513
LeGrand SA, 8.5%, 2/15/2025	75,000	77,250
Luscar Coal Ltd., 9.75%, 10/15/2011	70,000	78,750
Mantis Reef Ltd., 144A, 4.692%, 11/14/2008	2,890,000	2,854,375
Millicom International Cellular SA, 144A, 10.0%, 12/1/2013	50,000	50,750
Mizuho Financial Group:		
144A, 5.79%, 4/15/2014	862,000	847,336
8.375%, 12/29/2049	1,840,000	1,895,200
Mobifon Holdings BV, 12.5%, 7/31/2010	40,000	45,600
Mobile Telesystems Financial, 144A, 8.375%, 10/14/2010	70,000	65,975
New ASAT (Finance) Ltd., 144A, 9.25%, 2/1/2011	60,000	59,400
Nortel Networks Corp., 6.875%, 9/1/2023	30,000	26,550
Nortel Networks Ltd., 6.125%, 2/15/2006	155,000	155,775
Petroleos Mexicanos, 9.5%, 9/15/2027	775,000	887,375
Petroleum Geo-Services ASA, 10.0%, 11/5/2010	154,002	159,392
QBE Insurance Group Ltd., 144A, 5.647%, 7/1/2023	1,155,000	1,098,741
Republic of Turkey:		
11.0%, 1/14/2013	35,000	38,150
11.5%, 1/23/2012	30,000	33,600
Rogers Wireless Communications, Inc., 144A, 6.375%, 3/1/2014	45,000	41,400
Royal Bank of Scotland Group PLC, Series 3, 7.816%, 11/29/2049	1,045,000	1,112,481
Sappi Papier Holding AG, 144A, 6.75%, 6/15/2012	1,735,000	1,851,467
Shaw Communications, Inc.:		
Series B, 7.25%, 4/6/2011	80,000	83,017
8.25%, 4/11/2010	35,000	38,063
Sistema Capital SA, 144A, 8.875%, 1/28/2011	50,000	48,500
Sociedad Concesionaria Autopista Contral, 144A, 6.223%, 12/15/2026	2,015,000	1,966,680
Tembec Industries, Inc., 8.5%, 2/1/2011	170,000	171,700
TFM SA de CV:		
10.25%, 6/15/2007	135,000	133,650
Step-up Coupon, 11.75%, 6/15/2009	55,000	53,625
12.5%, 6/15/2012	23,000	24,495
Tyco International Group SA:		
5.8%, 8/1/2006	125,000	130,362
6.375%, 2/15/2006	390,000	409,463
6.75%, 2/15/2011	465,000	505,260
6.875%, 1/15/2029	2,125,000	2,224,684
United Mexican States:		
5.875%, 1/15/2014	15,000	14,415
6.625%, 3/3/2015	10,000	9,925
7.5%, 4/8/2033	230,000	222,640
8.375%, 1/14/2011	125,000	141,250
Vicap SA, 11.375%, 5/15/2007	25,000	24,500
Vitro SA de CV, Series A, 144A, 11.75%, 11/1/2013	55,000	50,463
Vivendi Universal SA, Series B, 9.25%, 4/15/2010	125,000	147,744
WPP Finance Corp., 144A, 5.875%, 6/15/2014	790,000	793,237
Total Foreign Bonds — US$ Denominated (Cost $26,307,778)		**25,541,353**

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

	Principal Amount ($)	Value ($)
US Government Sponsored Agencies 0.6%		
Federal Home Loan Mortgage Corp., 5.0%, 12/1/2033	2,600,000	2,509,000
Federal National Mortgage Association:		
4.5%, 12/1/2018	225,000	219,797
5.0% with various maturities from 12/1/2018 until 12/1/2033	1,710,000	1,693,947
Total US Government Sponsored Agencies (Cost $4,367,067)		**4,422,744**
US Government Agency Sponsored Pass-Throughs 1.5%		
Federal Home Loan Mortgage Corp.:		
2.875%, 12/15/2006	1,561,000	1,545,788
5.0%, 1/15/2033 (c)	1,685,000	1,613,915
Federal National Mortgage Association:		
4.5%, 12/1/2018 (c)	380,275	372,616
5.0%, 6/1/2018 (c)	1,153,350	1,157,455
5.5% with various maturities from 3/1/2018 until 7/1/2033	2,880,339	2,923,330
6.0%, 11/1/2017	971,485	1,014,468
6.5% with various maturities from 5/1/2017 until 12/1/2033	820,765	858,651
8.0%, 9/1/2015	352,962	377,129
Total US Government Agency Sponsored Pass-Throughs (Cost $10,206,934)		**9,863,352**
US Government Backed 3.4%		
US Treasury Bond:		
6.0%, 2/15/2026	8,684,000	9,357,349
7.25%, 5/15/2016	1,699,000	2,053,997
US Treasury Note:		
1.5%, 3/31/2006	95,000	93,275
3.125%, 10/15/2008	1,226,000	1,201,432
4.375%, 8/15/2012	10,289,000	10,241,177
Total US Government Backed (Cost $22,448,825)		**22,947,230**
Collateralized Mortgage Obligations 8.3%		
Fannie Mae, “C”, Series 1997-MS, 6.74%, 8/25/2007	1,090,000	1,172,426
Fannie Mae Grantor Trust, “1A3”, Series 2004-T2, 7.0%, 11/25/2043	710,874	750,731
Fannie Mae Whole Loan:		
“1A3”, Series 2004-W1, 4.49%, 11/25/2043	1,195,000	1,206,276
“5A”, Series 2004-W2, 7.5%, 3/25/2044	2,042,690	2,188,865
Federal Home Loan Mortgage Corp.:		
“AU”, Series 2759, 3.5%, 5/15/2019	1,238,000	1,242,704
“QC”, Series 2694, 3.5%, 9/15/2020	1,900,000	1,896,118

	Principal Amount ($)	Value ($)
“NB”, Series 2750, 4.0%, 12/15/2022	1,558,000	1,550,397
“ME”, Series 2691, 4.5%, 4/15/2032	3,040,000	2,827,337
“PE”, Series 2727, 4.5%, 7/15/2032	1,300,000	1,205,560
“QH”, Series 2694, 4.5%, 3/15/2032	2,990,000	2,778,422
“JD”, Series 2778, 5.0%, 12/15/2032	3,480,000	3,330,681
“PC”, Series 2520, 5.0%, 2/15/2020	254,880	255,441
“PE”, Series 2721, 5.0%, 1/15/2023	665,000	634,613
“PE”, Series 2777, 5.0%, 4/15/2033	2,365,000	2,261,914
“PE”, Series 2512, 5.5%, 2/15/2022	420,000	427,194
“BD”, Series 2453, 6.0%, 5/15/2017	2,250,000	2,350,320
“3A”, Series T-41, 7.5%, 7/25/2032	785,958	842,202
Federal National Mortgage Association:		
“3A2B”, Series 2003-W10, 3.056%, 7/25/2037	1,250,000	1,235,555
“NE”, Series 2004-52, 4.5%, 7/25/2033	1,118,000	1,011,097
“PU”, Series 2003-33, 4.5%, 5/25/2033	1,609,020	1,625,193
“QG”, Series 2004-29, 4.5%, 12/25/2032	1,245,000	1,153,001
“WB”, Series 2003-106, 4.5%, 10/25/2015	1,870,000	1,900,761
“A2”, Series 2002-W10, 4.7%, 8/25/2042	403,367	404,883
“A2”, Series 2002-W9, 4.7%, 8/25/2042	264,927	266,276
“2A3”, Series 2003-W15, 4.71%, 8/25/2043	2,940,000	2,988,676
“KY”, Series 2002-55, 4.75%, 4/25/2028	543,161	544,231
“1A3”, Series 2003-W19, 4.783%, 11/25/2033	1,175,000	1,180,024
“PE”, Series 2002-3, 5.5%, 8/25/2015	4,690,000	4,851,775
“PD”, Series 2002-31, 6.0%, 11/25/2021	6,500,000	6,768,506
“PM”, Series 2001-60, 6.0%, 3/25/2030	849,227	873,492
“HM”, Series 2002-36, 6.5%, 12/25/2029	175,183	178,854
“1A3”, Series 2004-T3, 7.0%, 2/25/2044	360,000	381,375
“A2”, Series 2002-T16, Grantor Trust, 7.0%, 7/25/2042	1,655,254	1,753,537
Bank of America-First Union Commercial Mortgage, Inc., “A1”, Series 2001-3, 4.89%, 4/11/2037	778,950	791,097
Countrywide Alternative Loan Trust, “1A1”, Series 2004-J1, 6.0%, 2/25/2034	798,297	810,748
Countrywide Home Loans:		
“1A6”, Series 2003-1, 5.5%, 3/25/2033	561,496	564,019
“A5”, Series 2002-27, 5.5%, 12/25/2032	1,215,250	1,221,262

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	Principal Amount ($)	Value ($)
FHLMC Structured Pass Through Securities, "3A", Series T-58, 7.0%, 9/25/2043	1,073,236	1,136,933
Government National Mortgage Association, "PD", Series 2004-30, 5.0%, 2/20/2033	1,115,000	1,063,712
Total Collateralized Mortgage Obligations (Cost $55,965,086)		**56,239,082**

Commercial and Non-Agency Mortgage Backed Securities 3.1%

	Principal Amount ($)	Value ($)
First Union-Lehman Brothers Commercial Mortgage, "A3", Series 1997-C1, 7.38%, 4/18/2029	2,069,514	2,219,300
Master Adjustable Rate Mortgages Trust, "9A2", Series 2004-5, 1.0%, 6/25/2032	1,200,000	1,200,000
Master Alternative Loan Trust:		
"7A1", Series 2004-4, 6.0%, 5/25/2034	318,733	319,067
"3A1", Series 2004-5, 6.5%, 6/25/2034	371,013	383,227
"8A1", Series 2004-3, 7.0%, 4/25/2034	977,623	1,023,970
Master Asset Securitization Trust:		
"3A2", Series 2003-2, 4.25%, 4/25/2033	1,629,545	1,628,825
"8A1", Series 2003-6, 5.5%, 7/25/2033	1,416,062	1,384,222
PNC Mortgage Acceptance Corp., Commercial Mortgage, "A2", Series 2000-C1, 7.61%, 2/15/2010	1,545,000	1,749,371
Residential Asset Securities Corp., "AI", Series 2003-KS9, 4.71%, 3/25/2033	1,845,000	1,827,024
Structured Asset Securities Corp., "2A1", Series 2003-1, 6.0%, 2/25/2018	131,402	136,352
Washington Mutual Mortgage Securities Corp., "4A1", Series 2002-S7, 4.5%, 11/25/2032	362,903	363,584
Washington Mutual MSC Mortgage Pass-Through, "3A1", Series 2003-MS6, 4.55%, 5/25/2033	3,291,671	3,274,979
Wells Fargo Mortgage Backed Securities Trust, "1A1", Series 2003-6, 5.0%, 6/25/2018	1,922,140	1,921,992
Total Commercial and Non-Agency Mortgage Backed Securities (Cost $21,167,233)		**20,819,039**

Municipal Investments 1.8%

	Principal Amount ($)	Value ($)
Broward County, FL, Airport Revenue, Airport Systems Revenue, Series J-2, 6.13%, 10/1/2007 (d)	1,000,000	1,073,540
Illinois, Higher Education Revenue, Educational Facilities Authority, Series C, 7.1%, 7/1/2012 (d)	1,000,000	1,130,080
Mashantucket, CT, Special Assessment Revenue, Western Pequot Tribe Special Revenue, Series A, 144A, 6.57%, 9/1/2013 (d)	1,285,000	1,393,454
New York, GO, Environmental Facilities Corp., Series B, 4.95%, 1/1/2013 (d)	1,895,000	1,868,527
Ohio, Sales & Special Tax Revenue, 7.6%, 10/1/2016 (d)	1,000,000	1,100,390
Passaic County, NJ, County GO, 5.0%, 2/15/2017 (d)	1,735,000	1,662,008
Texas, American Campus Properties Student Housing Financing Ltd, 6.125%, 8/1/2023 (d)	1,040,000	1,048,809
Union County, NJ, Student Loan Revenue, Improvement Authority, 5.29%, 4/1/2018 (d)	1,185,000	1,157,081
Washington, Industrial Development Revenue, 3.5%, 10/1/2010 (d)	1,840,000	1,735,985
Total Municipal Investments (Cost $12,345,100)		**12,169,874**

Government National Mortgage Association 0.2%

	Principal Amount ($)	Value ($)
Government National Mortgage Association, 5.0%, 9/20/2033 (Cost $1,130,292)	1,138,654	**1,105,370**

Cash Equivalents 2.9%

	Shares	Value ($)
Scudder Cash Management QP Trust, 1.20% (b) (Cost $19,268,534)	19,268,534	**19,268,534**
Total Investment Portfolio — 100.0% (Cost $588,704,164) (a)		**673,921,912**

Notes to Scudder Total Return Portfolio of Investments

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

(a) *The cost for federal income tax purposes was $597,866,605. At June 30, 2004, net unrealized appreciation for all securities based on tax cost was $76,055,307. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $86,846,899 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $10,791,592.*

(b) *Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Mortgage dollar roll included.*

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

(d) Bond is insured by one of these companies:

Insurance Coverage		As a % of Total Investment Portfolio
AMBAC	AMBAC Assurance Corp.	0.5
FGIC	Financial Guaranty Insurance Company	0.3
FSA	Financial Security Assurance	0.6
MBIA	Municipal Bond Investors Assurance	0.4

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registrations, normally to qualified institutional buyers.

Included in the portfolio are investments in mortgage or asset-backed securities which are interests in separate pools of mortgages or assets. Effective maturities of these investments may be shorter than stated maturities due to prepayments. Some separate investments in the Federal Home loan Mortgage Corp. and the Federal National Mortgage Association and the Government National Mortgage Association issues which have similar coupon rates have been aggregated for presentation purposes in the investment portfolio.

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

Statement of Assets and Liabilities
as of June 30, 2004 (Unaudited)

Assets

Investments:	
Investments in securities, at value (cost $569,435,630)	$ 654,653,378
Investment in Scudder Cash Management QP Trust (cost $19,268,534)	19,268,534
Total investments in securities, at value (cost $588,704,164)	673,921,912
Cash	3,658
Receivable for investments sold	1,748,922
Dividends receivable	252,728
Interest receivable	2,469,876
Receivable for Portfolio shares sold	136,481
Foreign taxes recoverable	2,680
Other assets	15,395
Total assets	678,551,652

Liabilities

Payable for investments purchased	1,304,849
Payable for investments purchased — mortgage dollar rolls	4,376,823
Payable for Portfolio shares redeemed	783,324
Deferred mortgage dollar roll income	8,374
Accrued management fee	317,862
Other accrued expenses and payables	129,928
Total liabilities	6,921,160
Net assets, at value	**$ 671,630,492**

Net Assets

Net assets consist of:	
Undistributed net investment income	5,822,162
Net unrealized appreciation (depreciation) on:	
Investments	85,217,748
Foreign currency related transactions	391
Accumulated net realized gain (loss)	(121,615,916)
Paid-in capital	702,206,107
Net assets, at value	**$ 671,630,492**
Class A	
Net Asset Value, offering and redemption price per share ($644,109,031 ÷ 30,082,652 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 21.41**
Class B	
Net Asset Value, offering and redemption price per share ($27,521,461 ÷ 1,284,661 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 21.42**

Statement of Operations
for the six months ended June 30, 2004 (Unaudited)

Investment Income

Income:	
Dividends	$ 2,228,850
Interest	6,321,635
Interest — Scudder Cash Management QP Trust	100,517
Securities lending income	253
Total Income	8,651,255
Expenses:	
Management fee	1,873,962
Custodian fees	18,646
Distribution service fees (Class B)	29,494
Record keeping fees (Class B)	16,061
Auditing	23,540
Legal	3,970
Trustees' fees and expenses	17,449
Reports to shareholders	72,850
Other	21,283
Total expenses, before expense reductions	2,077,255
Expense reductions	(2,189)
Total expenses, after expense reductions	2,075,066
Net investment income (loss)	**6,576,189**

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from:	
Investments	1,862,066
Foreign currency related transactions	45
	1,862,111
Net unrealized appreciation (depreciation) during the period on:	
Investments	5,810,315
Foreign currency related transactions	(113)
	5,810,202
Net gain (loss) on investment transactions	**7,672,313**
Net increase (decrease) in net assets resulting from operations	**$ 14,248,502**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2004 (Unaudited)	Year Ended December 31, 2003
Operations:		
Net investment income (loss)	$ 6,576,189	$ 12,222,026
Net realized gain (loss) on investment transactions	1,862,111	(15,813,854)
Net unrealized appreciation (depreciation) on investment and foreign currency transactions during the period	5,810,202	112,165,816
Net increase (decrease) in net assets resulting from operations	14,248,502	108,573,988
Distributions to shareholders from:		
Net investment income		
Class A	(10,706,370)	(19,941,338)
Class B	(287,648)	(91,069)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	6,276,560	10,694,541
Reinvestment of distributions	10,706,370	19,941,338
Cost of shares redeemed	(43,278,879)	(90,416,600)
Net increase (decrease) in net assets from Class A share transactions	(26,295,949)	(59,780,721)
Class B		
Proceeds from shares sold	7,321,565	19,711,965
Reinvestment of distributions	287,648	91,069
Cost of shares redeemed	(1,269,792)	(1,167,522)
Net increase (decrease) in net assets from Class B share transactions	6,339,421	18,635,512
Increase (decrease) in net assets	(16,702,044)	47,396,372
Net assets at beginning of period	688,332,536	640,936,164
Net assets at end of period (including undistributed net investment income of $5,822,162 and $10,239,991, respectively)	**$ 671,630,492**	**$ 688,332,536**

Other Information

Class A		
Shares outstanding at beginning of period	31,305,397	34,306,666
Shares sold	291,143	549,966
Shares issued to shareholders in reinvestment of distributions	499,597	1,101,123
Shares redeemed	(2,013,485)	(4,652,358)
Net increase (decrease) in Portfolio shares	(1,222,745)	(3,001,269)
Shares outstanding at end of period	**30,082,652**	**31,305,397**
Class B		
Shares outstanding at beginning of period	988,869	43,090
Shares sold	341,157	999,072
Shares issued to shareholders in reinvestment of distributions	13,397	5,023
Shares redeemed	(58,762)	(58,316)
Net increase (decrease) in Portfolio shares	295,792	945,779
Shares outstanding at end of period	**1,284,661**	**988,869**

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

Financial Highlights

Class A

Years Ended December 31,	2004[a]	2003	2002	2001[b]	2000[c]	1999[c]
Selected Per Share Data						
Net asset value, beginning of period	**$ 21.32**	**$ 18.66**	**$ 22.57**	**$ 25.91**	**$ 28.82**	**$ 27.35**
Income (loss) from investment operations:						
Net investment income (loss)[d]	.21	.37	.47	.61	.74	.84
Net realized and unrealized gain (loss) on investment transactions	.23	2.90	(3.81)	(2.20)	(1.40)	3.03
Total from investment operations	.44	3.27	(3.34)	(1.59)	(.66)	3.87
Less distributions from:						
Net investment income	(.35)	(.61)	(.57)	(.80)	(.90)	(.90)
Net realized gains on investment transactions	—	—	—	(.95)	(1.35)	(1.50)
Total distributions	(.35)	(.61)	(.57)	(1.75)	(2.25)	(2.40)
Net asset value, end of period	**$ 21.41**	**$ 21.32**	**$ 18.66**	**$ 22.57**	**$ 25.91**	**$ 28.82**
Total Return (%)	2.06**	18.10	(15.17)	(6.09)	(2.63)	14.81
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	644	667	640	861	851	952
Ratio of expenses (%)	.60*	.59	.58	.58	.61	.61
Ratio of net investment income (loss) (%)	1.94*	1.88	2.32	2.63	2.75	3.12
Portfolio turnover rate (%)	84[e]*	102[e]	140	115	107	80

[a] *For the six months ended June 30, 2004 (Unaudited).*

[b] *As required, effective January 1, 2001, the Portfolio adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on debt securities. In addition, paydowns on mortgage-backed securities which were included in realized gain/loss on investment transactions prior to January 1, 2001 were included as interest income. The effect of this change for the year ended December 31, 2001 was to decrease net investment income per share by $.03, increase net realized and unrealized gains and losses per share by $.03 and decrease the ratio of net investment income to average net assets from 2.76% to 2.63%. Per share, ratios and supplemental data for periods prior to January 1, 2001 were not restated to reflect this change in presentation.*

[c] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has 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.*

[d] *Based on average shares outstanding during the period.*

[e] *The portfolio turnover rate including mortgage dollar roll transactions was 96% and 108% for the periods ended June 30, 2004 and December 31, 2003, respectively.*

* *Annualized* ** *Not annualized*

Class B

Years Ended December 31,	2004[a]	2003	2002[b]
Selected Per Share Data			
Net asset value, beginning of period	**$ 21.28**	**$ 18.64**	**$ 19.46**
Income (loss) from investment operations:			
Net investment income (loss)[c]	.17	.28	.18
Net realized and unrealized gain (loss) on investment transactions	.23	2.92	(1.00)
Total from investment operations	.40	3.20	(.82)
Less distributions from:			
Net investment income	(.26)	(.56)	—
Net asset value, end of period	**$ 21.42**	**$ 21.28**	**$ 18.64**
Total Return (%)	1.89**	17.66	(4.21)**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period ($ millions)	28	21	.8
Ratio of expenses (%)	.99*	.99	.86*
Ratio of net investment income (loss) (%)	1.55*	1.48	1.96*
Portfolio turnover rate (%)	84[d]*	102[d]	140

[a] *For the six months ended June 30, 2004 (Unaudited).*

[b] *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*

[c] *Based on average shares outstanding during the period.*

[d] *The portfolio turnover rate including mortgage dollar roll transactions was 96% and 108% for the periods ended June 30, 2004 and December 31, 2003, respectively.*

* *Annualized* ** *Not annualized*

SVS Davis Venture Value Portfolio

For the six-month period ended June 30, 2004, Class A shares of SVS Davis Venture Value Portfolio returned 4.33% (unadjusted for contract charges), compared with its benchmark, the Russell 1000 Value Index, which returned 3.94%. The Standard & Poor's 500 (S&P 500) Index returned 3.44% for the six-month period ended June 30, 2004.

The portfolio's investment strategy is to perform extensive research to buy companies with expanding earnings at value prices and hold them for the long term.

During the six-month period ended June 30, 2004, the portfolio's largest sector weighting was in financial services. The portfolio's financial holdings contributed to strong relative performance by outperforming the Standard & Poors 500 index. Also contributing to the portfolio's strong relative performance were the portfolio's technology holdings which, while representing only a small portion of the portfolio, performed more strongly than other technology companies included in the benchmark. The portfolio's consumer nondurable holdings reduced the portfolio's relative performance.

Among the portfolio's top 10 holdings the strongest-performing stocks were Bank One Corp., a financial services company; Costco Wholesale Corp., a retail company; and American International Group, another financial services company.

Among the portfolio's top 10 holdings the weakest-performing stocks were Altria Group, Inc., a consumer nondurable company; Citigroup, Inc, a financial services company; and HSBC Holdings PLC, a financial services company.

Christopher C. Davis
Kenneth Charles Feinberg

Co-Managers
Davis Selected Advisers, L.P., Subadvisor to the Portfolio

All performance shown is historical, assumes reinvestment of all dividends and capital gains, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less then their original cost. Current performance may be lower or higher than the performance data quoted. Please see scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Information concerning the portfolio holdings of the portfolio as of month-end is available upon request on the 16th of the following month.

Risk Considerations

The portfolio has stock market and equity risks, which means stocks in the portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

Russell 1000 Value Index is an unmanaged index, which consists of those stocks in the Russell 1000 Index with lower price-to-book ratios and lower forecasted-growth values. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly into an index.

The Standard & Poor's (S&P) 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 all distributions and do not reflect fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2004, and may not come to pass. This information is subject to change at any time based on market and other conditions.

In this report Davis Selected Advisers makes candid statements and observations regarding economic and market conditions; however, there is no guarantee that these statements, opinions or forecasts will prove to be correct. All investments involve some degree of risk, and there can be no assurance that the investment strategies will be successful. Market values will vary so that an investor may experience a gain or a loss.

SVS Davis Venture Value Portfolio

	Shares	Value ($)
Common Stocks 85.8%		
Consumer Discretionary 6.0%		
Hotels Restaurants & Leisure 0.7%		
Marriott International, Inc. "A"	42,800	**2,134,864**
Media 4.6%		
Comcast Corp. "A"*	298,000	8,227,780
Gannett Co., Inc.	21,000	1,781,850
Lagardere S.C.A.	54,700	3,423,980
WPP Group PLC (ADR)	19,200	983,616
		14,417,226
Specialty Retail 0.7%		
AutoZone, Inc.*	29,400	**2,354,940**
Consumer Staples 10.6%		
Beverages 2.2%		
Diageo PLC (ADR)	78,300	4,286,925
Heineken Holding NV "A"	88,000	2,583,108
		6,870,033
Food & Drug Retailing 2.7%		
Costco Wholesale Corp. (d)	206,700	**8,489,169**
Food Products 1.3%		
Hershey Foods Corp.	55,600	2,572,612
Kraft Foods, Inc. "A" (d)	44,700	1,416,096
		3,988,708
Tobacco 4.4%		
Altria Group, Inc.	279,600	**13,993,980**
Energy 6.6%		
Energy Equipment & Services 0.5%		
Transocean, Inc.*	52,600	**1,522,244**
Oil & Gas 6.1%		
ConocoPhillips	88,660	6,763,872
Devon Energy Corp.	82,800	5,464,800
EOG Resources, Inc.	70,400	4,203,584
Occidental Petroleum Corp.	56,800	2,749,688
		19,181,944
Financials 44.6%		
Banks 14.6%		
Bank One Corp.	196,200	10,006,200
Fifth Third Bancorp.	81,500	4,383,070
Golden West Financial Corp.	76,900	8,178,315
HSBC Holdings PLC	620,152	9,242,945
Lloyds TSB Group PLC (ADR) (d)	70,300	2,241,164
Takefuji Corp.	35,500	2,580,098
Wells Fargo & Co.	162,600	9,305,598
		45,937,390
Capital Markets 1.0%		
Morgan Stanley	44,500	2,348,265
State Street Corp.	14,500	711,080
		3,059,345
Consumer Finance 6.4%		
American Express Co.	385,600	19,812,128
Providian Financial Corp.*	18,500	271,395
		20,083,523
Diversified Financial Services 4.3%		
Citigroup, Inc.	206,300	9,592,950
Moody's Corp.	48,200	3,116,612
Principal Financial Group, Inc.	28,800	1,001,664
		13,711,226
Insurance 16.8%		
American International Group, Inc.	218,200	15,553,296
Aon Corp.	92,800	2,642,016
Berkshire Hathaway, Inc. "B"*	4,785	14,139,675
Chubb Corp.	12,500	852,250
Loews Corp.	84,100	5,042,636
Markel Corp.*	1,300	360,750
Marsh & McLennan Companies, Inc.	16,500	748,770
Progressive Corp.	98,700	8,419,110
Sun Life Financial, Inc.	17,700	512,238
Transatlantic Holdings, Inc.	57,150	4,628,579
		52,899,320
Real Estate 1.5%		
CenterPoint Properties Trust (REIT)	60,800	**4,666,400**
Health Care 3.4%		
Health Care Providers & Services 0.8%		
HCA, Inc.	58,900	**2,449,651**
Pharmaceuticals 2.6%		
Eli Lilly & Co.	52,700	3,684,257
Merck & Co., Inc.	18,400	874,000
Novartis AG (Registered)	28,500	1,259,448
Pfizer, Inc.	69,700	2,389,316
		8,207,021
Industrials 7.1%		
Air Freight & Logistics 0.8%		
United Parcel Service, Inc. "B"	32,800	**2,465,576**
Commercial Services & Supplies 2.5%		
D&B Corp.*	49,900	2,690,109
H&R Block, Inc.	81,400	3,881,152
Rentokil Initial PLC	446,600	1,172,964
		7,744,225
Industrial Conglomerates 3.8%		
Tyco International Ltd. (d)	364,462	**12,078,271**
Information Technology 3.1%		
Communications Equipment 0.3%		
Nokia Oyj (ADR)	58,400	**849,136**
Computers & Peripherals 1.6%		
Lexmark International, Inc. "A"*	53,400	**5,154,702**
Semiconductors & Semiconductor Equipment 0.1%		
Agere Systems, Inc. "A"*	124,700	**286,810**

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

	Shares	Value ($)
Software 1.1%		
Microsoft Corp.	121,700	**3,475,752**
Materials 4.0%		
Construction Materials 1.2%		
Martin Marietta Materials, Inc.	41,100	1,821,963
Vulcan Materials Co.	41,400	1,968,570
		3,790,533
Containers & Packaging 2.8%		
Sealed Air Corp.*	163,200	**8,693,664**
Telecommunication Services 0.4%		
Wireless Telecommunication Services		
SK Telecom Co., Ltd. (ADR) (d)	64,500	**1,353,855**
Total Common Stocks (Cost $225,362,176)		**269,859,508**

	Shares	Value ($)
Securities Lending Collateral 6.4%		
Daily Assets Fund Institutional, 1.15% (c) (e) (Cost $20,124,820)	20,124,820	**20,124,820**
Cash Equivalents 7.8%		
Scudder Cash Management QP Trust, 1.20% (b) (Cost $24,457,515)	24,457,515	**24,457,515**
Total Investment Portfolio — 100.0% (Cost $269,944,511) (a)		**314,441,843**

Notes to SVS Davis Venture Value Portfolio of Investments

* *Non-income producing security.*

(a) *The cost for federal income tax purposes was $270,414,628. At June 30, 2004, net unrealized appreciation for all securities based on tax cost was $44,027,215. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $48,509,385 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $4,482,170.*

(b) *Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(d) *All or a portion of these securities were on loan (see Notes to Financials Statements). The value of all securities loaned at June 30, 2004 amounted to $19,755,099, which is 6.7% of total net assets.*

(e) *Represents collateral held in connection with securities lending.*

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

Financial Statements

Statement of Assets and Liabilities
as of June 30, 2004 (Unaudited)

Assets

Investments:		
Investments in securities, at value (cost $225,362,176)	$	269,859,508
Investment in Daily Assets Fund Institutional (cost $20,124,820)*		20,124,820
Investment in Scudder Cash Management QP Trust (cost $24,457,515)		24,457,515
Total investments in securities, at value (cost $269,944,511)		314,441,843
Cash		12,613
Foreign currency, at value (cost $83,571)		83,294
Receivable for investments sold		11,729
Dividends receivable		441,037
Interest receivable		18,805
Receivable for Portfolio shares sold		363,801
Foreign taxes recoverable		4,518
Other assets		5,072
Total assets		315,382,712

Liabilities

Payable for investments purchased		809,377
Payable upon return of securities loaned		20,124,820
Payable for Portfolio shares redeemed		113,377
Accrued management fee		225,367
Other accrued expenses and payables		133,391
Total liabilities		21,406,332
Net assets, at value	**$**	**293,976,380**

Net Assets

Net assets consist of:		
Undistributed net investment income		763,364
Net unrealized appreciation (depreciation) on:		
Investments		44,497,332
Foreign currency related transactions		(595)
Accumulated net realized gain (loss)		(7,468,003)
Paid-in capital		256,184,282
Net assets, at value	**$**	**293,976,380**
Class A		
Net Asset Value, offering and redemption price per share ($242,292,800 ÷ 22,616,717 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**10.71**
Class B		
Net Asset Value, offering and redemption price per share ($51,683,580 ÷ 4,825,071 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**10.71**

* *Represents collateral on securities loaned.*

Statement of Operations
for the six months ended June 30, 2004 (Unaudited)

Investment Income

Income:		
Dividends (net of foreign taxes withheld of $66,369)	$	2,236,220
Interest — Scudder Cash Management QP Trust		99,493
Securities lending income		9,971
Total Income		2,345,684
Expenses:		
Management fee		1,272,726
Custodian and accounting fees		55,581
Distribution service fees (Class B)		48,211
Record keeping fees (Class B)		26,483
Auditing		50,244
Legal		27,298
Trustee's fees and expenses		1,748
Reports to shareholders		42,705
Registration fees		67
Other		4,307
Total expenses, before expense reductions		1,529,370
Expense reductions		(686)
Total expenses, after expense reductions		1,528,684
Net investment income (loss)		**817,000**

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from:		
Investments		(574,054)
Foreign currency related transactions		(8,550)
		(582,604)
Net unrealized appreciation (depreciation) during the period on:		
Investments		10,873,794
Foreign currency related transactions		(595)
		10,873,199
Net gain (loss) on investment transactions		**10,290,595**
Net increase (decrease) in net assets resulting from operations	**$**	**11,107,595**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2004 (Unaudited)	Year Ended December 31, 2003
Operations:		
Net investment income (loss)	$ 817,000	$ 1,171,027
Net realized gain (loss) on investment transactions	(582,604)	(1,944,206)
Net unrealized appreciation (depreciation) on investment transactions during the period	10,873,199	53,830,899
Net increase (decrease) in net assets resulting from operations	11,107,595	53,057,720
Distributions to shareholders from:		
Net investment income		
Class A	(1,002,743)	(926,268)
Class B	(15,708)	(13,751)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	19,658,604	27,361,668
Reinvestment of distributions	1,002,743	926,268
Cost of shares redeemed	(7,145,895)	(15,951,017)
Net increase (decrease) in net assets from Class A share transactions	13,515,452	12,336,919
Class B		
Proceeds from shares sold	21,176,882	24,216,184
Reinvestment of distributions	15,708	13,751
Cost of shares redeemed	(282,810)	(50,102)
Net increase (decrease) in net assets from Class B share transactions	20,909,780	24,179,833
Increase (decrease) in net assets	44,514,376	88,634,453
Net assets at beginning of period	249,462,004	160,827,551
Net assets at end of period (including undistributed net investment income of $763,364 and $964,815, respectively)	**$ 293,976,380**	**$ 249,462,004**

Other Information

Class A		
Shares outstanding at beginning of period	21,351,155	20,031,383
Shares sold	1,848,589	3,122,880
Shares issued to shareholder in reinvestment of distributions	93,978	122,360
Shares redeemed	(677,005)	(1,925,468)
Net increase (decrease) in Portfolio shares	1,265,562	1,319,772
Shares outstanding at end of period	**22,616,717**	**21,351,155**
Class B		
Shares outstanding at beginning of period	2,848,268	100,387
Shares sold	2,002,012	2,751,475
Shares issued to shareholder in reinvestment of distributions	1,471	1,817
Shares redeemed	(26,680)	(5,411)
Net increase (decrease) in Portfolio shares	1,976,803	2,747,881
Shares outstanding at end of period	**4,825,071**	**2,848,268**

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

Financial Highlights

Class A

Years Ended December 31,	2004[a]	2003	2002	2001[b]
Selected Per Share Data				
Net asset value, beginning of period	**$ 10.31**	**$ 7.99**	**$ 9.50**	**$ 10.00**
Income (loss) from investment operations:				
Net investment income (loss)[c]	.04	.06	.05	.03
Net realized and unrealized gain (loss) on investment transactions	.41	2.31	(1.55)	(.53)
Total from investment operations	.45	2.37	(1.50)	(.50)
Less distributions from:				
Net investment income	(.05)	(.05)	(.01)	—
Net asset value, end of period	**$ 10.71**	**$ 10.31**	**$ 7.99**	**$ 9.50**
Total Return (%)	4.33**	29.84	(15.79)	(5.00)**
Ratios to Average Net Assets and Supplemental Data				
Net assets, end of period ($ millions)	242	220	160	109
Ratio of expenses (%)	1.08*	1.01	1.02	1.09*
Ratio of net investment income (loss) (%)	.67*	.62	.62	.48*
Portfolio turnover rate (%)	1*	7	22	15*

a *For the six months ended June 30, 2004 (Unaudited).*
b *For the period from May 1, 2001 (commencement of operations) to December 31, 2001.*
c *Based on average shares outstanding during the period.*
* *Annualized*
** *Not annualized*

Class B

Years Ended December 31,	2004[a]	2003	2002[b]
Selected Per Share Data			
Net asset value, beginning of period	**$ 10.29**	**$ 7.98**	**$ 8.52**
Income (loss) from investment operations:			
Net investment income (loss)[c]	.01	.02	.04
Net realized and unrealized gain (loss) on investment transactions	.41	2.32	(.58)
Total from investment operations	.42	2.34	(.54)
Less distributions from:			
Net investment income	(.00)[d]	(.03)	—
Net asset value, end of period	**$ 10.71**	**$ 10.29**	**$ 7.98**
Total Return (%)	4.13**	29.42	(6.34)**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period ($ millions)	52	29	.8
Ratio of expenses (%)	1.47*	1.40	1.27*
Ratio of net investment income (loss) (%)	.28*	.23	1.06*
Portfolio turnover rate (%)	1*	7	22

a *For the six months ended June 30, 2004 (Unaudited).*
b *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
c *Based on average shares outstanding during the period.*
d *Amount is less than $0.005 per share.*
* *Annualized*
** *Not annualized*

SVS Dreman Financial Services Portfolio

SVS Dreman Financial Services Portfolio Class A shares (unadjusted for contract charges) rose 1.96% during the six months ended June 30, 2004. Significantly underweight positions relative to the benchmark in investment banking, brokerage and investment management companies — all of which dramatically underperformed during the second quarter — were instrumental to the portfolio's outpacing the 1.21% total return of its benchmark, the Standard & Poor's Financial Index, for the period. These second-quarter gains, along with the strong performance of select regional banks, such as KeyCorp, and diversified financials, such as American Express, helped the portfolio recover ground lost during the first quarter to rising interest rates and issue-specific disappointments.

Most disappointing was the persistently poor performance of Freddie Mac and Fannie Mae, two core holdings in which the portfolio is overweight relative to the benchmark. These companies continued to be mired in ongoing regulatory issues and an investigation into the complex accounting methods of Freddie Mac. Its association hurt Fannie Mae, which tends to trade in tandem. Multiline insurer American International Group and savings and loan Washington Mutual, Inc., both among the portfolio's largest holdings, also suffered losses.

The managers remain confident in the portfolio's positioning, based on their view that these companies continue to offer significant value, with remarkably low relative P/E ratios and strong earnings growth potential. At some point, they believe, the investing public will recognize and reward the fundamental solidity of these companies. Increased interest rates, however, underscore the need to balance risk and return potential. The portfolio continues to be conservatively positioned, and is currently without exposure to the consumer finance industry.

David N. Dreman F. James Hutchinson

Lead Manager Portfolio Manager
Dreman Value Management, L.L.C., Subadvisor to the Portfolio

All performance shown is historical, assumes reinvestment of all dividends and capital gains, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less then their original cost. Current performance may be lower or higher than the performance data quoted. Please see scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Information concerning the portfolio holdings of the portfolio as of month-end is available upon request on the 16th of the following month.

Risk Considerations

This portfolio is subject to stock market risk. It may focus its investments on certain economic sectors, thereby increasing its vulnerability to any single economic, political or regulatory development. This may result in greater share price volatility. Additionally, this portfolio is non-diversified and can take larger positions in fewer companies, increasing its overall potential risk. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

The S&P Financial Index is an unmanaged index that gauges the performance of the financial companies within the S&P 500 Index. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2004, and may not come to pass. This information is subject to change at any time based on market and other conditions.

SVS Dreman Financial Services Portfolio

	Shares	Value ($)
Common Stocks 99.9%		
Financials		
Banks 44.3%		
Bank of America Corp.	141,410	11,966,114
Bank One Corp.	21,962	1,120,062
Banknorth Group, Inc.	53,911	1,751,029
Charta Financial Corp.	18,800	639,200
Golden West Financial Corp.	18,050	1,919,618
Independence Community Bank Corp.	16,100	586,040
KeyCorp.	192,655	5,758,458
Mercantile Bankshares Corp.	41,400	1,938,348
National Bank of Canada	155,750	5,023,817
PNC Financial Services Group	66,540	3,531,943
Popular, Inc.	50,150	2,144,916
Provident Financial Group	36,415	1,436,936
Provident Financial Services, Inc.	41,400	726,570
Signature Bank*	4,000	95,040
Sovereign Bancorp, Inc.	123,775	2,735,428
Sterling Financial Corp.*	1,034	32,954
Union Planters Corp.	82,172	2,449,547
US Bancorp.	194,820	5,369,239
Wachovia Corp.	88,340	3,931,130
Washington Mutual, Inc.	291,832	11,276,388
Wells Fargo & Co.	49,810	2,850,626
		67,283,403
Capital Markets 6.9%		
Bear Stearns Companies, Inc.	20,940	1,765,451
Franklin Resources, Inc.	21,210	1,062,197
Lehman Brothers Holdings, Inc.	21,000	1,580,250
Merrill Lynch & Co., Inc.	52,050	2,809,659
Morgan Stanley	59,480	3,138,759
Piper Jaffray Companies, Inc.*	1,842	83,314
		10,439,630
Consumer Finance 4.8%		
American Express Co.	119,150	6,121,927
SLM Corp.	30,630	1,238,984
		7,360,911
Diversified Financial Services 27.8%		
Allied Capital Corp.	79,395	1,938,826
CIT Group, Inc.	55,690	2,132,370
Citigroup, Inc.	140,500	6,533,250
Fannie Mae	139,880	9,981,837
Freddie Mac	255,305	16,160,806
J.P. Morgan Chase & Co.	139,935	5,425,280
		42,172,369
Insurance 15.9%		
Allstate Corp.	40,495	1,885,042
American International Group, Inc.	236,673	16,870,052
Chubb Corp.	23,330	1,590,639
Marsh & McLennan Companies, Inc.	34,890	1,583,308
Prudential Financial, Inc.	18,690	868,524
St. Paul Companies, Inc.	33,205	1,346,131
		24,143,696
Real Estate 0.2%		
Government Properties Trust, Inc.	23,100	**241,395**
Total Common Stocks (Cost $124,602,902)		**151,641,404**
Cash Equivalents 0.1%		
Scudder Cash Management QP Trust 1.20% (b) (Cost $180,366)	180,366	180,366
Total Investment Portfolio — 100.0% (Cost $124,783,268)		**151,821,770**

Notes to SVS Dreman Financial Services Portfolio of Investments

* *Non-income producing security.*

(a) *The cost for federal income tax purposes was $125,114,327. At June 30, 2004, net unrealized appreciation for all securities based on tax cost was $26,707,443. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $28,425,246 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $1,717,803.*

(b) *Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

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

Statement of Assets and Liabilities
as of June 30, 2004 (Unaudited)

Assets

Investments:		
Investments in securities, at value (cost $124,602,902)	$	151,641,404
Investment in Scudder Cash Management QP Trust (cost $180,366)		180,366
Total investments in securities, at value (cost $124,783,268)		151,821,770
Receivable for investments sold		2,261,557
Dividends receivable		134,755
Interest receivable		1,031
Receivable for Portfolio shares sold		80,995
Other assets		9,702
Total assets		154,309,810

Liabilities

Payable for Portfolio shares redeemed		41,646
Accrued management fee		93,302
Other accrued expenses and payables		86,809
Total liabilities		221,757
Net assets, at value	**$**	**154,088,053**

Net Assets

Net assets consist of:		
Undistributed net investment income		1,256,342
Net unrealized appreciation (depreciation) on:		
Investments		27,038,502
Foreign currency related transactions		267
Accumulated net realized gain (loss)		(5,843,653)
Paid-in capital		131,636,595
Net assets, at value	**$**	**154,088,053**
Class A		
Net Asset Value, offering and redemption price per share ($139,687,129 ÷ 11,279,744 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**12.38**
Class B		
Net Asset Value, offering and redemption price per share ($14,400,924 ÷ 1,163,080 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**12.38**

Statement of Operations
for the six months ended June 30, 2004 (Unaudited)

Investment Income

Income:		
Dividends (net of foreign taxes withheld of $15,359)	$	1,981,591
Interest — Scudder Cash Management QP Trust		13,665
Securities lending income		15,327
Total Income		2,010,583
Expenses:		
Management fee		584,607
Custodian and accounting fees		28,434
Distribution service fees (Class B)		15,107
Record keeping fees (Class B)		8,203
Auditing		21,365
Legal		5,503
Trustees' fees and expenses		1,511
Reports to shareholders		7,563
Other		8,342
Total expenses, before expense reductions		680,635
Expense reductions		(533)
Total expenses, after expense reductions		680,102
Net investment income (loss)		**1,330,481**

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from investments		1,770,821
Net unrealized appreciation (depreciation) during the period on:		
Investments		(183,178)
Foreign currency related transactions		(320)
		(183,498)
Net gain (loss) on investment transactions		**1,587,323**
Net increase (decrease) in net assets resulting from operations	**$**	**2,917,804**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2004 (Unaudited)	Year Ended December 31, 2003
Operations:		
Net investment income (loss)	$ 1,330,481	$ 2,369,818
Net realized gain (loss) on investment transactions	1,770,821	(2,049,136)
Net unrealized appreciation (depreciation) on investment transactions during the period	(183,498)	32,205,547
Net increase (decrease) in net assets resulting from operations	2,917,804	32,526,229
Distributions to shareholders from:		
Net investment income		
Class A	(2,233,509)	(1,844,106)
Class B	(138,571)	(20,489)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	4,062,181	11,621,806
Reinvestment of distributions	2,233,509	1,844,106
Cost of shares redeemed	(9,870,575)	(20,443,301)
Net increase (decrease) in net assets from Class A share transactions	(3,574,885)	(6,977,389)
Class B		
Proceeds from shares sold	5,194,848	8,184,393
Reinvestment of distribution	138,571	20,489
Cost of shares redeemed	(401,578)	(298,889)
Net increase (decrease) in net assets from Class B share transactions	4,931,841	7,905,993
Increase (decrease) in net assets	1,902,680	31,590,238
Net assets at beginning of period	152,185,373	120,595,135
Net assets at end of period (including undistributed net investment income of $1,256,342 and $2,297,941, respectively)	**$ 154,088,053**	**$ 152,185,373**

Other Information

Class A		
Shares outstanding at beginning of period	11,569,224	12,274,256
Shares sold	321,464	1,078,203
Shares issued to shareholders in reinvestment of distributions	176,982	200,228
Shares redeemed	(787,926)	(1,983,463)
Net increase (decrease) in Portfolio shares	(289,480)	(705,032)
Shares outstanding at end of period	**11,279,744**	**11,569,224**
Class B		
Shares outstanding at beginning of period	771,080	39,762
Shares sold	413,666	755,394
Shares issued to shareholders in reinvestment of distributions	10,972	2,225
Shares redeemed	(32,638)	(26,301)
Net increase (decrease) in Portfolio shares	392,000	731,318
Shares outstanding at end of period	**1,163,080**	**771,080**

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

Class A

Years Ended December 31,	2004[a]	2003	2002	2001	2000[b]	1999[b]
Selected Per Share Data						
Net asset value, beginning of period	**$ 12.33**	**$ 9.79**	**$ 10.78**	**$ 11.53**	**$ 9.24**	**$ 9.78**
Income (loss) from investment operations:						
Net investment income (loss)[c]	.11	.20	.15	.14	.19	.18
Net realized and unrealized gain (loss) on investment transactions	.14	2.50	(1.06)	(.71)	2.27	(.67)
Total from investment operations	.25	2.70	(.91)	(.57)	2.46	(.49)
Less distributions from:						
Net investment income	(.20)	(.16)	(.08)	(.13)	(.15)	(.05)
Net realized gains on investment transactions	—	—	—	(.05)	(.02)	—
Total distributions	(.20)	(.16)	(.08)	(.18)	(.17)	(.05)
Net asset value, end of period	**$ 12.38**	**$ 12.33**	**$ 9.79**	**$ 10.78**	**$ 11.53**	**$ 9.24**
Total Return (%)	1.96**	28.13	(8.51)	(4.86)	27.04[d]	(5.05)[d]
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	140	143	120	117	66	27
Ratio of expenses before expense reductions (%)	.84*	.86	.83	.86	.91	1.04
Ratio of expenses after expense reductions (%)	.84*	.86	.83	.86	.89	.99
Ratio of net investment income (loss) (%)	1.73*	1.84	1.44	1.31	2.01	1.75
Portfolio turnover rate (%)	9*	7	13	22	13	13

[a] *For the six months ended June 30, 2004 (Unaudited).*

[b] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Share information, for the periods prior to December 31, 2001, has 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.*

[c] *Based on average shares outstanding during the period.*

[d] *Total return would have been lower had certain expenses not been reduced.*

* *Annualized* ** *Not annualized*

Class B

Years Ended December 31,	2004[a]	2003	2002[b]
Selected Per Share Data			
Net asset value, beginning of period	**$ 12.31**	**$ 9.78**	**$ 10.57**
Income (loss) from investment operations:			
Net investment income (loss)[c]	.08	.14	.06
Net realized and unrealized gain (loss) on investment transactions	.13	2.53	(.85)
Total from investment operations	.21	2.67	(.79)
Less distributions from:			
Net investment income	(.14)	(.14)	—
Net asset value, end of period	**$ 12.38**	**$ 12.31**	**$ 9.78**
Total Return (%)	1.72**	27.73	(7.47)**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period ($ millions)	14	9	.4
Ratio of expenses (%)	1.22*	1.25	1.08*
Ratio of net investment income (loss) (%)	1.35*	1.45	1.33*
Portfolio turnover rate (%)	9*	7	13

[a] *For the six months ended June 30, 2004 (Unaudited).*

[b] *For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*

[c] *Based on average shares outstanding during the period.*

* *Annualized* ** *Not annualized*

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

SVS Dreman High Return Equity Portfolio

SVS Dreman High Return Equity Portfolio Class A shares (unadjusted for contract charges) advanced 2.78% during the six months ended June 30, 2004. Significant and unrelated setbacks to three of the portfolio's core holdings in May eroded first–quarter gains, causing the portfolio to trail the 3.44% total return of its benchmark, the Standard & Poor's 500 (S&P 500) index.

Altria Group, the largest of these holdings, continued to be mired in legal actions against it and other tobacco companies. Freddie Mac and Fannie Mae, which tend to trade in tandem, were affected by an ongoing investigation into the complex accounting methods of Freddie Mac, regulatory issues and rising interest rates. Although the investigation has continued for more than 18 months, no evidence has been found of additional accounting improprieties. Further detracting from performance were the portfolio's underweight positions in industrials and information technology stocks.

During the second quarter, Freddie Mac and Fannie Mae rebounded, helping to buoy performance of the portfolio's financial holdings — its largest industry stake — against the benchmark. Also contributing to performance was a heavy overweight in energy, which benefited from a spike in crude oil and gas prices. Select holdings, including integrated global energy company ConocoPhilips, another core position, posted robust gains. Prudent stock selection within the consumer discretionary sector, particularly among retailers, also added to results.

The managers remain confident in the portfolio's positioning and in the fundamental strength of its holdings. Nonetheless, increased interest rates underscore the need to balance risk and return potential. The managers continue to seek quality companies with lower valuations and higher long-term earnings growth potential and dividend yields than the broader market.

David N. Dreman
F. James Hutchinson

Co-Managers
Dreman Value Management L.L.C., Subadvisor to the Portfolio

All performance shown is historical, assumes reinvestment of all dividends and capital gains, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less then their original cost. Current performance may be lower or higher than the performance data quoted. Please see scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Information concerning the portfolio holdings of the portfolio as of month-end is available upon request on the 16th of the following month.

Risk Considerations

The portfolio may focus its investments on certain economic sectors, thereby increasing its vulnerability to any single economic, political or regulatory development. This may result in greater share price volatility. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

The Standard & Poor's (S&P) 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 all distributions and do not reflect fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2004, and may not come to pass. This information is subject to change at any time based on market and other conditions.

SVS Dreman High Return Equity Portfolio

	Shares	Value ($)
Common Stocks 88.2%		
Consumer Discretionary 7.4%		
Automobiles 0.7%		
Ford Motor Co.	345,000	**5,399,250**
Multiline Retail 0.8%		
Federated Department Stores, Inc.	129,505	**6,358,695**
Specialty Retail 5.9%		
Best Buy Co., Inc.	47,225	2,396,197
Borders Group, Inc. (b)	712,900	16,710,376
Home Depot, Inc.	388,455	13,673,616
Lowe's Companies, Inc.	80,950	4,253,922
Staples, Inc.	334,165	9,794,376
		46,828,487
Consumer Staples 18.0%		
Food & Drug Retailing 0.7%		
Safeway, Inc.*	232,650	**5,895,351**
Tobacco 17.3%		
Altria Group, Inc.	1,349,420	67,538,471
Imperial Tobacco Group (ADR)	95,145	4,173,060
R.J. Reynolds Tobacco Holdings, Inc. (b)	338,148	22,855,423
Universal Corp.	266,570	13,579,076
UST, Inc. (b)	816,640	29,399,040
		137,545,070
Energy 10.1%		
Energy Equipment & Services 0.6%		
Transocean, Inc.*	154,200	**4,462,548**
Oil & Gas 9.5%		
ChevronTexaco Corp.	237,230	22,325,715
ConocoPhillips	416,823	31,799,427
Devon Energy Corp.	126,475	8,347,350
El Paso Corp.	846,510	6,670,499
Kerr-McGee Corp.	120,300	6,468,531
		75,611,522
Financials 30.3%		
Banks 13.5%		
Bank of America Corp.	260,818	22,070,419
Bank One Corp.	100,655	5,133,405
KeyCorp.	335,280	10,021,519
PNC Financial Services Group	236,014	12,527,623
Sovereign Bancorp, Inc.	501,910	11,092,211
US Bancorp.	265,700	7,322,692
Wachovia Corp.	140,000	6,230,000
Washington Mutual, Inc.	854,175	33,005,322
		107,403,191
Capital Markets 0.0%		
Piper Jaffray Companies, Inc.*	2,657	**120,176**
Diversified Financial Services 13.2%		
CIT Group, Inc.	89,100	3,411,639
Fannie Mae	535,073	38,182,809
Freddie Mac	1,000,341	63,321,586
		104,916,034
Insurance 3.6%		
American International Group, Inc.	183,375	13,070,970
Marsh & McLennan Companies, Inc.	167,500	7,601,150
Ohio Casualty Corp.*	41,055	826,437
Safeco Corp.	80,815	3,555,860
St. Paul Companies, Inc.	98,405	3,989,339
		29,043,756
Health Care 15.6%		
Health Care Equipment & Supplies 0.9%		
Becton, Dickinson and Co.	145,055	**7,513,849**
Health Care Providers & Services 6.6%		
AmerisourceBergen Corp.	113,600	6,791,008
HCA, Inc.	262,125	10,901,779
Humana, Inc.*	111,170	1,878,773
Laboratory Corp. of America Holdings*	343,075	13,620,077
Medco Health Solutions, Inc.*	193,294	7,248,525
Quest Diagnostics, Inc.	145,550	12,364,473
		52,804,635
Pharmaceuticals 8.1%		
Bristol-Myers Squibb Co.	935,960	22,931,020
Merck & Co., Inc.	360,195	17,109,263
Pfizer, Inc.	479,530	16,438,288
Schering-Plough Corp.	266,080	4,917,158
Wyeth	75,775	2,740,024
		64,135,753
Industrials 3.9%		
Electrical Equipment 1.3%		
Emerson Electric Co.	167,900	**10,670,045**
Industrial Conglomerates 2.6%		
General Electric Co.	209,350	6,782,940
Tyco International Ltd.	415,005	13,753,266
		20,536,206
Information Technology 2.9%		
IT Consulting & Services		
Electronic Data Systems Corp.	1,198,640	**22,953,956**
Utilities 0.0%		
Gas Utilities		
NiSource, Inc.*	43,220	**108,914**
Total Common Stocks (Cost $622,376,182)		**702,307,438**
Securities Lending Collateral 2.1%		
Daily Assets Fund Institutional, 1.15% (d) (e) (Cost $16,427,049)	16,427,049	**16,427,049**

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

	Shares	Value ($)
Cash Equivalents 9.7%		
Scudder Cash Management QP Trust, 1.20% (c) (Cost $77,707,100)	77,707,100	**77,707,100**
Total Investment Portfolio — 100.0% (Cost $716,510,331) (a)		**796,441,587**

Notes to SVS Dreman High Return Equity Portfolio of Investments

* *Non-income producing security.*

(a) *The cost for federal income tax purposes was $717,747,516. At June 30, 2004, net unrealized appreciation for all securities based on tax cost was $78,694,071. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $117,149,854 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $38,455,783.*

(b) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2004 amounted to $16,034,534, which is 2.1% of net assets.*

(c) *Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(d) *Daily Assets Fund Institutional, an affiliated fund, is also managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(e) *Represents collateral held in connection with securities lending.*

At June 30, 2004, open futures contracts purchased were as follows:

Futures	Expiration Date	Contracts	Aggregated Face Value ($)	Value ($)	Net Unrealized Appreciation (Depreciation) ($)
S&P 500 Index Future	9/16/2004	138	39,019,245	39,343,800	324,555

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

Statement of Assets and Liabilities
as of June 30, 2004 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $622,376,182)	$	702,307,438
Investment in Daily Assets Fund Institutional (cost $16,427,049)*		16,427,049
Investment in Scudder Cash Management QP Trust (cost $77,707,100)		77,707,100
Total investments in securities, at value (cost $716,510,331)		796,441,587
Cash		10,000
Margin deposit		3,000,000
Receivable for investments sold		479,737
Dividends receivable		1,850,491
Interest receivable		63,201
Receivable for Portfolio shares sold		201,468
Receivable for daily variation margin on open futures contracts		158,700
Other assets		676
Total assets		802,205,860
Liabilities		
Payable for investments purchased		3,635,782
Payable for Portfolio shares redeemed		359,732
Payable upon return of securities loaned		16,427,049
Accrued management fee		451,290
Other accrued expenses and payables		194,001
Total liabilities		21,067,854
Net assets, at value	**$**	**781,138,006**
Net Assets		
Net assets consist of:		
Undistributed net investment income		7,643,303
Net unrealized appreciation (depreciation) on:		
Investments		79,931,256
Futures		324,555
Accumulated net realized gain (loss)		(24,423,572)
Paid-in capital		717,662,464
Net assets, at value	**$**	**781,138,006**
Class A		
Net Asset Value, offering and redemption price per share ($684,879,593 ÷ 60,033,977 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**11.41**
Class B		
Net Asset Value, offering and redemption price per share ($96,258,413 ÷ 8,436,789 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**11.41**

* *Represents collateral on securities loaned.*

Statement of Operations
for the six months ended June 30, 2004 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $11,743)	$	10,618,727
Interest — Scudder Cash Management QP Trust		363,855
Securities lending income		2,216
Total Income		10,984,798
Expenses:		
Management fee		2,750,631
Custodian and accounting fees		82,061
Distribution service fees (Class B)		99,541
Record keeping fees (Class B)		55,122
Auditing		19,463
Trustees' fees and expenses		4,893
Reports to shareholders		37,732
Registration fees		611
Other		9,174
Total expenses, before expense reductions		3,059,228
Expense reductions		(1,571)
Total expenses, after expense reductions		3,057,657
Net investment income (loss)		**7,927,141**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		5,482,707
Futures		2,591,299
		8,074,006
Net unrealized appreciation (depreciation) during the period on:		
Investments		6,216,203
Futures		(1,889,197)
		4,327,006
Net gain (loss) on investment transactions		**12,401,012**
Net increase (decrease) in net assets resulting from operations	**$**	**20,328,153**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2004 (Unaudited)	Year Ended December 31, 2003
Operations:		
Net investment income (loss)	$ 7,927,141	$ 12,351,057
Net realized gain (loss) on investment transactions	8,074,006	10,010,852
Net unrealized appreciation (depreciation) on investment transactions during the period	4,327,006	149,662,562
Net increase (decrease) in net assets resulting from operations	20,328,153	172,024,471
Distributions to shareholders from:		
Net investment income		
Class A	(11,297,007)	(11,229,274)
Class B	(1,021,598)	(193,827)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	18,640,452	51,591,121
Reinvestment of distributions	11,297,007	11,229,274
Cost of shares redeemed	(24,344,016)	(50,121,722)
Net increase (decrease) in net assets from Class A share transactions	5,593,443	12,698,673
Class B		
Proceeds from shares sold	29,524,277	52,862,147
Reinvestment of distributions	1,021,598	193,827
Cost of shares redeemed	(952,471)	(584,554)
Net increase (decrease) in net assets from Class B share transactions	29,593,404	52,471,420
Increase (decrease) in net assets	43,196,395	225,771,463
Net assets at beginning of period	737,941,611	512,170,148
Net assets at end of period (including undistributed net investment income of $7,643,303 and $12,034,767, respectively)	**$ 781,138,006**	**$ 737,941,611**

Other Information

Class A		
Shares outstanding at beginning of period	59,527,655	58,214,359
Shares sold	1,649,775	5,422,760
Shares issued to shareholders in reinvestment of distributions	1,011,370	1,398,415
Shares redeemed	(2,154,823)	(5,507,879)
Net increase (decrease) in Portfolio shares	506,322	1,313,296
Shares outstanding at end of period	**60,033,977**	**59,527,655**
Class B		
Shares outstanding at beginning of period	5,819,055	251,123
Shares sold	2,610,117	5,599,747
Shares issued to shareholders in reinvestment of distributions	91,377	24,108
Shares redeemed	(83,760)	(55,923)
Net increase (decrease) in Portfolio shares	2,617,734	5,567,932
Shares outstanding at end of period	**8,436,789**	**5,819,055**

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

Financial Highlights

Class A

Years Ended December 31,	2004[a]	2003	2002	2001	2000[b]	1999[b]
Selected Per Share Data						
Net asset value, beginning of period	**$ 11.29**	**$ 8.76**	**$ 10.81**	**$ 10.77**	**$ 8.96**	**$ 10.28**
Income (loss) from investment operations:						
Net investment income (loss)[c]	.12	.20	.21	.19	.26	.26
Net realized and unrealized gain (loss) on investment transactions	.19	2.53	(2.13)	(.01)	2.25	(1.38)
Total from investment operations	.31	2.73	(1.92)	.18	2.51	(1.12)
Less distributions from:						
Net investment income	(.19)	(.20)	(.09)	(.14)	(.20)	(.10)
Net realized gains on investment transactions	—	—	(.04)	—	(.50)	(.10)
Total distributions	(.19)	(.20)	(.13)	(.14)	(.70)	(.20)
Net asset value, end of period	**$ 11.41**	**$ 11.29**	**$ 8.76**	**$ 10.81**	**$ 10.77**	**$ 8.96**
Total Return (%)	2.78**	32.04	(18.03)	1.69	30.52	(11.16)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	685	672	510	443	168	113
Ratio of expenses before expense reductions (%)	.77*	.79	.79	.82	.85	.86
Ratio of expenses after expense reductions (%)	.77*	.79	.79	.82	.84	.86
Ratio of net investment income (loss) (%)	2.15*	2.14	2.21	1.78	2.85	2.57
Portfolio turnover rate (%)	9*	18	17	16	37	24

[a] *For the six months ended June 30, 2004 (Unaudited).*
[b] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 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.*
[c] *Based on average shares outstanding during the period.*
* *Annualized* ** *Not annualized*

Class B

Years Ended December 31,	2004[a]	2003	2002[b]
Selected Per Share Data			
Net asset value, beginning of period	**$ 11.27**	**$ 8.75**	**$ 9.57**
Income (loss) from investment operations:			
Net investment income (loss)[c]	.10	.16	.18
Net realized and unrealized gain (loss) on investment transactions	.19	2.53	(1.00)
Total from investment operations	.29	2.69	(.82)
Less distributions from:			
Net investment income	(.15)	(.17)	—
Net asset value, end of period	**$ 11.41**	**$ 11.27**	**$ 8.75**
Total Return (%)	2.56**	31.60	(8.57)**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period ($ millions)	96	66	2
Ratio of expenses (%)	1.16*	1.18	1.05*
Ratio of net investment income (loss) (%)	1.76*	1.75	4.30*
Portfolio turnover rate (%)	9*	18	17

[a] *For the six months ended June 30, 2004 (Unaudited).*
[b] *For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
[c] *Based on average shares outstanding during the period.*
* *Annualized* ** *Not annualized*

SVS Dreman Small Cap Value Portfolio

SVS Dreman Small Cap Value Portfolio Class A shares (unadjusted for contract charges, and for the six-month period ended June 30, 2004) advanced 10.32%, outperforming its benchmark, the Russell 2000 Value Index, which gained 7.83%. The portfolio continued to benefit from a trend that has favored small cap and value stocks. Additionally, a second-quarter shift in investor bias toward stocks of greater value and higher quality helped support the portfolio, which invests in stocks with these fundamental attributes.

Returns were driven primarily by asset allocation, which is a residual of bottom-up stock selection. The portfolio's heaviest overweight relative to the benchmark in energy (which benefited from a spike in crude oil and gas prices) was the key to its outperformance. The strong showing of energy holdings, notably Ultra Petroleum, Inc. and Tesoro Petroleum Corp., also contributed. Reliant Resources, Inc., an independent power producer, led utility holdings to robust gains, adding significantly to results.

Financials, the portfolio's largest industry stake, were the biggest detractor, despite the exceptional showing of select real estate investment trusts, including Newcastle Investment Corp. More vulnerable to rising interest rates than their larger, more diversified counterparts, small banks and savings and loans lagged; these comprise slightly less than half of the portfolio's financial holdings. Additionally, an underweight position in materials, which posted strong gains, hampered performance.

The managers remain comfortable with the portfolio's positioning, but continue to seek opportunities to enhance the portfolio. The portfolio, they believe, is poised to perform well in any market environment other than one led by technology, which offers few opportunities consistent with the manager's investment criteria.

David N. Dreman
Nelson Woodard

Co-Managers
Dreman Value Management, L.L.C., Subadvisor to the Portfolio

All performance shown is historical, assumes reinvestment of all dividends and capital gains, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less then their original cost. Current performance may be lower or higher than the performance data quoted. Please see scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Information concerning the portfolio holdings of the portfolio as of month-end is available upon request on the 16th of the following month.

Risk Considerations

This portfolio is subject to stock market risk. Stocks of small companies involve greater risk than securities of larger, more-established companies, as they often have limited product lines, markets or financial resources and may be exposed to more erratic and abrupt market movements. The portfolio may focus its investments on certain economic sectors, thereby increasing its vulnerability to any single economic, political or regulatory development. This may result in greater share price volatility. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

The Russell 2000 Value Index measures the performance of small companies with lower price-to-book ratios and lower forecasted growth values than the overall market. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly in an index.

Portfolio management market commentary is as of June 30, 2004, and may not come to pass. This information is subject to change at any time based on market and other conditions.

SVS Dreman Small Cap Value Portfolio

	Shares	Value ($)
Common Stocks 94.7%		
Consumer Discretionary 8.9%		
Auto Components 0.3%		
Noble International Ltd.	48,000	**1,188,960**
Automobiles 1.1%		
Fleetwood Enterprises, Inc.*	324,000	**4,714,200**
Hotels Restaurants & Leisure 1.6%		
Bluegreen Corp.*	210,300	2,902,140
CBRL Group, Inc.	74,300	2,292,155
Navigant International, Inc.*	114,100	2,029,839
		7,224,134
Household Durables 0.7%		
Meritage Corp.*	17,300	1,190,240
Standard Pacific Corp.	40,500	1,996,650
		3,186,890
Leisure Equipment & Products 0.6%		
Lakes Entertainment, Inc.	220,500	**2,555,595**
Media 0.4%		
Catalina Marketing Corp.*	103,200	**1,887,528**
Specialty Retail 3.5%		
AnnTaylor Stores Corp.*	76,950	2,230,011
Borders Group, Inc.	94,500	2,215,080
Dress Barn, Inc.*	92,700	1,587,024
Linens 'N Things, Inc.*	99,800	2,925,138
Mettler-Toledo International, Inc.*	129,900	6,383,286
		15,340,539
Textiles, Apparel & Luxury Goods 0.7%		
Phillips-Van Heusen Corp.	167,336	**3,221,218**
Consumer Staples 5.4%		
Food Products 2.5%		
Chiquita Brands International, Inc.*	185,900	3,889,028
J & J Snack Foods Corp.*	67,600	2,760,108
Ralcorp Holdings, Inc.*	129,700	4,565,440
		11,214,576
Personal Products 1.3%		
Helen of Troy Ltd.*	150,600	**5,552,622**
Tobacco 1.6%		
Universal Corp.	68,400	3,484,296
Vector Group Ltd.	227,311	3,580,148
		7,064,444
Energy 10.1%		
Energy Equipment & Services 1.4%		
Matrix Service Co.*	154,100	1,410,015
Oil States International, Inc.*	239,000	3,656,700
Unit Corp.*	37,900	1,191,955
		6,258,670
Oil & Gas 8.7%		
Callon Petroleum Co.	40,200	573,252
Comstock Resources, Inc.*	160,045	3,114,476
Delta Petrolaum Corp.*	249,600	3,357,120
Energy Partners Ltd.*	144,500	2,210,850
Frontier Oil Corp.	150,100	3,180,619
Global Industries, Inc.*	79,500	454,740
Magnum Hunter Resources, Inc.*	222,700	2,311,626
Parallel Petroleum Corp.	234,100	1,187,121
Penn Virginia Corp.	167,200	6,037,592
Pioneer Drilling Co.	162,000	1,244,160
Quicksilver Resources, Inc.	22,600	1,515,782
Remington Oil & Gas Corp.*	130,700	3,084,520
Tesoro Petroleum Corp.*	90,500	2,497,800
Ultra Petroleum Corp.*	209,400	7,816,902
		38,586,560
Financials 28.3%		
Banks 13.0%		
BankAtlantic Bancorp., Inc. "A"	113,850	2,100,533
BOK Financial Corp.*	38,556	1,514,094
Capital Bancorp., Ltd.	47,100	1,225,071
Center Financial Corp.	118,200	1,790,730
Colonial BancGroup, Inc.	133,400	2,423,878
Community First Bankshares, Inc.	42,400	1,364,856
First Federal Capital Corp.	103,800	2,888,754
First Federal Financial Corp.*	63,250	2,631,200
Franklin Bank Corp.*	99,900	1,580,418
Fulton Financial Corp.	131,884	2,657,463
Glacier Bancorp., Inc.	124,756	3,514,377
Greater Bay Bancorp.	161,300	4,661,570
Independence Community Bank Corp.	87,700	3,192,280
IndyMac Bancorp., Inc.	85,950	2,716,020
International Bancshares Corp.	53,148	2,155,151
Midwest Banc Holdings, Inc.	62,600	1,395,980
Oriental Finance Group, Inc.	52,400	1,418,468
PFF Bancorp., Inc.	78,100	2,908,444
Provident Bankshares Corp.	97,550	2,813,342
R & G Financial Corp. "B"	157,225	5,197,858
S&T Bancorp, Inc.	41,600	1,330,368
Signature Bank*	15,400	365,904
Sterling Financial Corp.*	54,582	1,739,528
TierOne Corp.	27,800	597,978
Webster Financial Corp.	70,800	3,329,016
		57,513,281
Diversified Financial Services 2.3%		
ACE Cash Express, Inc.*	105,400	2,707,726
Bank Mutual Corp.	187,600	2,044,840
CMET Finance Holdings, Inc.*	7,200	720,000
Fieldstone Private Capital Corp.*	149,100	2,348,325
Jer Investment Trust, Inc. 144A*	149,900	2,248,500
MCG Capital Corp.	8,000	123,040
		10,192,431
Insurance 5.7%		
Ceres Group, Inc.*	346,890	2,129,905
Endurance Specialty Holdings Ltd.	47,700	1,659,960
Meadowbrook Insurance Group, Inc.*	263,500	1,396,550
ProCentury Corp.*	336,700	3,276,091
PXRE Group Ltd.	51,000	1,288,770
Quanta Capital Holdings Ltd.*	155,900	1,655,658

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

	Shares	Value ($)
Quanta Capital Holdings Ltd.*	123,400	1,325,316
Scottish Re Group Ltd.	251,300	5,842,725
Selective Insurance Group, Inc.	141,300	5,635,044
United National Group, Ltd. "A"*	58,800	888,468
		25,098,487
Real Estate 7.3%		
Capital Lease Funding, Inc. (REIT)*	193,100	2,008,240
Correctional Properties Trust (REIT)	71,700	2,097,225
Healthcare Realty Trust, Inc. (REIT)	60,400	2,263,792
Highland Hospitality Corp. (REIT)*	264,100	2,654,205
HRPT Properties Trust (REIT)	133,500	1,336,335
Luminent Mortgage Capital, Inc. (REIT)	58,500	702,000
Medical Properties of America (REIT)*	109,300	1,093,000
MFA Mortgage Investments, Inc. (REIT)	233,300	2,076,370
National Health Investors, Inc. (REIT)	83,400	2,267,646
Newcastle Investment Corp. (REIT)	254,600	7,625,270
Novastar Financial, Inc. (REIT)	224,100	8,506,836
		32,630,919
Health Care 8.1%		
Biotechnology 1.5%		
Charles River Laboratories International, Inc.*	60,400	2,951,748
Serologicals Corp.*	186,800	3,734,132
		6,685,880
Health Care Equipment & Supplies 1.5%		
Apogent Technologies, Inc.*	88,500	2,832,000
Conmed Corp.*	90,000	2,466,000
Cytyc Corp.*	52,900	1,342,073
		6,640,073
Health Care Providers & Services 4.6%		
Apria Healthcare Group, Inc.*	82,100	2,356,270
LabOne, Inc.*	87,500	2,780,750
Odyssey Healthcare, Inc.*	108,400	2,040,088
Pediatrix Medical Group, Inc.*	42,600	2,975,610
Province Healthcare Co.*	209,100	3,586,065
Triad Hospitals, Inc.*	179,000	6,664,170
		20,402,953
Pharmaceuticals 0.5%		
Par Pharmaceutical Cos., Inc.*	67,900	**2,390,759**
Industrials 18.1%		
Aerospace & Defense 6.1%		
CAE, Inc.	595,600	2,721,892
Curtiss-Wright Corp.	52,200	2,933,118
DRS Technologies, Inc.*	98,100	3,129,390
Herley Industries, Inc.*	179,800	3,513,292
Moog, Inc. "A"*	164,250	6,095,317
Precision Castparts Corp.	107,000	5,851,830
Triumph Group, Inc.	13,600	434,248
United Defense Industries, Inc.*	66,100	2,313,500
		26,992,587
Building Products 1.8%		
Levitt Corp. "A"*	159,300	4,103,568
NCI Building Systems, Inc.*	60,900	1,982,295

	Shares	Value ($)
York International Corp.	52,000	2,135,640
		8,221,503
Commercial Services & Supplies 2.2%		
Consolidated Graphics, Inc.*	75,400	3,321,370
FTI Consulting, Inc.*	112,700	1,859,550
John H. Harland Co.	90,700	2,662,045
WCA Waste Corp.	200,700	1,786,230
		9,629,195
Construction & Engineering 1.1%		
URS Corp.*	172,500	**4,726,500**
Electrical Equipment 0.4%		
Genlyte Group, Inc.*	31,800	**1,999,584**
Industrial Conglomerates 1.2%		
Denbury Resources, Inc.*	252,600	**5,291,970**
Machinery 2.8%		
Albany International Corp. "A"	72,500	2,433,100
Briggs & Stratton Corp.	26,300	2,323,605
Harsco Corp.	44,400	2,086,800
Oshkosh Truck Corp.	51,400	2,945,734
Valmont Industries	112,400	2,573,960
		12,363,199
Road & Rail 1.9%		
Genessee & Wyoming, Inc.*	140,550	3,331,035
RailAmerica, Inc.*	168,100	2,454,260
Yellow Roadway Corp.*	67,807	2,702,787
		8,488,082
Transportation Infrastructure 0.6%		
Offshore Logistics, Inc.	90,200	**2,536,424**
Information Technology 3.4%		
Communications Equipment 1.8%		
CyberGuard Corp.*	88,100	718,896
Emulex Corp.*	124,600	1,783,026
Luminent, Inc.*	135,000	1,620,000
PC-Tel, Inc.*	316,600	3,735,880
		7,857,802
Computers & Peripherals 0.7%		
Stratasys, Inc.	53,000	1,312,280
Western Digital Corp.*	204,400	1,770,104
		3,082,384
Electronic Equipment & Instruments 0.4%		
Scansource, Inc.*	33,400	**1,984,628**
IT Consulting & Services 0.5%		
BISYS Group, Inc.*	74,700	1,050,282
CACI International, Inc. "A"*	26,800	1,083,792
		2,134,074
Materials 6.5%		
Chemicals 2.2%		
Headwaters, Inc.*	244,500	6,339,885
Sensient Technologies Corp.	166,500	3,576,420
		9,916,305
Construction Materials 0.7%		
Florida Rock Industries, Inc.	73,695	**3,107,718**

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

	Shares	Value ($)
Marine 1.0%		
Tsakos Energy Navigation Ltd.	128,300	**4,357,068**
Metals & Mining 2.6%		
Cleveland-Cliffs, Inc.	42,800	2,413,492
Metal Management, Inc.*	70,800	1,402,548
Pan American Silver Corp.*	176,400	2,319,660
Stillwater Mining Co.*	142,700	2,141,927
Wheaton River Minerals Ltd.*	1,091,100	3,065,991
		11,343,618
Utilities 5.9%		
Electric Utilities 1.3%		
CMS Energy Corp.*	315,100	2,876,863
WPS Resources Corp.	65,000	3,012,750
		5,889,613
Gas Utilities 1.7%		
Peoples Energy Corp.	60,600	2,554,290
Southern Union Co.*	223,200	4,705,056
		7,259,346
Multi-Utilities 1.1%		
ONEOK, Inc.	146,000	3,210,540
Sierra Pacific Resources*	210,600	1,623,726
		4,834,266
Multi-Utilities & Unregulated Power 1.8%		
Reliant Resources, Inc.*	735,300	**7,963,299**
Total Common Stocks (Cost $320,415,795)		**419,529,884**

	Shares	Value ($)
Preferred Stock 0.5%		
Financials 0.5%		
Banks 0.2%		
Chevy Chase Bank, 8.00%*	38,800	**1,059,240**
Real Estate 0.3%		
Equity Inns, Inc., 8.750%, Series B*	36,200	907,263
Winston Hotels, Inc., 8.00%*	20,300	487,606
		1,394,869
Total Preferred Stock (Cost $2,382,500)		**2,454,109**
Other Investments 1.1%		
iShares Russell 2000 Index Fund	14,400	1,699,056
Tortoise Energy Infrastructure Corp.	137,800	3,154,242
Total Other Investments (Cost $5,079,918)		**4,853,298**
Cash Equivalents 3.7%		
Scudder Cash Management QP Trust 1.20% (b) (Cost $16,277,786)	16,277,786	16,277,786
Total Investment Portfolio — 100.0% (Cost $344,155,999) (a)		**443,115,077**

Notes to SVS Dreman Small Cap Value Portfolio of Investments

* *Non-income producing security.*

(a) *The cost for federal income tax purposes was $344,496,289. At June 30, 2004, net unrealized appreciation for all securities based on tax cost was $98,618,788. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $103,895,739 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $5,276,951.*

(b) *Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

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

Statement of Assets and Liabilities
as of June 30, 2004 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $327,878,213)	$	426,837,291
Investment in Scudder Cash Management QP Trust (cost $16,277,786)		16,277,786
Total investments in securities, at value (cost $344,155,999)		443,115,077
Receivable for investments sold		3,548,203
Dividends receivable		284,239
Interest receivable		18,527
Receivable for Portfolio shares sold		211,348
Total assets		447,177,394
Liabilities		
Payable for investments purchased		4,559,004
Payable for Portfolio shares redeemed		143,461
Accrued management fee		259,366
Other accrued expenses and payables		91,091
Total liabilities		5,052,922
Net assets, at value	**$**	**442,124,472**
Net Assets		
Net assets consist of:		
Undistributed net investment income		995,295
Net unrealized appreciation (depreciation) on investments		98,959,078
Accumulated net realized gain (loss)		9,566,564
Paid-in capital		332,603,535
Net assets, at value	**$**	**442,124,472**
Class A		
Net Asset Value, offering and redemption price per share ($387,743,745 ÷ 22,083,409 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**17.56**
Class B		
Net Asset Value, offering and redemption price per share ($54,380,727 ÷ 3,098,136 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**17.55**

Statement of Operations
for the six months ended June 30, 2004 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $8,037)	$	2,660,739
Interest		23,398
Interest — Scudder Cash Management QP Trust		91,333
Total Income		2,775,470
Expenses:		
Management fee		1,543,421
Custodian fees		15,336
Distribution service fees (Class B)		51,720
Record keeping fees (Class B)		28,536
Auditing		23,356
Legal		9,889
Trustees' fees and expenses		2,949
Reports to shareholders		33,909
Other		6,919
Total expenses, before expense reductions		1,716,035
Expense reductions		(1,155)
Total expenses, after expense reductions		1,714,880
Net investment income (loss)		**1,060,590**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		25,992,074
Foreign currency related transactions		86
		25,992,160
Net unrealized appreciation (depreciation) during the period on investments		13,219,631
Net gain (loss) on investment transactions		**39,211,791**
Net increase (decrease) in net assets resulting from operations	**$**	**40,272,381**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2004 (Unaudited)	Year Ended December 31, 2003
Operations:		
Net investment income (loss)	$ 1,060,590	$ 4,178,048
Net realized gain (loss) on investment transactions	25,992,160	(4,032,299)
Net unrealized appreciation (depreciation) on investment transactions during the period	13,219,631	106,909,012
Net increase (decrease) in net assets resulting from operations	40,272,381	107,054,761
Distributions to shareholders from:		
Net investment income		
Class A	(3,405,170)	(2,962,485)
Class B	(212,277)	(46,780)
Net realized gains		
Class A	—	(3,977,032)
Class B	—	(77,506)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	23,405,528	59,877,343
Reinvestment of distributions	3,405,170	6,939,517
Cost of shares redeemed	(25,856,680)	(56,654,673)
Net increase (decrease) in net assets from Class A share transactions	954,018	10,162,187
Class B		
Proceeds from shares sold	19,328,066	24,979,856
Reinvestment of distributions	212,277	124,286
Cost of shares redeemed	(708,465)	(824,618)
Net increase (decrease) in net assets from Class B share transactions	18,831,878	24,279,524
Increase (decrease) in net assets	56,440,830	134,432,669
Net assets at beginning of period	385,683,642	251,250,973
Net assets at end of period (including undistributed net investment income of $995,295 and $3,552,152, respectively)	**$ 442,124,472**	**$ 385,683,642**

Other Information

Class A		
Shares outstanding at beginning of period	22,038,819	21,449,028
Shares sold	1,388,959	4,545,529
Shares issued to shareholders in reinvestment of distributions	197,058	650,376
Shares redeemed	(1,541,427)	(4,606,114)
Net increase (decrease) in Portfolio shares	44,590	589,791
Shares outstanding at end of period	**22,083,409**	**22,038,819**
Class B		
Shares outstanding at beginning of period	1,977,912	98,769
Shares sold	1,149,642	1,921,031
Shares issued to shareholders in reinvestment of distributions	12,277	11,637
Shares redeemed	(41,695)	(53,525)
Net increase (decrease) in Portfolio shares	1,120,224	1,879,143
Shares outstanding at end of period	**3,098,136**	**1,977,912**

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

Financial Highlights

Class A

Years Ended December 31,	2004[a]	2003	2002	2001	2000[b]	1999[b]
Selected Per Share Data						
Net asset value, beginning of period	**$ 16.06**	**$ 11.66**	**$ 13.21**	**$ 11.23**	**$ 10.85**	**$ 10.65**
Income (loss) from investment operations:						
Net investment income (loss)[c]	.05	.19	.17	.09	.02	.07
Net realized and unrealized gain (loss) on investment transactions	1.61	4.55	(1.67)	1.89	.42	.23
Total from investment operations	1.66	4.74	(1.50)	1.98	.44	.30
Less distributions from:						
Net investment income	(.16)	(.15)	(.05)	—	(.06)	(.10)
Net realized gains on investment transactions	—	(.19)	—	—	—	—
Total distributions	(.16)	(.34)	(.05)	—	(.06)	(.10)
Net asset value, end of period	**$ 17.56**	**$ 16.06**	**$ 11.66**	**$ 13.21**	**$ 11.23**	**$ 10.85**
Total Return (%)	10.32**	42.15	(11.43)	17.63	4.05	2.80
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	388	354	250	194	84	95
Ratio of expenses before expense reductions (%)	.80*	.80	.81	.79	.82	.84
Ratio of expenses after expense reductions (%)	.80*	.80	.81	.79	.82	.83
Ratio of net investment income (loss) (%)	.56*	1.46	1.28	.77	.15	.69
Portfolio turnover rate (%)	65*	71	86	57	36	72

[a] *For the six months ended June 30, 2004 (Unaudited).*

[b] *On June 18, 2001, the Portfolio implemented 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has 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.*

[c] *Based on average shares outstanding during the period.*

* *Annualized* ** *Not annualized*

Class B

Years Ended December 31,	2004[a]	2003	2002[b]
Selected Per Share Data			
Net asset value, beginning of period	**$ 16.03**	**$ 11.65**	**$ 13.86**
Income (loss) from investment operations:			
Net investment income (loss)[c]	.01	.13	.17
Net realized and unrealized gain (loss) on investment transactions	1.60	4.56	(2.38)
Total from investment operations	1.61	4.69	(2.21)
Less distributions from:			
Net investment income	(.09)	(.12)	—
Net realized gains on investment transactions	—	(.19)	—
Total distributions	(.09)	(.31)	—
Net asset value, end of period	**$ 17.55**	**$ 16.03**	**$ 11.65**
Total Return (%)	10.04**	41.65	(15.95)**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period ($ millions)	54	32	1
Ratio of expenses (%)	1.19*	1.19	1.06*
Ratio of net investment income (loss) (%)	.17*	1.07	3.01*
Portfolio turnover rate (%)	65*	71	86

[a] *For the six months ended June 30, 2004 (Unaudited).*

[b] *For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2003.*

[c] *Based on average shares outstanding during the period.*

* *Annualized* ** *Not annualized*

SVS Eagle Focused Large Cap Growth Portfolio

The portfolio was down 0.81% (Class A shares, unadjusted for contract charges) for the first half of 2004, while the benchmark Russell 1000 Growth Index was up 2.74%. On balance, our financials holdings provided a positive contribution due to good performance from First Data and Countrywide Financial. However, we continue to underweight the financials sector, because of the likely negative impact of increased interest rates on the margins of banks and the fixed-income trading revenues of brokers. Health care was also a source of relative strength during the period, as Zimmer Holdings and Caremark Rx were strong performers. Demographic trends, direct-to-consumer advertising and overall innovation are helping sustain strong growth in the health care sector. Our underweighting in the consumer staples sector hurt our relative performance, as investor sentiment was a bit defensive, particularly early in the year. In the consumer discretionary sector, we lost ground due to poor stock selection in media names EchoStar Communications, Clear Channel Communications and Viacom, all of which suffered from continued weakness in advertising sales. Technology also detracted, as we were overweight in a number of underperforming semiconductor holdings such as Intel, Texas Instruments and Fairchild Semiconductor International. As the economy recovers, we continue to believe that semiconductor stocks will benefit from an increasing consumer appetite for all things digital, including cell phones, PDAs, cameras and home entertainment systems.

We continue to position the portfolio with a procyclical growth bias — noticeably underweight in defensive sectors such as consumer staples and financials, and noticeably overweight in the consumer discretionary and technology sectors. While we continue to underweight the health care sector as a whole, we are finding promising select opportunities in health care services and medical devices.

Ashi Parikh
Duane Eatherly

Portfolio Managers
Eagle Asset Management, Inc., Subadvisor to the Portfolio

All performance shown is historical, assumes reinvestment of all dividends and capital gains, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less then their original cost. Current performance may be lower or higher than the performance data quoted. Please see scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Information concerning the portfolio holdings of the portfolio as of month-end is available upon request on the 16th of the following month.

Risk Considerations

This portfolio is subject to stock market risk, meaning stocks in the portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Please see this portfolio's prospectus for specific details regarding its investments and risk profile.

The Russell 1000 Growth Index is an unmanaged index that measures the performance of large companies with greater-than-average growth orientation compared with the overall market. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly in an index.

Portfolio management market commentary is as of June 30, 2004, and may not come to pass. This information is subject to change at any time based on market and other conditions.

SVS Eagle Focused Large Cap Growth Portfolio

	Shares	Value ($)
Common Stocks 98.8%		
Consumer Discretionary 27.9%		
Hotels Restaurants & Leisure 3.2%		
Harrah's Entertainment, Inc.	37,050	2,004,405
International Game Technology	40,900	1,578,740
		3,583,145
Internet & Catalog Retail 7.1%		
eBay, Inc.*	46,850	4,307,858
InterActiveCorp.*	122,200	3,683,108
		7,990,966
Media 15.6%		
Clear Channel Communications, Inc.	38,500	1,422,575
Comcast Corp. "A"*	75,500	2,084,555
EchoStar Communications Corp. "A"*	125,250	3,851,437
Gannett Co., Inc.	33,700	2,859,445
Time Warner, Inc.*	140,200	2,464,716
Viacom, Inc. "B"	59,100	2,111,052
Walt Disney Co.	101,900	2,597,431
		17,391,211
Specialty Retail 2.0%		
Home Depot, Inc.	63,325	**2,229,040**
Consumer Staples 2.7%		
Food & Drug Retailing		
Wal-Mart Stores, Inc.	56,300	**2,970,388**
Financials 2.2%		
Capital Markets 1.1%		
Goldman Sachs Group, Inc.	13,100	**1,233,496**
Diversified Financial Services 1.1%		
Citigroup, Inc.	26,966	**1,253,919**
Health Care 22.4%		
Biotechnology 2.7%		
Genzyme Corp. (General Division)*	63,800	**3,019,654**
Health Care Equipment & Supplies 6.0%		
St. Jude Medical, Inc.*	38,300	2,897,395
Zimmer Holdings, Inc.*	43,650	3,849,930
		6,747,325
Health Care Providers & Services 2.2%		
Caremark Rx, Inc.*	75,800	**2,496,852**
Pharmaceuticals 11.5%		
Abbott Laboratories	38,800	1,581,488
Allergan, Inc.	19,900	1,781,448
Johnson & Johnson	56,400	3,141,480
Pfizer, Inc.	138,600	4,751,208
Wyeth	44,000	1,591,040
		12,846,664
Industrials 7.4%		
Commercial Services & Supplies 1.7%		
Cendant Corp.	75,050	**1,837,224**
Electrical Equipment 2.0%		
Emerson Electric Co.	35,000	**2,224,250**
Industrial Conglomerates 3.7%		
General Electric Co.	128,750	**4,171,500**
Information Technology 36.2%		
Communications Equipment 4.5%		
Cisco Systems, Inc.*	156,400	3,706,680
Nokia Oyj (ADR)	89,600	1,302,784
		5,009,464
Computers & Peripherals 6.5%		
Dell, Inc.*	149,550	5,356,881
EMC Corp.*	168,300	1,918,620
		7,275,501
IT Consulting & Services 3.4%		
CheckFree Corp.*	49,450	1,483,500
First Data Corp.	51,050	2,272,746
		3,756,246
Semiconductors & Semiconductor Equipment 14.7%		
Fairchild Semiconductor International, Inc.*	113,300	1,854,721
Intel Corp.	197,350	5,446,860
Lam Research Corp.*	124,150	3,327,220
Maxim Integrated Products, Inc.	32,350	1,695,787
NVIDIA Corp.*	107,650	2,206,825
Texas Instruments, Inc.	81,350	1,967,043
		16,498,456
Software 7.1%		
Microsoft Corp.	208,400	5,951,904
VERITAS Software Corp.*	72,950	2,020,715
		7,972,619
Total Common Stocks (Cost $101,223,583)		**110,507,920**
Cash Equivalents 1.2%		
Scudder Cash Management QP Trust, 1.20% (b) (Cost $1,339,468)	1,339,468	**1,339,468**
Total Investment Portfolio — 100.0% (Cost $102,563,051) (a)		**111,847,388**

Notes to SVS Eagle Focused Large Cap Growth Portfolio of Investments

* *Non-income producing security.*

(a) *The cost for federal income tax purposes was $103,385,892. At June 30, 2004, net unrealized appreciation for all securities based on tax cost was $8,461,496. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $10,988,950 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $2,527,454.*

(b) *Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

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

Statement of Assets and Liabilities
as of June 30, 2004 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $101,223,583)	$	110,507,920
Investment in Scudder Cash Management QP Trust (cost $1,339,468)		1,339,468
Total investments in securities, at value (cost $102,563,051)		111,847,388
Cash		10,000
Dividends receivable		45,907
Interest receivable		2,068
Receivable for Portfolio shares sold		207,260
Other assets		892
Total assets		112,113,515
Liabilities		
Payable for Portfolio shares redeemed		8,596
Accrued management fee		91,837
Other accrued expenses and payables		70,043
Total liabilities		170,476
Net assets, at value	**$**	**111,943,039**
Net Assets		
Net assets consist of:		
Accumulated net investment loss		(180,028)
Net unrealized appreciation (depreciation) on investments		9,284,337
Accumulated net realized gain (loss)		(23,437,436)
Paid-in capital		126,276,166
Net assets, at value	**$**	**111,943,039**
Class A		
Net Asset Value, offering and redemption price per share ($84,457,251 ÷ 9,862,785 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**8.56**
Class B		
Net Asset Value, offering and redemption price per share ($27,485,788 ÷ 3,231,031 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**8.51**

Statement of Operations
for the six months ended June 30, 2004 (Unaudited)

Investment Income		
Income:		
Dividends	$	409,329
Interest — Scudder Cash Management QP Trust		14,101
Total Income		423,430
Expenses:		
Management fee		497,425
Custodian and accounting fees		27,758
Distribution service fees (Class B)		24,874
Record keeping fees (Class B)		14,106
Auditing		24,220
Legal		3,135
Trustees' fees and expenses		728
Reports to shareholders		5,460
Registration fees		546
Other		5,534
Total expenses, before expense reductions		603,786
Expense reductions		(399)
Total expenses, after expense reductions		603,387
Net investment income (loss)		**(179,957)**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from investments		2,425,649
Net unrealized appreciation (depreciation) during the period on investments		(3,167,066)
Net gain (loss) on investment transactions		**(741,417)**
Net increase (decrease) in net assets resulting from operations	**$**	**(921,374)**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2004 (Unaudited)	Year Ended December 31, 2003
Operations:		
Net investment income (loss)	$ (179,957)	$ (51,955)
Net realized gain (loss) on investment transactions	2,425,649	2,310,457
Net unrealized appreciation (depreciation) on investment transactions during the period	(3,167,066)	16,392,143
Net increase (decrease) in net assets resulting from operations	(921,374)	18,650,645
Portfolio share transactions:		
Class A		
Proceeds from shares sold	4,907,595	13,012,448
Cost of shares redeemed	(3,437,358)	(8,293,606)
Net increase (decrease) in net assets from Class A share transactions	1,470,237	4,718,842
Class B		
Proceeds from shares sold	13,202,189	12,484,580
Cost of shares redeemed	(112,955)	(113,785)
Net increase (decrease) in net assets from Class B share transactions	13,089,234	12,370,795
Increase (decrease) in net assets	13,638,097	35,740,282
Net assets at beginning of period	98,304,942	62,564,660
Net assets at end of period (including accumulated net investment loss of $180,028 and $71, respectively)	**$ 111,943,039**	**$ 98,304,942**

Other Information

Class A		
Shares outstanding at beginning of period	9,695,116	9,100,995
Shares sold	564,705	1,735,087
Shares redeemed	(397,036)	(1,140,966)
Net increase (decrease) in Portfolio shares	167,669	594,121
Shares outstanding at end of period	**9,862,785**	**9,695,116**
Class B		
Shares outstanding at beginning of period	1,703,581	77,032
Shares sold	1,540,506	1,642,289
Shares redeemed	(13,056)	(15,740)
Net increase (decrease) in Portfolio shares	1,527,450	1,626,549
Shares outstanding at end of period	**3,231,031**	**1,703,581**

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

Financial Highlights

Class A

Years Ended December 31,	2004[a]	2003	2002	2001	2000[b]	1999[b,c]
Selected Per Share Data						
Net asset value, beginning of period	**$ 8.63**	**6.82**	**$ 9.46**	**$ 11.40**	**$ 12.84**	**$ 10.00**
Income (loss) from investment operations:						
Net investment income (loss)[d]	(.01)	—***	(.01)	(.02)	(.05)	—***
Net realized and unrealized gain (loss) on investment transactions	(.06)	1.81	(2.63)	(1.92)	(1.04)	2.84
Total from investment operations	(.07)	1.81	(2.64)	(1.94)	(1.09)	2.84
Less distributions from:						
Net realized gains on investment transactions	—	—	—	—	(.35)	—
Net asset value, end of period	**$ 8.56**	**$ 8.63**	**$ 6.82**	**$ 9.46**	**$ 11.40**	**$ 12.84**
Total Return (%)	(.81)**	26.54	(27.91)	(17.02)	(9.02)[e]	28.40[e]**
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	84	84	62	60	28	3
Ratio of expenses before expense reductions (%)	1.08*	1.10	1.03	1.13	1.33	7.49*
Ratio of expenses after expense reductions (%)	1.08*	1.10	1.03	1.11	1.02	1.10*
Ratio of net investment income (loss) (%)	(.27)*	(.04)	(.08)	(.21)	(.37)	(.19)*
Portfolio turnover rate (%)	95*	143	123	98	323	336*

[a] *For the six months ended June 30, 2004 (Unaudited).*

[b] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has 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.*

[c] *For the period from October 29, 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*

*** *Amount is less than $.005*

Class B

Years Ended December 31,	2004[a]	2003	2002[b]
Selected Per Share Data			
Net asset value, beginning of period	**$ 8.59**	**$ 6.81**	**$ 7.61**
Income (loss) from investment operations:			
Net investment income (loss)[c]	(.03)	(.04)	.01
Net realized and unrealized gain (loss) on investment transactions	(.05)	1.82	(.81)
Total from investment operations	(.08)	1.78	(.80)
Net asset value, end of period	**$ 8.51**	**$ 8.59**	**$ 6.81**
Total Return (%)	(.93)**	26.14	(10.51)**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period ($ millions)	27	15	.5
Ratio of expenses (%)	1.47*	1.49	1.30*
Ratio of net investment income (loss) (%)	(.66)*	(.43)	.21*
Portfolio turnover rate (%)	95*	143	123

[a] *For the six months ended June 30, 2004 (Unaudited).*

[b] *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*

[c] *Based on average shares outstanding during the period.*

* *Annualized* ** *Not annualized*

SVS Focus Value+Growth Portfolio

SVS Focus Value+Growth Portfolio Class A shares (unadjusted for contract charges, and for the six-month period ended June 30, 2004) rose 2.03%, trailing the 3.44% total return of its benchmark, the Standard & Poor's 500 (S&P 500) index.

During this rocky period, the value sleeve saw its five largest holdings forced down by unusual circumstances. Freddie Mac, Fannie Mae (which together accounted for nearly 25% of the sleeve's assets) and Altria Group, Inc. detracted most. Over time, these companies have generated strong returns and consistently paid high dividends. The managers believe their difficulties are temporary and that these companies continue to offer extreme values, with remarkably low relative P/Es and strong earnings growth. Contributing to overall results were manufacturing conglomerate Tyco International Ltd., which is rebounding nicely from an earlier corporate scandal, and integrated energy company ConocoPhillips (not held as of June 30, 2004) which, along with the energy industry, was fueled by historically high oil and gas prices.

The growth sleeve advanced during the period. Overall, reported earnings growth was robust, supported by increased revenues and moderate profit-margin expansion. Energy stocks, including BJ Services were top contributors on a relative and absolute basis. Health care stocks added significantly. Most notably, biotechnology company Genentech, Inc., benefited from a new compound pipeline and the launch of the new drug, Avastin.

The consumer discretionary sector also contributed significantly to performance due to stellar returns from Starbucks and eBay. Total return in this sector was offset due to poor performance from Tiffany & Co. (not held as of June 30, 2004) and Bed, Bath & Beyond, two of the sleeve's bottom performers. Financials were the weakest-performing industry, hit hard by increased interest rates.

David N. Dreman
F. James Hutchinson

Co-Managers
Dreman Value Management L.L.C.
(Subadvisor for the Value portion of the Portfolio)

Spiros Segalas
Kathleen McCarragher

Co-Managers
Jennison Associates LLC
(Subadvisor for the Growth portion of the Portfolio)

All performance shown is historical, assumes reinvestment of all dividends and capital gains, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less then their original cost. Current performance may be lower or higher than the performance data quoted. Please see scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Information concerning the portfolio holdings of the portfolio as of month-end is available upon request on the 16th of the following month.

Risk Considerations

This portfolio is subject to stock market risk. It is nondiversified and can take larger positions in fewer companies, increasing its overall potential risk. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

The Standard & Poor's (S&P) 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 all distributions and do not reflect fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2004, and may not come to pass. This information is subject to change at any time based on market and other conditions.

SVS Focus Value+Growth Portfolio

	Shares	Value ($)
Common Stocks 98.4%		
Consumer Discretionary 13.9%		
Hotels Restaurants & Leisure 2.8%		
Starbucks Corp.*	80,800	**3,513,184**
Internet & Catalog Retail 3.6%		
eBay, Inc.*	48,800	**4,487,160**
Media 2.4%		
Univision Communications, Inc. "A"*	92,800	**2,963,104**
Specialty Retail 5.1%		
Bed Bath & Beyond, Inc.*	69,500	2,672,275
Best Buy Co., Inc.	1,500	76,110
Borders Group, Inc.	33,750	791,100
Home Depot, Inc.	61,065	2,149,488
Staples, Inc.	25,440	745,646
		6,434,619
Consumer Staples 8.5%		
Tobacco		
Altria Group, Inc.	120,200	6,016,010
R.J. Reynolds Tobacco Holdings, Inc.	12,825	866,842
UST, Inc.	103,520	3,726,720
		10,609,572
Energy 5.6%		
Energy Equipment & Services 3.7%		
BJ Services Co.*	99,200	**4,547,328**
Oil & Gas 1.9%		
ChevronTexaco Corp.	675	63,524
Devon Energy Corp.	20,795	1,372,470
El Paso Corp.	10,835	85,380
Kerr-McGee Corp.	16,550	889,894
		2,411,268
Financials 25.7%		
Banks 7.1%		
Bank of America Corp.	26,210	2,217,890
PNC Financial Services Group	18,810	998,435
Sovereign Bancorp, Inc.	58,110	1,284,231
US Bancorp.	31,200	859,872
Washington Mutual, Inc.	91,651	3,541,395
		8,901,823
Capital Markets 0.0%		
Piper Jaffray Companies, Inc.*	313	**14,157**
Consumer Finance 2.8%		
American Express Co.	68,800	**3,534,944**
Diversified Financial Services 14.1%		
Fannie Mae	92,450	6,597,232
Freddie Mac	122,250	7,738,425
J.P. Morgan Chase & Co.	86,100	3,338,097
		17,673,754
Insurance 1.7%		
American International Group, Inc.	21,000	1,496,880
Marsh & McLennan Companies, Inc.	13,100	594,478
		2,091,358
Health Care 19.6%		
Biotechnology 4.7%		
Genentech, Inc.*	41,700	2,343,540
Gilead Sciences, Inc.*	53,000	3,551,000
		5,894,540
Health Care Equipment & Supplies 0.4%		
Becton, Dickinson and Co.	10,875	**563,325**
Health Care Providers & Services 5.7%		
AmerisourceBergen Corp.	8,225	491,691
Caremark Rx, Inc.*	102,700	3,382,938
HCA, Inc.	18,475	768,375
Laboratory Corp. of America Holdings*	25,890	1,027,833
Medco Health Solutions, Inc.*	15,162	568,575
Quest Diagnostics, Inc.	11,020	936,149
		7,175,561
Pharmaceuticals 8.8%		
Bristol-Myers Squibb Co.	66,270	1,623,615
Eli Lilly & Co.	44,200	3,090,022
Merck & Co., Inc.	51,100	2,427,250
Pfizer, Inc.	103,100	3,534,268
Schering-Plough Corp.	4,655	86,024
Wyeth	5,725	207,016
		10,968,195
Industrials 3.5%		
Industrial Conglomerates		
General Electric Co.	106,300	3,444,120
Tyco International Ltd.	28,050	929,577
		4,373,697
Information Technology 21.6%		
Communications Equipment 2.9%		
Cisco Systems, Inc.*	151,500	**3,590,550**
Electronic Equipment & Instruments 2.9%		
Agilent Technologies, Inc.*	125,200	**3,665,856**
Internet Software & Services 3.0%		
Yahoo!, Inc.*	102,700	**3,731,091**
IT Consulting & Services 2.0%		
Electronic Data Systems Corp.	128,575	**2,462,211**
Semiconductors & Semiconductor Equipment 8.0%		
Intel Corp.	126,400	3,488,640
Marvell Technology Group Ltd.*	125,000	3,337,500
Texas Instruments, Inc.	133,200	3,220,776
		10,046,916
Software 2.8%		
Electronic Arts, Inc.*	64,800	**3,534,877**
Total Common Stocks Cost $108,508,720)		**123,189,090**

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

	Shares	Value ($)
Cash Equivalents 1.6%		
Scudder Cash Management QP Trust 1.20% (b) (Cost $1,990,277)	1,990,277	**1,990,277**
Total Investment Portfolio — 100.0% (Cost $110,498,997) (a)		**125,179,367**

Notes to SVS Focus Value+Growth Portfolio of Investments

* *Non-income producing security.*

(a) *The cost for federal income tax purposes was $110,931,044. At June 30, 2004, net unrealized appreciation for all securities based on tax cost was $14,248,286. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $16,687,542 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $2,439,256.*

(b) *Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

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

Statement of Assets and Liabilities
as of June 30, 2004 (Unaudited)

Assets

Investments:		
Investments in securities, at value (cost $108,508,720)	$	123,189,090
Investment in Scudder Cash Management QP Trust (cost $1,990,277)		1,990,277
Total investments in securities, at value (cost $110,498,997)		125,179,367
Cash		10,000
Receivable for investments sold		51,638
Dividends receivable		175,242
Interest receivable		2,203
Receivable for Fund shares sold		28,021
Other assets		9,913
Total assets		125,456,384

Liabilities

Payable for investment purchased		26,595
Accrued management fee		79,827
Other accrued expenses and payables		270,832
Total liabilities		377,254
Net assets, at value	**$**	**125,079,130**

Net Assets

Net assets consist of:		
Undistributed net investment income		500,871
Net unrealized appreciation (depreciation) on investments		14,680,370
Accumulated net realized gain (loss)		(32,716,647)
Paid-in capital		142,614,536
Net assets, at value	**$**	**125,079,130**
Class A		
Net Asset Value, offering and redemption price per share ($115,380,566 ÷ 8,978,061 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**12.85**
Class B		
Net Asset Value, offering and redemption price per share ($9,698,564 ÷ 755,263 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**12.84**

Statement of Operations
for the six months ended June 30, 2004 (Unaudited)

Investment Income

Income:		
Dividends	$	1,046,767
Interest — Scudder Cash Management QP Trust		17,519
Securities lending income		237
Total Income		1,064,523
Expenses:		
Management fee		468,881
Custodian fees		7,941
Auditing		20,886
Distribution service fees (Class B)		9,864
Record keeping fee (Class B)		5,676
Legal		3,682
Reports to shareholders		1,338
Other		1,184
Total expenses, before expense reductions		519,452
Expense reductions		(496)
Total expenses, after expense reductions		518,956
Net investment income (loss)		**545,567**

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from:		
Investments		1,573,925
Futures		116,366
		1,690,291
Net unrealized appreciation (depreciation) during the period on:		
Investments		276,855
Futures		(64,159)
		212,696
Net gain (loss) on investment transactions		**1,902,987**
Net increase (decrease) in net assets resulting from operations	**$**	**2,448,554**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2004 (Unaudited)	Year Ended December 31, 2003
Operations:		
Net investment income (loss)	$ 545,567	$ 1,010,016
Net realized gain (loss) on investment transactions	1,690,291	(762,388)
Net unrealized appreciation (depreciation) on investment transactions during the period	212,696	30,764,910
Net increase (decrease) in net assets resulting from operations	2,448,554	31,012,538
Distributions to shareholders from:		
Net investment income		
Class A	(964,388)	(861,563)
Class B	(34,623)	(12,687)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	4,297,563	11,072,613
Reinvestment of distributions	964,388	861,563
Cost of shares redeemed	(11,974,773)	(17,513,556)
Net increase (decrease) in net assets from Class A share transactions	(6,712,822)	(5,579,380)
Class B		
Proceeds from shares sold	3,544,532	5,121,184
Reinvestment of distributions	34,623	12,687
Cost of shares redeemed	(289,591)	(406,433)
Net increase (decrease) in net assets from Class B share transactions	3,289,564	4,727,438
Increase (decrease) in net assets	(1,973,715)	29,286,346
Net assets at beginning of period	127,052,845	97,766,499
Net assets at end of period (including undistributed net investment income of $500,871 and $954,315, respectively)	**$ 125,079,130**	**$ 127,052,845**

Other Information

Class A		
Shares outstanding at beginning of period	9,513,858	10,089,997
Shares sold	338,226	983,070
Shares issued to shareholders in reinvestment of distributions	76,791	93,142
Shares redeemed	(950,814)	(1,652,351)
Net increase (decrease) in Portfolio shares	(535,797)	(576,139)
Shares outstanding at end of period	**8,978,061**	**9,513,858**
Class B		
Shares outstanding at beginning of period	495,365	39,304
Shares sold	280,097	491,329
Shares issued to shareholders in reinvestment of distributions	2,757	1,372
Shares redeemed	(22,956)	(36,640)
Net increase (decrease) in Portfolio shares	259,898	456,061
Shares outstanding at end of period	**755,263**	**495,365**

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

Financial Highlights

Class A

Years Ended December 31,	2004[a]	2003	2002	2001	2000[b]	1999[b]
Selected Per Share Data						
Net asset value, beginning of period	**$ 12.70**	**$ 9.65**	**$ 13.08**	**$ 16.55**	**$ 18.96**	**$ 16.71**
Income (loss) from investment operations:						
Net investment income (loss)[c]	.06	.10	.08	.09	.12	.08
Net realized and unrealized gain (loss) on investment transactions	.20	3.04	(3.45)	(2.41)	(.73)	2.62
Total from investment operations	.26	3.14	(3.37)	(2.32)	(.61)	2.70
Less distributions from:						
Net investment income	(.11)	(.09)	(.06)	(.10)	(.10)	(.10)
Net realized gains on investment transactions	—	—	—	(1.05)	(1.70)	(.35)
Total distributions	(.11)	(.09)	(.06)	(1.15)	(1.80)	(.45)
Net asset value, end of period	**$ 12.85**	**$ 12.70**	**$ 9.65**	**$ 13.08**	**$ 16.55**	**$ 18.96**
Total Return (%)	2.03**	32.87[d]	(25.89)	(14.35)	(3.90)	16.52
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	115	121	97	140	153	172
Ratio of expenses before expense reductions (%)	.81*	.85	.81	.79	.81	.83
Ratio of expenses after expense reductions (%)	.81*	.84	.81	.79	.81	.82
Ratio of net investment income (loss) (%)	.89*	.96	.73	.64	.66	.46
Portfolio turnover rate (%)	71*	82	109	180	39	102

[a] *For the six months ended June 30, 2004 (Unaudited).*

[b] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to June 30, 2001, has 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.*

[c] *Based on average shares outstanding during the period.*

[d] *Total returns would have been lower had certain expenses not been reduced.*

* *Annualized* ** *Not annualized*

Class B

Years Ended December 31,	2004[a]	2003	2002[b]
Selected Per Share Data			
Net asset value, beginning of period	**$ 12.66**	**$ 9.63**	**$ 10.74**
Income (loss) from investment operations:			
Net investment income (loss)[c]	.03	.05	.08
Net realized and unrealized gain (loss) on investment transactions	.20	3.04	(1.19)
Total from investment operations	.23	3.09	(1.11)
Less distributions from:			
Net investment income	(.05)	(.06)	—
Net asset value, end of period	**$ 12.84**	**$ 12.66**	**$ 9.63**
Total Return (%)	1.86**	32.39[d]	(10.34)**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period ($ millions)	10	6	.4
Ratio of expenses (%)	1.20*	1.25	1.06*
Ratio of net investment income (loss) (%)	.50*	.56	1.64*
Portfolio turnover rate (%)	71*	82	109

[a] *For the six months ended June 30, 2004 (Unaudited).*

[b] *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*

[c] *Based on average shares outstanding during the period.*

[d] *Total returns would have been lower had certain expenses not been reduced.*

* *Annualized* ** *Not annualized*

SVS Index 500 Portfolio

For the six-month period ended June 30, 2004, the portfolio produced a total return of 3.12% (Class A shares, unadjusted for contract charges, compared with a 3.12% return for the Standard & Poor's 500 (S&P 500) index. Following an 18-month rally in growth stocks, equity markets traded "sideways" for much of the first half of 2004, remaining within a 5% trading range. Although the conflict in Iraq continued, there were no significant turns in the market as a response to events in Iraq. Elsewhere, the late-June federal funds rate increase of one-quarter of a percentage point was well-anticipated. The market edged up on this news, and then immediately sold off. Investors remain risk-wary and prone to quick sell-offs following gains. On a more positive note, late April marked one of the most favorable earnings seasons in the last five years. After a succession of positive earnings announcements, the market rallied off of its six-month lows, but it gave back those gains at the end of April and in early May.

In 2003 and through early 2004, investors favored high-beta[1] growth stocks with relatively high price-to-earnings ratios. Then in March, many investors began to switch over to value-oriented stocks as they pursued more-defensive strategies. For the six-month period, the value portion of the S&P 500 index outgained the growth portion by 1.45%. The energy sector posted the strongest performance during the six-month period, going hand in hand with recent and significant increases in oil prices. In terms of underperformers, semiconductors and equipment — one of 2003's leading subsectors — dragged down the technology sector over the period as semiconductor stocks declined approximately 12% as a group. The best individual stock return came from AT&T Wireless Services, which is being sold; the leading bidder for the company is Cingular. The worst performing stock within the index was storage provider QLogic, which made a negative earnings announcement at the end of March. There were ten additions to and ten deletions from the index during the period.

The Portfolio Management Team
Northern Trust Investments, N.A., Subadvisor to the Portfolio

All performance shown is historical, assumes reinvestment of all dividends and capital gains, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less then their original cost. Current performance may be lower or higher than the performance data quoted. Please see scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Information concerning the portfolio holdings of the portfolio as of month-end is available upon request on the 16th of the following month.

Risk Considerations

The portfolio may not be able to mirror the S&P 500 index closely enough to track its performance for several reasons, including the portfolio's cost to buy and sell securities, as well as the flow of money into and out of the portfolio. This portfolio is subject to stock market risk, meaning stocks in the portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Additionally, derivatives may be more volatile and less liquid than traditional securities and the portfolio could suffer losses on its derivatives positions. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

The Standard & Poor's (S&P) 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 all distributions and do not reflect fees or expenses. It is not possible to invest directly into an index.

1 *"High–beta" refers to equities that tend to have high price fluctuations greater than those of the market as a whole.*

Portfolio management market commentary is as of June 30, 2004, and may not come to pass. This information is subject to change at any time based on market and other conditions.

SVS Index 500 Portfolio

	Shares	Value ($)
Common Stocks 98.1%		
Consumer Discretionary 10.7%		
Auto Components 0.2%		
Cooper Tire & Rubber Co.	2,549	58,627
Dana Corp.	5,157	101,077
Delphi Corp.	19,383	207,011
Goodyear Tire & Rubber Co.*	6,057	55,058
Johnson Controls, Inc.	6,706	357,966
Visteon Corp.	3,894	45,443
		825,182
Automobiles 0.7%		
Ford Motor Co.	63,903	1,000,082
General Motors Corp.	18,491	861,496
Harley-Davidson, Inc.	10,135	627,762
		2,489,340
Distributors 0.1%		
Genuine Parts Co.	5,509	**218,597**
Hotels Restaurants & Leisure 1.3%		
Carnival Corp.	21,791	1,024,177
Darden Restaurants, Inc.	5,675	116,621
Harrah's Entertainment, Inc.	3,419	184,968
Hilton Hotels Corp.	13,140	245,193
International Game Technology	11,497	443,784
Marriott International, Inc. "A"	8,017	399,888
McDonald's Corp.	43,406	1,128,556
Starbucks Corp.*	13,433	584,067
Starwood Hotels & Resorts Worldwide, Inc.	7,246	324,983
Wendy's International, Inc.	3,611	125,807
YUM! Brands, Inc.*	10,149	377,746
		4,955,790
Household Durables 0.5%		
Black & Decker Corp.	2,694	167,378
Centex Corp.	4,256	194,712
Fortune Brands, Inc.	4,987	376,169
KB Home	1,669	114,544
Leggett & Platt, Inc.	6,557	175,138
Maytag Corp.	3,329	81,594
Newell Rubbermaid, Inc.	9,546	224,331
Pulte Homes, Inc.	4,296	223,521
Snap-On, Inc.	1,893	63,510
The Stanley Works	3,219	146,722
Whirlpool Corp.	2,314	158,740
		1,926,359
Internet & Catalog Retail 0.6%		
eBay, Inc.*	22,635	**2,081,288**
Leisure Equipment & Products 0.2%		
Brunswick Corp.	3,275	133,620
Eastman Kodak Co.	9,959	268,694
Hasbro, Inc.	5,527	105,013
Mattel, Inc.	16,553	302,092
		809,419
Media 3.5%		
Clear Channel Communications, Inc.	21,359	789,215
Comcast Corp. "A"*	77,477	2,171,680
Dow Jones & Co., Inc.	2,820	127,182
Gannett Co., Inc.	9,346	793,008
Interpublic Group of Companies, Inc.*	14,397	197,671
Knight-Ridder, Inc.	2,734	196,848
McGraw-Hill, Inc.	6,669	510,645
Meredith Corp.	1,700	93,432
New York Times Co. "A"	5,282	236,158
Omnicom Group, Inc.	6,582	499,508
Time Warner, Inc.*	156,760	2,755,841
Tribune Co.	11,206	510,321
Univision Communications, Inc. "A"*	11,105	354,583
Viacom, Inc. "B"	60,209	2,150,666
Walt Disney Co.	70,537	1,797,988
		13,184,746
Multiline Retail 1.0%		
Big Lots, Inc.*	3,692	53,386
Dillard's, Inc. "A"	2,851	63,577
Dollar General Corp.	11,647	227,815
Family Dollar Stores, Inc.	5,979	181,881
Federated Department Stores, Inc.	6,209	304,862
J.C. Penny Co., Inc.	9,483	358,078
Kohl's Corp.*	11,781	498,101
Nordstrom, Inc.	4,724	201,290
Sears, Roebuck & Co.	7,701	290,790
Target Corp.	31,411	1,334,025
The May Department Stores Co.	9,937	273,168
		3,786,973
Specialty Retail 2.3%		
AutoNation, Inc.*	8,500	145,350
AutoZone, Inc.*	3,042	243,664
Bed Bath & Beyond, Inc.*	10,376	398,957
Best Buy Co., Inc.	11,297	573,210
Boise Cascade Corp.	2,941	110,699
Circuit City Stores, Inc.	7,230	93,629
Home Depot, Inc.	76,533	2,693,962
Limited Brands	17,421	325,773
Lowe's Companies, Inc.	27,136	1,425,997
Office Depot, Inc.*	9,903	177,363
RadioShack Corp.	5,270	150,880
Sherwin-Williams Co.	4,970	206,503
Staples, Inc.	17,126	501,963
The Gap, Inc.	30,625	742,656
Tiffany & Co.	4,600	169,510
TJX Companies, Inc.	17,093	412,625
Toys "R" Us, Inc.*	8,217	130,897
		8,503,638
Textiles, Apparel & Luxury Goods 0.3%		
Jones Apparel Group, Inc.	4,366	172,370
Liz Claiborne, Inc.	3,766	135,501
NIKE, Inc. "B"	9,163	694,097
Reebok International Ltd.	2,018	72,607
VF Corp.	3,721	181,213
		1,255,788
Consumer Staples 10.9%		
Beverages 2.7%		
Adolph Coors Co. "B"	1,835	132,744
Anheuser-Busch Companies, Inc.	27,990	1,511,460

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

	Shares	Value ($)
Brown-Forman Corp. "B"	3,780	182,460
Coca-Cola Enterprises, Inc.	15,934	461,927
Pepsi Bottling Group, Inc.	9,000	274,860
PepsiCo, Inc.	57,478	3,096,915
The Coca-Cola Co.	84,204	4,250,618
		9,910,984
Food & Drug Retailing 3.3%		
Albertsons, Inc.	12,691	336,819
Costco Wholesale Corp.	15,894	652,766
CVS Corp.	13,596	571,304
Kroger Co.*	25,649	466,812
Safeway, Inc.*	14,637	370,902
Supervalu, Inc.	4,270	130,705
Sysco Corp.	22,126	793,660
Wal-Mart Stores, Inc.	147,674	7,791,280
Walgreen Co.	35,191	1,274,266
Winn-Dixie Stores, Inc.	4,557	32,810
		12,421,324
Food Products 1.3%		
Archer-Daniels-Midland Co.	22,616	379,496
Campbell Soup Co.	14,199	381,669
ConAgra Foods, Inc.	18,561	502,632
General Mills, Inc.	13,016	618,651
H.J. Heinz Co.	12,190	477,848
Hershey Foods Corp.	10,178	470,936
Kellogg Co.	15,493	648,382
McCormick & Co, Inc.	4,800	163,200
Sara Lee Corp.	27,428	630,570
William Wrigley Jr. Co.	7,070	445,764
		4,719,148
Household Products 2.0%		
Clorox Co.	7,330	394,207
Colgate-Palmolive Co.	18,420	1,076,649
Kimberly-Clark Corp.	17,369	1,144,270
Procter & Gamble Co.	89,100	4,850,604
		7,465,730
Personal Products 0.6%		
Alberto-Culver Co. "B"	3,150	157,941
Avon Products, Inc.	16,182	746,637
Gillette Co.	34,692	1,470,941
		2,375,519
Tobacco 1.0%		
Altria Group, Inc.	70,047	3,505,852
R.J. Reynolds Tobacco Holdings, Inc.	3,245	219,330
UST, Inc.	5,211	187,596
		3,912,778
Energy 6.5%		
Energy Equipment & Services 0.9%		
Baker Hughes, Inc.	11,549	434,820
BJ Services Co.*	5,869	269,035
Halliburton Co.	14,407	435,956
Nabors Industries Ltd.*	4,998	226,010
Noble Corp.*	5,240	198,544
Rowan Companies, Inc.*	3,409	82,941
Schlumberger Ltd.	20,444	1,298,398
Transocean, Inc.*	10,224	295,882
		3,241,586

	Shares	Value ($)
Oil & Gas 5.6%		
Amerada Hess Corp.	3,150	249,448
Anadarko Petroleum Corp.	8,727	511,402
Apache Corp.	11,197	487,629
Ashland, Inc.	2,415	127,536
Burlington Resources, Inc.	13,496	488,285
ChevronTexaco Corp.	37,101	3,491,575
ConocoPhillips	23,747	1,811,659
Devon Energy Corp.	8,036	530,376
El Paso Corp.	19,141	150,831
EOG Resources, Inc.	3,939	235,198
ExxonMobil Corp.	226,550	10,061,085
Kerr-McGee Corp.	5,170	277,991
Kinder Morgan, Inc.	4,264	252,813
Marathon Oil Corp.	10,323	390,622
Occidental Petroleum Corp.	13,311	644,386
Sunoco, Inc.	3,108	197,731
Unocal Corp.	8,608	327,104
Valero Energy Corp.	4,300	317,168
Williams Companies, Inc.	20,143	239,702
		20,792,541
Financials 19.9%		
Banks 6.6%		
AmSouth Bancorp.	12,145	309,333
Bank of America Corp.	69,504	5,881,429
Bank One Corp.	38,524	1,964,724
BB&T Corp.	18,059	667,641
Charter One Financial, Inc.	7,690	339,821
Comerica, Inc.	6,046	331,805
Fifth Third Bancorp.	19,591	1,053,604
First Horizon National Corp.	4,343	197,476
Golden West Financial Corp.	5,253	558,657
Huntington Bancshares, Inc.	7,910	181,139
KeyCorp.	16,418	490,734
M&T Bank Corp.	4,197	366,398
Marshall & Ilsley Corp.	7,700	300,993
National City Corp.	23,303	815,838
North Fork Bancorp., Inc.	4,700	178,835
PNC Financial Services Group	9,580	508,506
Regions Financial Corp.	7,664	280,119
SouthTrust Corp.	12,727	493,935
Sovereign Bancorp, Inc.	10,567	233,531
SunTrust Banks, Inc.	9,649	627,089
Synovus Financial Corp.	10,482	265,404
Union Planters Corp.	6,226	185,597
US Bancorp.	66,511	1,833,043
Wachovia Corp.	45,545	2,026,753
Washington Mutual, Inc.	29,777	1,150,583
Wells Fargo & Co.	57,613	3,297,192
Zions Bancorp.	3,665	225,214
		24,765,393
Capital Markets 2.7%		
Bank of New York Co., Inc.	26,787	789,681
Bear Stearns Companies, Inc.	3,600	303,516
Charles Schwab Corp.	46,997	451,641
E*TRADE Financial Corp.*	12,700	141,605
Federated Investors, Inc. "B"	3,800	115,292
Franklin Resources, Inc.	8,612	431,289
Goldman Sachs Group, Inc.	16,595	1,562,585

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

	Shares	Value ($)
Janus Capital Group, Inc.	8,356	137,790
Lehman Brothers Holdings, Inc.	9,583	721,121
Mellon Financial Corp.	14,873	436,225
Merrill Lynch & Co., Inc.	33,399	1,802,878
Morgan Stanley	37,802	1,994,812
Northern Trust Corp.	7,049	298,032
State Street Corp.	11,053	542,039
T. Rowe Price Group, Inc.	4,331	218,282
		9,946,788
Consumer Finance 1.3%		
American Express Co.	44,323	2,277,316
Capital One Finance Corp.	7,973	545,194
MBNA Corp.	44,313	1,142,832
Providian Financial Corp.*	10,014	146,905
SLM Corp.	15,325	619,896
		4,732,143
Diversified Financial Services 4.4%		
Citigroup, Inc.	178,077	8,280,581
Countrywide Financial Corp.	9,524	669,061
Fannie Mae	33,618	2,398,981
Freddie Mac	24,187	1,531,037
J.P. Morgan Chase & Co.	71,707	2,780,080
MGIC Investment Corp.	3,177	241,007
Moody's Corp.	5,152	333,128
Principal Financial Group, Inc.	10,200	354,756
		16,588,631
Insurance 4.5%		
ACE Ltd.	9,300	393,204
AFLAC, Inc.	18,800	767,228
Allstate Corp.	24,249	1,128,791
AMBAC Financial Group, Inc.	3,686	270,700
American International Group, Inc.	89,855	6,404,865
Aon Corp.	9,983	284,216
Chubb Corp.	6,364	433,898
Cincinnati Financial Corp.	5,335	232,179
Hartford Financial Services Group, Inc.	9,888	679,701
Jefferson-Pilot Corp.	4,473	227,228
Lincoln National Corp.	5,946	280,949
Loews Corp.	6,030	361,559
Marsh & McLennan Companies, Inc.	18,271	829,138
MBIA, Inc.	4,564	260,696
MetLife, Inc.	26,145	937,298
Progressive Corp.	7,587	647,171
Prudential Financial, Inc.	18,590	863,877
Safeco Corp.	5,343	235,092
St. Paul Companies, Inc.	22,871	927,190
Torchmark Corp.	3,589	193,088
UnumProvident Corp.	9,316	148,124
XL Capital Ltd. "A"	4,541	342,664
		16,848,856
Real Estate 0.4%		
Apartment Investment & Management Co. (REIT)	3,200	99,616
Equity Office Properties Trust (REIT)	14,929	406,069
Equity Residential (REIT)	9,700	288,381
Plum Creek Timber Co., Inc. (REIT)	5,800	188,964
ProLogis (REIT)	5,700	187,644
Simon Property Group, Inc. (REIT)	7,068	363,436
		1,534,110

	Shares	Value ($)
Health Care 13.3%		
Biotechnology 1.2%		
Amgen, Inc.*	44,401	2,422,963
Applera Corp. — Applied Biosystems Group	7,041	153,142
Biogen Idec, Inc.*	11,307	715,168
Chiron Corp.*	6,560	292,838
Genzyme Corp. (General Division)*	7,747	366,665
Gilead Sciences, Inc.*	7,342	491,914
MedImmune, Inc.*	8,545	199,953
		4,642,643
Health Care Equipment & Supplies 2.2%		
Bausch & Lomb, Inc.	1,782	115,955
Baxter International, Inc.	21,151	729,921
Becton, Dickinson and Co.	8,688	450,038
Biomet, Inc.	8,853	393,427
Boston Scientific Corp.*	28,216	1,207,645
C.R. Bard, Inc.	3,516	199,181
Guidant Corp.	10,834	605,404
Hospira, Inc.*	5,439	150,116
Medtronic, Inc.	41,720	2,032,598
Millipore Corp.*	1,731	97,577
St. Jude Medical, Inc.*	6,012	454,808
Stryker Corp.	13,756	756,580
Thermo Electron Corp.*	5,705	175,372
Waters Corp.*	4,200	200,676
Zimmer Holdings, Inc.*	8,344	735,941
		8,305,239
Health Care Providers & Services 2.1%		
Aetna, Inc.	5,350	454,750
AmerisourceBergen Corp.	3,844	229,794
Anthem, Inc.*	4,953	443,591
Cardinal Health, Inc.	15,069	1,055,584
Caremark Rx, Inc.*	15,343	505,398
CIGNA Corp.	4,645	319,622
Express Scripts, Inc. "A"*	3,205	253,932
HCA, Inc.	17,147	713,144
Health Management Associates, Inc. "A"	8,079	181,131
Humana, Inc.*	7,042	119,010
IMS Health, Inc.	8,316	194,927
Manor Care, Inc.	2,838	92,746
McKesson Corp.	9,978	342,545
Medco Health Solutions, Inc.*	9,025	338,438
Quest Diagnostics, Inc.	3,391	288,065
Tenet Healthcare Corp.*	15,222	204,127
UnitedHealth Group, Inc.	21,496	1,338,126
WellPoint Health Networks, Inc.*	5,075	568,451
		7,643,381
Pharmaceuticals 7.8%		
Abbott Laboratories	53,895	2,196,760
Allergan, Inc.	4,536	406,063
Bristol-Myers Squibb Co.	67,241	1,647,405
Eli Lilly & Co.	38,975	2,724,742
Forest Laboratories, Inc.*	12,740	721,466
Johnson & Johnson	102,206	5,692,874
King Pharmaceuticals, Inc.*	9,165	104,939
Merck & Co., Inc.	77,075	3,661,062
Mylan Laboratories, Inc.	9,300	188,325

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

	Shares	Value ($)
Pfizer, Inc.	261,128	8,951,468
Schering-Plough Corp.	50,483	932,926
Watson Pharmaceuticals, Inc.*	3,459	93,047
Wyeth	45,868	1,658,587
		28,979,664
Industrials 11.2%		
Aerospace & Defense 1.9%		
Boeing Co.	29,160	1,489,784
General Dynamics Corp.	6,876	682,787
Goodrich Corp.	4,032	130,354
Honeywell International, Inc.	29,803	1,091,684
Lockheed Martin Corp.	15,622	813,594
Northrop Grumman Corp.	12,618	677,587
Raytheon Co.	14,626	523,172
Rockwell Collins, Inc.	6,156	205,118
United Technologies Corp.	17,719	1,620,934
		7,235,014
Air Freight & Logistics 1.0%		
FedEx Corp.	10,365	846,717
Ryder System, Inc.	2,252	90,237
United Parcel Service, Inc. "B"	38,911	2,924,940
		3,861,894
Airlines 0.1%		
Delta Air Lines, Inc.* (e)	4,270	30,403
Southwest Airlines Co.	27,347	458,609
		489,012
Building Products 0.2%		
American Standard Companies, Inc.*	7,389	297,850
Masco Corp.	15,716	490,025
		787,875
Commercial Services & Supplies 1.1%		
Allied Waste Industries, Inc.*	11,039	145,494
Apollo Group, Inc. "A"*	6,131	541,306
Avery Dennison Corp.	3,815	244,198
Cendant Corp.	34,881	853,887
Cintas Corp.	5,964	284,304
Deluxe Corp.	1,709	74,341
Equifax, Inc.	4,824	119,394
H&R Block, Inc.	6,178	294,567
Monster Worldwide, Inc.*	3,933	101,157
Pitney Bowes, Inc.	8,091	358,027
R.R. Donnelley & Sons Co.	7,464	246,461
Robert Half International, Inc.	5,900	175,643
Waste Management, Inc.	19,985	612,540
		4,051,319
Construction & Engineering 0.0%		
Fluor Corp.	2,825	**134,668**
Electrical Equipment 0.4%		
American Power Conversion Corp.	6,914	135,860
Cooper Industries, Inc. "A"	3,151	187,201
Emerson Electric Co.	14,463	919,124
Power-One, Inc.*	2,882	31,644
Rockwell Automation, Inc.	6,508	244,115
Thomas & Betts Corp.	2,127	57,918
		1,575,862

	Shares	Value ($)
Industrial Conglomerates 4.5%		
3M Co.	26,986	2,429,010
General Electric Co.	363,401	11,774,192
Textron, Inc.	4,382	260,072
Tyco International Ltd.	68,834	2,281,159
		16,744,433
Machinery 1.5%		
Caterpillar, Inc.	12,050	957,252
Crane Co.	2,014	63,219
Cummins, Inc.	1,502	93,875
Danaher Corp.	10,646	551,995
Deere & Co.	8,350	585,669
Dover Corp.	7,035	296,174
Eaton Corp.	5,242	339,367
Illinois Tool Works, Inc.	10,677	1,023,818
Ingersoll-Rand Co. "A"	6,035	412,251
ITT Industries, Inc.	3,773	313,159
Navistar International Corp.*	2,371	91,900
PACCAR, Inc.	6,086	352,927
Pall Corp.	3,953	103,529
Parker-Hannifin Corp.	3,598	213,937
		5,399,072
Road & Rail 0.4%		
Burlington Northern Santa Fe Corp.	12,915	452,929
CSX Corp.	7,401	242,531
Norfolk Southern Corp.	13,385	354,970
Union Pacific Corp.	8,857	526,549
		1,576,979
Trading Companies & Distributors 0.1%		
W.W. Grainger, Inc.	3,174	**182,505**
Information Technology 16.8%		
Communications Equipment 3.0%		
ADC Telecommunications, Inc.*	30,808	87,495
Andrew Corp.*	5,480	109,655
Avaya, Inc.*	14,715	232,350
CIENA Corp.*	15,877	59,062
Cisco Systems, Inc.*	232,832	5,518,118
Comverse Technologies, Inc.*	6,708	133,757
Corning, Inc.*	46,747	610,516
JDS Uniphase Corp.*	50,134	190,008
Lucent Technologies, Inc.*	143,788	543,519
Motorola, Inc.	80,565	1,470,311
QLogic Corp.*	3,309	87,986
QUALCOMM, Inc.	27,869	2,033,880
Scientific-Atlanta, Inc.	5,268	181,746
Tellabs, Inc.*	14,577	127,403
		11,385,806
Computers & Peripherals 3.5%		
Apple Computer, Inc.*	12,767	415,438
Dell, Inc.*	86,846	3,110,824
EMC Corp.*	83,824	955,594
Gateway, Inc.*	10,377	46,697
Hewlett-Packard Co.	105,053	2,216,618
International Business Machines Corp.	58,035	5,115,785
Lexmark International, Inc.*	4,436	428,207
NCR Corp.*	3,294	163,350
Network Appliance, Inc.*	11,914	256,508

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

	Shares	Value ($)
Sun Microsystems, Inc.*	112,266	487,234
		13,196,255
Electronic Equipment & Instruments 0.4%		
Agilent Technologies, Inc.*	16,471	482,271
Jabil Circuit, Inc.*	6,981	175,782
Molex, Inc.	6,591	211,439
PerkinElmer, Inc.	4,420	88,577
Sanmina-SCI Corp.*	18,017	163,955
Solectron Corp.*	31,707	205,144
Symbol Technologies, Inc.	8,050	118,657
Tektronix, Inc.	2,824	96,072
		1,541,897
Internet Software & Services 0.5%		
Yahoo!, Inc.*	46,244	**1,680,045**
IT Consulting & Services 1.2%		
Affiliated Computer Services, Inc. "A"*	4,700	248,818
Automatic Data Processing, Inc.	20,408	854,687
Computer Sciences Corp.*	6,423	298,220
Convergys Corp.*	4,947	76,184
Electronic Data Systems Corp.	16,553	316,990
First Data Corp.	30,535	1,359,418
Fiserv, Inc.*	6,641	258,269
Paychex, Inc.	13,051	442,168
Sabre Holdings Corp.	4,362	120,871
SunGard Data Systems, Inc.*	9,799	254,774
Unisys Corp.*	11,480	159,342
		4,389,741
Office Electronics 0.1%		
Xerox Corp.*	27,417	**397,546**
Semiconductors & Semiconductor Equipment 3.6%		
Advanced Micro Devices, Inc.*	12,213	194,187
Altera Corp.*	13,165	292,526
Analog Devices, Inc.	12,962	610,251
Applied Materials, Inc.*	58,225	1,142,374
Applied Micro Circuits Corp.*	9,900	52,668
Broadcom Corp. "A"*	10,477	490,009
Intel Corp.	223,245	6,161,562
KLA-Tencor Corp.*	6,786	335,093
Linear Technology Corp.	10,841	427,894
LSI Logic Corp.*	13,113	99,921
Maxim Integrated Products, Inc.	11,247	589,568
Micron Technology, Inc.*	21,114	323,255
National Semiconductor Corp.*	12,334	271,225
Novellus Systems, Inc.*	5,332	167,638
NVIDIA Corp.*	5,607	114,944
PMC-Sierra, Inc.*	5,955	85,454
Teradyne, Inc.*	6,605	149,934
Texas Instruments, Inc.	59,657	1,442,506
Xilinx, Inc.	11,811	393,424
		13,344,433
Software 4.5%		
Adobe Systems, Inc.	8,238	383,067
Autodesk, Inc.	3,924	167,986
BMC Software, Inc.*	7,808	144,448
Citrix Systems, Inc.*	5,698	116,011
Computer Associates International, Inc.	20,152	565,465

	Shares	Value ($)
Compuware Corp.*	12,246	80,824
Electronic Arts, Inc.*	10,346	564,374
Intuit, Inc.*	6,837	263,772
Mercury Interactive Corp.*	3,183	158,609
Microsoft Corp.	371,762	10,617,523
Novell, Inc.*	13,516	113,399
Oracle Corp.*	180,269	2,150,609
Parametric Technology Corp.*	7,591	37,955
PeopleSoft, Inc.*	12,471	230,714
Siebel Systems, Inc.*	17,715	189,196
Symantec Corp.*	10,487	459,121
VERITAS Software Corp.*	14,786	409,572
		16,652,645
Materials 2.9%		
Chemicals 1.5%		
Air Products & Chemicals, Inc.	7,864	412,467
Dow Chemical Co.	32,295	1,314,407
E.I. du Pont de Nemours & Co.	34,350	1,525,827
Eastman Chemical Co.	2,637	121,909
Ecolab, Inc.	8,886	281,686
Engelhard Corp.	4,300	138,933
Great Lakes Chemical Corp.	1,800	48,708
Hercules, Inc.*	3,807	46,407
International Flavors & Fragrances, Inc.	3,211	120,091
Monsanto Co.	9,158	352,583
PPG Industries, Inc.	5,505	344,008
Praxair, Inc.	11,063	441,524
Rohm & Haas Co.	7,052	293,222
Sigma-Aldrich Corp.	3,320	197,905
		5,639,677
Construction Materials 0.0%		
Vulcan Materials Co.	3,410	**162,145**
Containers & Packaging 0.2%		
Ball Corp.	2,000	144,100
Bemis Co., Inc.	3,712	104,864
Pactiv Corp.*	4,998	124,650
Sealed Air Corp.*	2,695	143,563
Temple-Inland, Inc.	1,768	122,434
		639,611
Metals & Mining 0.7%		
Alcoa, Inc.	30,167	996,416
Allegheny Technologies, Inc.	2,767	49,944
Freeport-McMoRan Copper & Gold, Inc. "B"	5,909	195,883
Newmont Mining Corp.	14,711	570,199
Nucor Corp.	2,751	211,167
Phelps Dodge Corp.	3,177	246,249
United States Steel Corp.	3,859	135,528
Worthington Industries, Inc.	2,726	55,965
		2,461,351
Paper & Forest Products 0.5%		
Georgia-Pacific Corp.	8,702	321,800
International Paper Co.	16,690	746,043
Louisiana-Pacific Corp.	3,597	85,069
MeadWestvaco Corp.	6,793	199,646
Weyerhaeuser Co.	7,999	504,897
		1,857,455

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

	Shares	Value ($)
Telecommunication Services 3.3%		
Diversified Telecommunication Services 2.7%		
ALLTEL Corp.	10,837	548,569
AT&T Corp.	27,136	397,000
BellSouth Corp.	63,164	1,656,160
CenturyTel, Inc.	6,224	186,969
Citizens Communications Co.	9,100	110,110
Qwest Communications International, Inc.*	60,085	215,705
SBC Communications, Inc.	112,706	2,733,120
Sprint Corp. (FON Group)	49,066	863,562
Verizon Communications, Inc.	95,085	3,441,126
		10,152,321
Wireless Telecommunication Services 0.6%		
AT&T Wireless Services, Inc.*	93,800	1,343,216
Nextel Communications, Inc. "A"*	38,143	1,016,893
		2,360,109
Utilities 2.6%		
Electric Utilities 1.8%		
Allegheny Energy, Inc.*	4,410	67,958
Ameren Corp.	6,269	269,316
American Electric Power Co.	13,684	437,888
CenterPoint Energy, Inc.	11,121	127,891
CINergy Corp.	5,549	210,862
CMS Energy Corp.*	5,056	46,161
Consolidated Edison, Inc.	7,222	287,147
DTE Energy Co.	7,557	306,361
Edison International	10,367	265,084
Entergy Corp.	8,256	462,419
Exelon Corp.	22,500	749,025
FirstEnergy Corp.	12,970	485,208
FPL Group, Inc.	6,847	437,866
PG&E Corp.*	14,426	403,062
Pinnacle West Capital Corp.	3,208	129,571
PPL Corp.	5,579	256,076
Progress Energy, Inc.	7,623	335,793
Southern Co.	25,217	735,076
TECO Energy, Inc.	5,400	64,746
TXU Corp.	10,624	430,378
Xcel Energy, Inc.	13,087	218,684
		6,726,572
Gas Utilities 0.1%		
KeySpan Corp.	5,232	192,014
NICOR, Inc.	1,506	51,159
NiSource, Inc.	9,300	191,766
Peoples Energy Corp.	1,128	47,545
		482,484
Multi-Utilities & Unregulated Power 0.7%		
AES Corp.*	19,771	196,326
Calpine Corp.* (e)	13,801	59,620
Constellation Energy Group, Inc.	5,710	216,409
Dominion Resources, Inc.	11,345	715,643
Duke Energy Corp.	31,431	637,735
Dynegy, Inc. "A"	16,653	70,942
Public Service Enterprise Group, Inc.	8,455	338,454
Sempra Energy	7,487	257,784
		2,492,913
Total Common Stocks (Cost $341,390,483)		**366,465,217**

	Principal Amount ($)	Value ($)
US Government Backed 0.2%		
US Treasury Bill, 1.23%, 7/22/2004** (c) (Cost $639,646)	640,000	**639,646**

	Shares	Value ($)
Securities Lending Collateral 0.0%		
Daily Assets Fund Institutional, 1.15% (d) (f) (Cost $86,450)	86,450	**86,450**
Cash Equivalents 1.7%		
Scudder Cash Management QP Trust, 1.20% (b) (Cost $6,230,666)	6,230,666	**6,230,666**
Total Investment Portfolio — 100.0% (Cost $348,347,245) (a)		**373,421,979**

Notes to SVS Index 500 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 $348,347,245. At June 30, 2004, net unrealized appreciation for all securities based on tax cost was $25,074,734. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $49,293,023 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $24,218,289.*

(b) *Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *At June 30, 2004, this security, in part or in whole, has been segregated to cover initial margin requirements for open futures contracts.*

(d) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(e) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2004 amounted to $82,000, which is 0.0% of total net assets.*

(f) *Represents collateral held in connection with securities lending.*

At June 30, 2004, open futures contracts purchased were as follows:

Futures	Expiration Date	Contracts	Aggregated Face Value ($)	Value ($)	Net Unrealized Appreciation (Depreciation) ($)
S&P 500 Index Future	9/16/2004	21	5,953,101	5,987,100	33,999

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

Statement of Assets and Liabilities
as of June 30, 2004 (Unaudited)

Assets

Investments:		
Investments in securities, at value (cost $342,030,129)	$	367,104,863
Investment in Daily Assets Fund Institutional (cost $86,450)*		86,450
Investment in Scudder Cash Management QP Trust (cost $6,230,666)		6,230,666
Total investments in securities, at value (cost $348,347,245)		373,421,979
Cash		10,000
Dividends receivable		416,261
Interest receivable		3,233
Receivable for Portfolio shares sold		37,815
Receivable for daily variation margin on open futures contracts		13,118
Other assets		3,740
Total assets		373,906,146

Liabilities

Payable for investments purchased		796,684
Payable upon return of securities loaned		86,450
Payable for Portfolio shares redeemed		151,005
Accrued management fee		100,695
Other accrued expenses and payables		233,508
Total liabilities		1,368,342
Net assets, at value	**$**	**372,537,804**

Net Assets

Net assets consist of:		
Undistributed net investment income		1,899,282
Net unrealized appreciation (depreciation) on:		
Investments		25,074,734
Futures		33,999
Accumulated net realized gain (loss)		(41,342,527)
Paid-in capital		386,872,316
Net assets, at value	**$**	**372,537,804**
Class A		
Net Asset Value, offering and redemption price per share ($316,667,844 ÷ 37,162,442 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**8.52**
Class B		
Net Asset Value, offering and redemption price per share ($55,869,960 ÷ 6,567,304 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**8.51**

* *Represents collateral on securities loaned.*

Statement of Operations
for the six months ended June 30, 2004 (Unaudited)

Investment Income

Income:		
Dividends	$	2,890,051
Interest — Scudder Cash Management QP Trust		24,837
Securities lending income		1,023
Total Income		2,915,911
Expenses:		
Management fee		634,535
Custodian and accounting fees		96,344
Distribution service fees (Class B)		54,818
Record keeping fees (Class B)		30,954
Auditing		34,500
Legal		7,140
Trustees' fees and expenses		2,234
Reports to shareholders		17,840
Registration fees		24
Other		8,532
Total expenses, before expense reductions		886,921
Expense reductions		(861)
Total expenses, after expense reductions		886,060
Net investment income (loss)		**2,029,851**

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from:		
Investments		(5,998,041)
Futures		156,412
		(5,841,629)
Net unrealized appreciation (depreciation) during the period on:		
Investments		14,403,887
Futures		(136,357)
		14,267,530
Net gain (loss) on investment transactions		**8,425,901**
Net increase (decrease) in net assets resulting from operations	**$**	**10,455,752**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2004 (Unaudited)	Year Ended December 31, 2003
Operations:		
Net investment income (loss)	$ 2,029,851	$ 3,524,386
Net realized gain (loss) on investment transactions	(5,841,629)	(12,180,785)
Net unrealized appreciation (depreciation) on investment transactions during the period	14,267,530	79,217,419
Net increase (decrease) in net assets resulting from operations	10,455,752	70,561,020
Distributions to shareholders from:		
Net investment income		
Class A	(3,148,196)	(2,840,811)
Class B	(262,259)	(39,707)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	33,865,223	64,041,270
Reinvestment of distributions	3,148,196	2,840,811
Cost of shares redeemed	(35,106,167)	(54,166,484)
Net increase (decrease) in net assets from Class A share transactions	1,907,252	12,715,597
Class B		
Proceeds from shares sold	27,163,500	30,974,956
Reinvestment of distributions	262,259	39,707
Cost of shares redeemed	(5,931,902)	(3,018,857)
Net increase (decrease) in net assets from Class B share transactions	21,493,857	27,995,806
Increase (decrease) in net assets	30,446,406	108,391,905
Net assets at beginning of period	342,091,398	233,699,493
Net assets at end of period (including undistributed net investment income of $1,899,282 and $3,279,886, respectively)	**$ 372,537,804**	**$ 342,091,398**

Other Information

Class A		
Shares outstanding at beginning of period	36,967,597	35,202,430
Shares sold	3,989,643	8,891,513
Shares issued to shareholders in reinvestment of distributions	375,232	450,208
Shares redeemed	(4,170,030)	(7,576,554)
Net increase (decrease) in Portfolio shares	194,845	1,765,167
Shares outstanding at end of period	**37,162,422**	**36,967,597**
Class B		
Shares outstanding at beginning of period	4,013,326	175,906
Shares sold	3,214,999	4,214,305
Shares issued to shareholders in reinvestment of distributions	31,296	6,293
Shares redeemed	(692,317)	(383,178)
Net increase (decrease) in Portfolio shares	2,553,978	3,837,420
Shares outstanding at end of period	**6,567,304**	**4,013,326**

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

Financial Highlights

Class A

Years Ended December 31,	2004[a]	2003	2002	2001	2000[b]	1999[b,c]
Selected Per Share Data						
Net asset value, beginning of period	**$ 8.35**	**$ 6.61**	**$ 8.55**	**$ 9.78**	**$ 10.96**	**$ 10.00**
Income (loss) from investment operations:						
Net investment income (loss)[d]	.05	.09	.09	.08	.10	.10
Net realized and unrealized gain (loss) on investment transactions	.21	1.73	(1.99)	(1.26)	(1.18)	.86
Total from investment operations	.26	1.82	(1.90)	(1.18)	(1.08)	.96
Less distributions from:						
Net investment income	(.09)	(.08)	(.04)	(.05)	(.05)	—
Net realized gains on investment transactions	—	—	—	—	(.05)	—
Total distributions	(.09)	(.08)	(.04)	(.05)	(.10)	—
Net asset value, end of period	**$ 8.52**	**$ 8.35**	**$ 6.61**	**$ 8.55**	**$ 9.78**	**$ 10.96**
Total Return (%)	3.12**	27.93	(22.34)	(12.05)[e]	(9.93)[e]	9.55[e]**
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	317	309	233	219	102	32
Ratio of expenses before expense reductions (%)	.45*	.49	.48	.65	.88	.84*
Ratio of expenses after expense reductions (%)	.45*	.49	.48	.55	.54	.55*
Ratio of net investment income (loss) (%)	1.19*	1.31	1.16	.88	.90	3.72*
Portfolio turnover rate (%)	12*	8	6	13	20	1*

a *For the six months ended June 30, 2004 (Unaudited).*

b *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Share information, for the periods prior to December 31, 2001, has 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.*

c *For the period from September 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*

Class B

Years Ended December 31,	2004[a]	2003	2002[b]
Selected Per Share Data			
Net asset value, beginning of period	**$ 8.32**	**$ 6.59**	**$ 7.21**
Income (loss) from investment operations:			
Net investment income (loss)[c]	.03	.06	.05
Net realized and unrealized gain (loss) on investment transactions	.22	1.74	(.67)
Total from investment operations	.25	1.80	(.62)
Less distributions from:			
Net investment income	(.06)	(.07)	—
Net asset value, end of period	**$ 8.51**	**$ 8.32**	**$ 6.59**
Total Return (%)	2.96**	27.57	(8.60)**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period ($ millions)	56	33	1
Ratio of expenses (%)	.84*	.88	.69*
Ratio of net investment income (loss) (%)	.80*	.92	1.42*
Portfolio turnover rate (%)	12*	8	6

a *For the six months ended June 30, 2004 (Unaudited).*

b *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*

c *Based on average shares outstanding during the period.*

* *Annualized* ** *Not annualized*

SVS INVESCO Dynamic Growth Portfolio

Although the economy started off slower than expected in the first quarter of 2004, it continued to broaden. In March, the equity markets became more volatile, though most economic indicators continued to be encouraging. Consumer sentiment remained optimistic, and service sector jobs were created faster than expected.

SVS INVESCO Dynamic Growth Portfolio returned 3.64% (Class A shares, unadjusted for contract charges, and for the six-month period ended June 30, 2004), underperforming its benchmark, the Russell Midcap Growth Index, which returned 5.94%.

In the first quarter of the six-month period, higher-quality, more defensive stocks and sectors outperformed. As a result, the fund's underweight position in the consumer discretionary and health care sectors and overweight position in technology were the primary reasons for its underperformance versus the benchmark.

In the second quarter, the portfolio managers concentrated positions in the information technology, consumer discretionary, health care and industrials sectors. Stock selection in the health care sector was the largest detractor from relative performance due to poor performance among pharmaceutical stocks. An underweight position in the consumer staples sector also detracted from relative performance. An overweight position and good stock picking in the industrials sector positively contributed to the portfolio's relative performance.

The portfolio managers will continue to seek growth companies with earnings power. The portfolio manager believes the portfolio should be well-positioned for continued cyclical improvement in the economy and the markets.

Timothy J. Miller

Portfolio Manager
INVESCO, Subadvisor to the Portfolio

All performance shown is historical, assumes reinvestment of all dividends and capital gains, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less then their original cost. Current performance may be lower or higher than the performance data quoted. Please see scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Information concerning the portfolio holdings of the portfolio as of month-end is available upon request on the 16th of the following month.

Returns during part or all of the periods shown reflect a fee waiver and/or expense reimbursement. Without this waiver/reimbursement, returns would have been lower.

Risk Considerations

Stocks of medium-sized companies involve greater risk as they often have limited product lines, markets, or financial resources and may be sensitive to erratic and abrupt market movements more so than securities of larger, more-established companies. Additionally, the portfolio may also focus its investments on certain industry sectors, thereby increasing its vulnerability to any single industry or regulatory development. All of these factors may result in greater share price volatility. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

The Russell Midcap Growth Index is an unmanaged, capitalization-weighted index of medium and medium/small companies in the Russell 1000 Index chosen for their growth orientation. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2004, and may not come to pass. This information is subject to change at any time based on market and other conditions.

SVS INVESCO Dynamic Growth Portfolio

	Shares	Value ($)
Common Stocks 90.2%		
Consumer Discretionary 18.1%		
Hotels Restaurants & Leisure 4.8%		
Hilton Hotels Corp.	31,900	595,254
International Game Technology	7,800	301,080
Royal Caribbean Cruises Ltd. (e)	9,000	390,690
Starwood Hotels & Resorts Worldwide, Inc.	8,800	394,680
Station Casinos, Inc.	7,400	358,160
		2,039,864
Household Durables 1.0%		
Pulte Homes, Inc.	8,400	**437,052**
Internet & Catalog Retail 0.4%		
Priceline.com, Inc.* (e)	5,800	**156,194**
Leisure Equipment & Products 0.6%		
Marvel Enterprises, Inc.* (e)	13,950	**272,304**
Media 5.7%		
Cox Communications, Inc. "A"* (e)	27,800	772,562
EchoStar Communications Corp. "A"*	15,350	472,012
Omnicom Group, Inc.	3,700	280,793
The E.W. Scripps Co. "A"	2,200	231,000
Univision Communications, Inc. "A"*	21,200	676,916
		2,433,283
Multiline Retail 2.0%		
Family Dollar Stores, Inc.	9,800	298,116
J.C. Penny Co., Inc.	5,500	207,680
Kohl's Corp.*	8,100	342,468
		848,264
Specialty Retail 1.1%		
Staples, Inc.	16,500	**483,615**
Textiles, Apparel & Luxury Goods 2.5%		
Coach, Inc.*	5,600	253,064
NIKE, Inc. "B"	3,900	295,425
Polo Ralph Lauren Corp.	14,900	513,305
		1,061,794
Consumer Staples 0.5%		
Beverages		
Pepsi Bottling Group, Inc.	6,300	**192,402**
Energy 4.8%		
Energy Equipment & Services 2.0%		
Nabors Industries Ltd.*	4,600	208,012
Smith International, Inc.*	8,600	479,536
Weatherford International Ltd.*	3,200	143,936
		831,484
Oil & Gas 2.8%		
Apache Corp.	5,402	235,257
Murphy Oil Corp.	6,000	442,200
Noble Energy Inc.	800	40,595
Talisman Energy, Inc.	20,700	450,018
		1,168,070

	Shares	Value ($)
Financials 6.7%		
Banks 0.3%		
Zions Bancorp.	1,900	**116,755**
Capital Markets 4.4%		
Franklin Resources, Inc.	4,700	235,376
Investors Financial Services Corp.	6,500	283,270
Legg Mason, Inc.	7,400	673,474
Northern Trust Corp.	6,900	291,732
T. Rowe Price Group, Inc.	8,300	418,320
		1,902,172
Consumer Finance 0.2%		
Providian Financial Corp.*	5,300	**77,751**
Diversified Financial Services 0.5%		
Ameritrade Holding Corp.*	17,400	**197,490**
Insurance 1.3%		
PMI Group Inc.	4,200	182,784
Safeco Corp.	9,100	400,400
		583,184
Health Care 16.1%		
Biotechnology 2.0%		
Biogen Idec, Inc.*	3,900	246,675
Genzyme Corp. (General Division)*	5,100	241,383
Invitrogen Corp.*	4,800	345,552
		833,610
Health Care Equipment & Supplies 5.3%		
Alcon, Inc.	4,100	322,465
Boston Scientific Corp.*	9,700	415,160
Guidant Corp.	3,100	173,228
Hospira, Inc.*	3,000	82,800
Kinetic Concepts, Inc.*	4,200	209,580
Smith & Nephew PLC	14,200	153,182
Thermo Electron Corp.*	10,000	307,400
Zimmer Holdings, Inc.*	7,000	617,400
		2,281,215
Health Care Providers & Services 4.1%		
Aetna, Inc.	3,500	297,500
Anthem, Inc.* (e)	4,000	358,240
Caremark Rx, Inc.*	13,229	435,763
Coventry Health Care, Inc.*	2,000	97,800
McKesson Corp.	4,500	154,485
Medco Health Solutions, Inc.*	10,800	405,000
		1,748,788
Pharmaceuticals 4.7%		
Elan Corp. (ADR)* (e)	16,900	418,106
Shire Pharmaceuticals Group PLC*	18,800	502,712
Teva Pharmaceutical Industries Ltd. (ADR)	10,100	679,629
Valeant Pharmaceuticals International	19,400	388,000
		1,988,447
Industrials 16.3%		
Air Freight & Couriers 0.3%		
C.H. Robinson Worldwide, Inc.	2,500	**114,600**

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

	Shares	Value ($)
Commercial Services & Supplies 9.0%		
Apollo Group, Inc. "A"*	4,340	383,179
Career Education Corp.*	5,000	227,800
Cintas Corp.	6,800	324,156
Hewitt Associates, Inc. "A"* (e)	4,200	115,500
Iron Mountain, Inc.*	6,600	318,516
Manpower, Inc.	16,000	812,320
Republic Services, Inc.	19,900	575,906
Robert Half International, Inc.	23,650	704,060
Stericycle, Inc.*	6,900	357,006
		3,818,443
Construction & Engineering 0.4%		
Chicago Bridge & Iron Co., NV (ADR)	5,600	**155,960**
Machinery 5.0%		
Cummins, Inc. (e)	3,400	212,500
Deere & Co.	5,700	399,798
Eaton Corp.	9,000	582,660
Illinois Tool Works, Inc.	1,700	163,013
Ingersoll-Rand Co. "A"	4,800	327,888
PACCAR, Inc.	7,750	449,423
		2,135,282
Trading Companies & Distributors 1.4%		
Fastenal Co.	10,200	**579,666**
Transportation Infrastructure 0.2%		
Sirva, Inc.*	3,500	**80,500**
Information Technology 25.2%		
Communications Equipment 3.8%		
Alcatel SA (ADR)*	4,500	69,705
Avaya, Inc.*	37,100	585,809
Comverse Technologies, Inc.*	22,100	440,674
Corning, Inc.*	23,500	306,910
Juniper Networks, Inc.*	8,363	205,479
		1,608,577
Computers & Peripherals 2.0%		
Lexmark International, Inc.*	5,700	550,221
Network Appliance, Inc.*	9,700	208,841
Storage Technology Corp.*	2,900	84,100
		843,162
Electronic Equipment & Instruments 1.8%		
Amphenol Corp. "A"*	7,100	236,572
CDW Corp.	8,450	538,772
		775,344
Internet Software & Services 2.5%		
Ask Jeeves, Inc.* (e)	3,400	132,702
Check Point Software Technologies Ltd.*	15,900	429,141
VeriSign, Inc.*	24,200	481,580
		1,043,423
IT Consulting & Services 3.3%		
Alliance Data Systems Corp.*	3,800	160,550
DST Systems, Inc.* (e)	11,100	533,799
Fiserv, Inc.*	8,200	318,898
Paychex, Inc.	11,900	403,172
		1,416,419
Office Electronics 0.5%		
Zebra Technologies Corp. "A"*	2,400	**208,800**
Semiconductors & Semiconductor Equipment 6.1%		
Altera Corp.*	13,333	296,259
Analog Devices, Inc.	5,500	258,940
Broadcom Corp. "A"*	10,100	472,377
KLA-Tencor Corp.*	4,300	212,334
Marvell Technology Group Ltd.*	1,700	44,563
Maxim Integrated Products, Inc.	7,400	387,908
Microchip Technology, Inc.	15,750	496,755
National Semiconductor Corp.*	7,300	160,527
Silicon Laboratories, Inc.* (e)	5,200	241,020
		2,570,683
Software 5.2%		
Amdocs Ltd.*	16,400	384,252
Electronic Arts, Inc.*	8,700	474,585
Hyperion Solutions Corp.* (e)	3,500	153,020
Mercury Interactive Corp.*	3,700	184,371
Novell, Inc.*	49,800	417,822
Symantec Corp.*	7,600	332,728
Synopsys Ltd.*	6,600	187,638
VERITAS Software Corp.*	2,800	77,764
		2,212,180
Telecommunication Services 1.9%		
Wireless Telecommunication Services		
American Towers, Inc. "A"*	23,000	349,600
Nextel Partners, Inc. "A"*	17,500	278,600
SpectraSite, Inc.*	3,700	159,914
		788,114
Other 0.6%		
Internet HOLDRs Trust (e)	4,000	**257,520**
Total Common Stocks (Cost $30,976,176)		**38,262,411**
Securities Lending Collateral 6.9%		
Daily Assets Fund Institutional, 1.15% (c) (d) (Cost $2,948,299)	2,948,299	**2,948,299**
Cash Equivalents 2.9%		
Scudder Cash Management QP Trust, 1.20% (b) (Cost $1,228,127)	1,228,127	**1,228,127**
Total Investment Portfolio — 100.0% (Cost $35,152,602) (a)		**42,438,837**

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

Notes to SVS INVESCO Dynamic Growth Portfolio of Investments

* *Non-income producing security.*

(a) *The cost for federal income tax purposes was $35,360,447. At June 30, 2004, net unrealized appreciation for all securities based on tax cost was $7,078,390. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $7,556,764 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $478,374.*

(b) *Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Daily Assets Fund Institutional, an affiliated fund, is also managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(d) *Represents collateral held in connection with securities lending.*

(e) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2004, amounted to $2,874,210, which is 7.26% of net assets.*

HOLDRs: Holding Company Depositary Receipts

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

Financial Statements

Statement of Assets and Liabilities
as of June 30, 2004 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $30,976,176)	$	38,262,411
Investments in Daily Assets Fund Institutional (cost $2,948,299)*		2,948,299
Investment in Scudder Cash Management QP Trust (cost $1,228,127)		1,228,127
Total investments in securities, at value (cost $35,152,602)		42,438,837
Cash		10,000
Foreign currency, at value (cost $776)		800
Receivable for investments sold		743,634
Dividends receivable		12,356
Interest receivable		1,267
Receivable for Portfolio shares sold		6,517
Foreign taxes recoverable		1,422
Other assets		993
Total assets		43,215,826
Liabilities		
Payable for investments purchased		604,353
Payable upon return of securities loaned		2,948,299
Payable for Portfolio shares redeemed		18,319
Other accrued expenses and payables		57,256
Total liabilities		3,628,227
Net assets, at value	**$**	**39,587,599**
Net Assets		
Net assets consist of: Accumulated net investment loss		(181,549)
Net unrealized appreciation (depreciation) on: Investments		7,286,235
Foreign currency related transactions		24
Accumulated net realized gain (loss)		(4,709,645)
Paid-in capital		37,192,534
Net assets, at value	**$**	**39,587,599**
Class A		
Net Asset Value, offering and redemption price per share ($33,579,744 ÷ 3,933,777 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**8.54**
Class B		
Net Asset Value, offering and redemption price per share ($6,007,855 ÷ 707,960 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**8.49**

* *Represents collateral on securities loaned.*

Statement of Operations
for the six months ended June 30, 2004 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $1,099)	$	79,129
Interest — Scudder Cash Management QP Trust		7,455
Securities lending income		1,401
Total Income		87,985
Expenses:		
Management fee		198,464
Custodian and accounting fees		34,071
Distribution service fees (Class B)		6,688
Record keeping fees (Class B)		3,784
Auditing		20,966
Legal		10,219
Trustees' fees and expenses		650
Reports to shareholders		2,011
Other		1,388
Total expenses, before expense reductions		278,241
Expense reductions		(8,915)
Total expenses, after expense reductions		269,326
Net investment income (loss)		**(181,341)**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from: Investments		2,704,694
Foreign currency related transactions		5,813
		2,710,507
Net unrealized appreciation (depreciation) during the period on: Investments		(1,195,241)
Foreign currency related transactions		21
		(1,195,220)
Net gain (loss) on investment transactions		**1,515,287**
Net increase (decrease) in net assets resulting from operations	**$**	**1,333,946**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2004 (Unaudited)	Year Ended December 31, 2003
Operations:		
Net investment income (loss)	$ (181,341)	$ (267,890)
Net realized gain (loss) on investment transactions	2,710,507	787,660
Net unrealized appreciation (depreciation) on investment transactions during the period	(1,195,220)	8,947,748
Net increase (decrease) in net assets resulting from operations	1,333,946	9,467,518
Portfolio share transactions:		
Class A		
Proceeds from shares sold	3,224,062	4,799,111
Cost of shares redeemed	(5,299,300)	(4,360,153)
Net increase (decrease) in net assets from Class A share transactions	(2,075,238)	438,958
Class B		
Proceeds from shares sold	1,676,105	3,887,012
Cost of shares redeemed	(460,853)	(110,618)
Net increase (decrease) in net assets from Class B share transactions	1,215,252	3,776,394
Increase (decrease) in net assets	473,960	13,682,870
Net assets at beginning of period	39,113,639	25,430,769
Net assets at end of period (including accumulated net investment loss of $181,549 and $208, respectively)	**$ 39,587,599**	**$ 39,113,639**

Other Information

Class A		
Shares outstanding at beginning of period	4,185,184	4,165,073
Shares sold	378,391	671,597
Shares redeemed	(629,798)	(651,486)
Net increase (decrease) in Portfolio shares	(251,407)	20,111
Shares outstanding at end of period	**3,933,777**	**4,185,184**
Class B		
Shares outstanding at beginning of period	562,802	15,737
Shares sold	199,324	562,002
Shares redeemed	(54,166)	(14,937)
Net increase (decrease) in Portfolio shares	145,158	547,065
Shares outstanding at end of period	**707,960**	**562,802**

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

Financial Highlights

Class A

Years Ended December 31,	2004[a]	2003	2002	2001[b]
Selected Per Share Data				
Net asset value, beginning of period	**$ 8.24**	**$ 6.08**	**$ 8.80**	**$ 10.00**
Income (loss) from investment operations:				
Net investment income (loss)[c]	(.04)	(.06)	(.05)	(.02)
Net realized and unrealized gain (loss) on investment transactions	.34	2.22	(2.67)	(1.18)
Total from investment operations	.30	2.16	(2.72)	(1.20)
Net asset value, end of period	**$ 8.54**	**$ 8.24**	**$ 6.08**	**$ 8.80**
Total Return (%)	3.64[d]**	35.53[d]	(30.91)	(12.00)[d]**
Ratios to Average Net Assets and Supplemental Data				
Net assets, end of period ($ millions)	34	34	25	23
Ratio of expenses before expense reductions (%)	1.34*	1.46	1.14	1.97*
Ratio of expenses after expense reductions (%)	1.30*	1.30	1.14	1.30*
Ratio of net investment income (loss) (%)	(.86)*	(.85)	(.71)	(.40)*
Portfolio turnover rate (%)	127*	115	79	40*

a *For the six months ended June 30, 2004 (Unaudited).*
b *For the period from May 1, 2001 (commencement of operations) to December 31, 2001.*
c *Based on average shares outstanding during the period.*
d *Total return would have been lower had certain expenses not been reduced.*
* *Annualized*
** *Not annualized*

Class B

Years Ended December 31,	2004[a]	2003	2002[b]
Selected Per Share Data			
Net asset value, beginning of period	**$ 8.21**	**$ 6.07**	**$ 6.51**
Income (loss) from investment operations:			
Net investment income (loss)[c]	(.05)	(.09)	(.03)
Net realized and unrealized gain (loss) on investment transactions	.33	2.23	(.41)
Total from investment operations	.28	2.14	(.44)
Net asset value, end of period	**$ 8.49**	**$ 8.21**	**$ 6.07**
Total Return (%)	3.41[d]**	35.26[d]	(6.76)**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period ($ millions)	6	5	.1
Ratio of expenses before expense reductions (%)	1.74*	1.85	1.40*
Ratio of expenses after expense reductions (%)	1.70*	1.69	1.40*
Ratio of net investment income (loss) (%)	(1.26)*	(1.24)	(.82)*
Portfolio turnover rate (%)	127*	115	79

a *For the six months ended June 30, 2004 (Unaudited).*
b *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
c *Based on average shares outstanding during the period.*
d *Total return would have been lower had certain expenses not been reduced.*
* *Annualized*
** *Not annualized*

SVS Janus Growth and Income Portfolio

The threat of inflation overshadowed the market in the second quarter of the six-month period ended June 30, 2004, limiting major stock indices to single-digit gains. Brisk retail and home sales, coupled with news that 1.2 million jobs had been added to the economy this year, sparked some optimism for the burgeoning recovery. This positive news prompted the Federal Reserve to raise its prime lending rate a quarter point in an effort to fight off inflation. During the period, the portfolio posted a positive return, though it trailed its benchmark, the Russell 1000 Growth Index. The portfolio returned 2.37% (Class A shares, unadjusted for contract charges, and for the six-month period ending June 30, 2004), versus a 2.74% return for the Russell 1000 Growth Index.

Leading the upside was Internet software and services company Yahoo! The firm has continued to benefit from online advertising growth as it takes market share from other promotional vehicles such as newspapers and radio. In addition, a shift in focus from high-volume Internet advertising to high-revenue sponsored-search services has paid off. As proof, Yahoo!'s shares hit a new 52-week high in April.

Technology interests generally underperformed, led by cellular phone maker Nokia. The company cautioned that second-quarter sales and earnings likely would come in below forecasts and that global market share fell about 5%. As a result, we sold our Nokia position.

By adding to a larger number of core holdings, we are aiming to create a risk-reward profile designed to earn returns for long-term shareholders.

Minyoung Sohn

Portfolio Manager, Janus Capital Management LLC, Subadvisor to the Portfolio

All performance shown is historical, assumes reinvestment of all dividends and capital gains, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less then their original cost. Current performance may be lower or higher than the performance data quoted. Please see scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Information concerning the portfolio holdings of the portfolio as of month-end is available upon request on the 16th of the following month.

Risk Considerations

The portfolio is subject to stock market risk, meaning stocks in the portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. The portfolio also invests in individual bonds whose yields and market values fluctuate so that your investment may be worth more or less than its original cost. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

The Russell 1000 Growth Index is an unmanaged, capitalization-weighted index containing those securities in the Russell 1000 Index with higher price–to–book ratios and higher forecasted growth values. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2004, and may not come to pass. This information is subject to change at any time based on market and other conditions.

SVS Janus Growth and Income Portfolio

	Shares	Value ($)
Common Stocks 85.0%		
Consumer Discretionary 18.3%		
Distributors 0.5%		
LVMH Moet-Hennessy Louis Vuitton SA (b)	15,614	**1,131,539**
Hotels Restaurants & Leisure 3.1%		
Fairmont Hotels & Resorts, Inc.	83,501	2,250,352
Four Seasons Hotels Ltd. (b)	32,475	1,955,320
Starwood Hotels & Resorts Worldwide, Inc.	63,400	2,843,490
		7,049,162
Household Durables 1.1%		
Harman International Industries, Inc.	16,630	1,513,330
NVR, Inc.*	1,885	912,717
		2,426,047
Internet & Catalog Retail 1.0%		
Amazon.com, Inc.*	20,305	1,104,592
eBay, Inc.*	12,490	1,148,455
		2,253,047
Leisure Equipment & Products 0.7%		
Marvel Enterprises, Inc.* (b)	85,872	**1,676,221**
Media 10.4%		
British Sky Broadcasting Group PLC	222,796	2,518,814
Clear Channel Communications, Inc.	74,285	2,744,831
Comcast Corp. "A"*	108,465	2,994,719
Cox Communications, Inc. "A"* (b)	82,390	2,289,618
Lamar Advertising Co.*	48,345	2,095,756
Liberty Media Corp. "A"*	300,650	2,702,843
Liberty Media International, Inc. "A"*	15,229	564,996
Time Warner, Inc.*	217,285	3,819,870
Viacom, Inc. "B"	48,950	1,748,494
Walt Disney Co.	76,525	1,950,622
		23,430,563
Specialty Retail 1.5%		
AutoZone, Inc.*	7,265	581,927
Best Buy Co., Inc.	15,130	767,696
CarMax, Inc.*	11,250	246,038
PETsMART, Inc.	54,950	1,783,127
		3,378,788
Consumer Staples 4.5%		
Beverages 1.8%		
Anheuser-Busch Companies, Inc.	21,020	1,135,080
PepsiCo, Inc.	54,747	2,949,768
		4,084,848
Household Products 2.1%		
Procter & Gamble Co.	75,500	4,110,220
Reckitt Benkiser PLC	23,907	678,307
		4,788,527
Tobacco 0.6%		
Altria Group, Inc.	24,990	**1,250,750**
Energy 5.7%		
Oil & Gas		
ConocoPhillips	15,600	1,190,124
Encana Corp.	79,259	3,420,818
ExxonMobil Corp.	151,275	6,718,123
Kinder Morgan, Inc.	27,250	1,615,653
		12,944,718
Financials 11.2%		
Banks 1.3%		
US Bancorp.	103,242	**2,845,349**
Capital Markets 1.1%		
Goldman Sachs Group, Inc.	27,545	**2,593,637**
Consumer Finance 0.8%		
Providian Financial Corp.*	118,955	**1,745,070**
Diversified Financial Services 4.6%		
Citigroup, Inc.	154,623	7,189,969
Countrywide Financial Corp.	23,702	1,665,066
J.P. Morgan Chase & Co.	43,875	1,701,034
		10,556,069
Insurance 3.4%		
American International Group, Inc.	47,300	3,371,544
Berkshire Hathaway, Inc. "B"*	1,419	4,193,145
		7,564,689
Health Care 13.0%		
Biotechnology 1.4%		
Amgen, Inc.*	51,815	2,827,545
Neurocrine Biosciences, Inc.*	5,650	292,952
		3,120,497
Health Care Equipment & Supplies 1.8%		
C.R. Bard, Inc.	17,610	997,607
Medtronic, Inc.	63,245	3,081,296
		4,078,903
Health Care Providers & Services 6.4%		
Aetna, Inc.	33,925	2,883,625
Caremark Rx, Inc.*	129,870	4,277,918
Medco Health Solutions, Inc.*	72,095	2,703,562
UnitedHealth Group, Inc.	75,420	4,694,895
		14,560,000
Pharmaceuticals 3.4%		
Pfizer, Inc.	54,025	1,851,977
Roche Holding AG	58,033	5,755,723
		7,607,700
Industrials 12.0%		
Aerospace & Defense 0.8%		
Honeywell International, Inc.	53,480	**1,958,972**
Electrical Equipment 0.1%		
Rockwell Automation, Inc.	3,975	**149,102**
Electronic Equipment & Instruments 2.3%		
Samsung Electronics Co., Ltd. (GDR), 144A	25,065	**5,157,124**

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

	Shares	Value ($)
Industrial Conglomerates 8.0%		
3M Co.	32,340	2,910,924
General Electric Co.	92,400	2,993,760
SmithKline Industries PLC	100,763	1,367,191
Tyco International Ltd. (b)	322,230	10,678,702
		17,950,577
Road & Rail 0.8%		
Canadian National Railway Co.	42,637	**1,858,547**
Information Technology 19.8%		
Communications Equipment 2.1%		
Cisco Systems, Inc.*	200,045	**4,741,066**
Computers & Peripherals 2.8%		
Dell, Inc.*	31,875	1,141,763
International Business Machines Corp.	33,955	2,993,133
Lexmark International, Inc.*	14,140	1,364,934
SanDisk Corp.* (b)	34,430	746,787
		6,246,617
Internet Software & Services 1.5%		
EarthLink, Inc.*	99,925	1,034,224
Yahoo!, Inc.*	64,455	2,341,650
		3,375,874
Semiconductors & Semiconductor Equipment 8.0%		
Advanced Micro Devices, Inc.* (b)	210,805	3,351,799
Applied Materials, Inc.*	93,595	1,836,334
Linear Technology Corp.	82,355	3,250,552
Maxim Integrated Products, Inc.	89,230	4,677,437
NVIDIA Corp.*	59,025	1,210,013
Texas Instruments, Inc.	150,035	3,627,846
		17,953,981
Software 5.4%		
Computer Associates International, Inc.	106,135	2,978,148
Electronic Arts, Inc.*	53,520	2,919,516
Microsoft Corp.	181,250	5,176,500
Oracle Corp.*	87,670	1,045,903
		12,120,067
Materials 0.5%		
Chemicals		
International Flavors & Fragrances, Inc.	30,540	**1,142,196**
Total Common Stocks (Cost $162,383,157)		**191,740,247**

	Shares	Value ($)
Convertible Preferred Stocks 0.1%		
Allied Waste Industries, Inc., 6.25% (b) (Cost $214,250)	4,285	**305,435**
Preferred Stock 1.9%		
Amerada Hess Corp., 7.00%	20,700	1,499,715
Porsche AG	2,553	1,711,814
XL Capital Ltd., 6.5%	43,500	1,104,465
Total Preferred Stock (Cost $3,057,211)		**4,315,994**

	Principal Amount ($)	Value ($)
Convertible Bond 0.1%		
Lamar Advertising Co., 2.875%, 12/31/2010 (Cost $175,000)	175,000	**187,911**
Corporate Bonds 0.6%		
Allied Waste North America, Inc., 7.875%, 4/15/2013	95,000	99,275
CMS Energy Corp., 7.625%, 11/15/2004	195,000	197,925
Cox Communications, Inc., 7.125%, 10/1/2012	870,000	953,478
Mattel, Inc., 6.125%, 7/15/2005	155,000	158,990
Total Corporate Bonds (Cost $1,307,473)		**1,409,668**

	Shares	Value ($)
Securities Lending Collateral 8.9%		
Daily Assets Fund Institutional, 1.15% (d) (e) (Cost $20,111,702)	20,111,702	**20,111,702**
Cash Equivalents 3.4%		
Scudder Cash Management QP Trust, 1.20% (c) (Cost $7,585,211)	7,585,211	**7,585,211**
Total Investment Portfolio — 100.0% (Cost $194,834,004) (a)		**225,656,168**

Notes to SVS Janus Growth and Income Portfolio of Investments

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

(a) *The cost for federal income tax purposes was $192,726,063. At June 30, 2004, net unrealized appreciation for all securities based on tax cost was $32,930,105. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $36,010,506 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $3,080,401.*

(b) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2004 amounted to $19,649,396 which is 9.60% of total net assets.*

(c) *Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(d) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(e) *Represents collateral held in connection with securities lending.*

144A: Security exempt from registration under 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

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

Statement of Assets and Liabilities
as of June 30, 2004 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $167,137,091)	$	197,959,255
Investment in Daily Assets Fund Institutional (cost $20,111,702)*		20,111,702
Investment in Scudder Cash Management QP Trust (cost $7,585,211)		7,585,211
Total investments in securities, at value (cost $194,834,004)		225,656,168
Cash		10,000
Foreign currency, at value (cost $87,837)		90,189
Receivable for investments sold		588,501
Dividends receivable		114,032
Interest receivable		32,409
Receivable for Portfolio shares sold		30,343
Foreign taxes recoverable		1,797
Other assets		7,130
Total assets		226,530,569
Liabilities		
Payable for investments purchased		1,315,409
Net payable on closed forward foreign currency exchange contracts		1,654
Unrealized depreciation on forward foreign currency exchange contracts		41,475
Payable for Portfolio shares redeemed		79,278
Payable upon return of securities loaned		20,111,702
Accrued management fee		152,582
Other accrued expenses and payables		125,202
Total liabilities		21,827,302
Net assets, at value	**$**	**204,703,267**
Net Assets		
Net assets consist of:		
Undistributed net investment income		237,290
Net unrealized appreciation (depreciation) on:		
Investments		30,822,164
Foreign currency related transactions		(172,943)
Accumulated net realized gain (loss)		(55,686,101)
Paid-in capital		229,502,857
Net assets, at value	**$**	**204,703,267**
Class A		
Net Asset Value, offering and redemption price per share ($182,345,854 ÷ 20,102,240 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**9.07**
Class B		
Net Asset Value, offering and redemption price per share ($22,357,413 ÷ 2,474,962 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**9.03**

* *Represents collateral on securities loaned.*

Statement of Operations
for the six months ended June 30, 2004 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $29,809)	$	1,022,616
Interest		55,079
Interest — Scudder Cash Management QP Trust		34,068
Securities lending income		11,476
Total Income		1,123,239
Expenses:		
Management fee		959,120
Custodian and accounting fees		60,195
Distribution service fees (Class B)		22,373
Record keeping fees (Class B)		12,496
Auditing		30,635
Legal		15,190
Trustees' fees and expenses		2,818
Reports to shareholders		9,730
Other		9,835
Total expenses		1,122,392
Expense reductions		(695)
Total expenses, after expense reductions		1,121,697
Net investment income (loss)		**1,542**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		4,376,612
Foreign currency related transactions		4,792
		4,381,404
Net unrealized appreciation (depreciation) during the period on:		
Investments		288,120
Foreign currency related transactions		61,965
		350,085
Net gain (loss) on investment transactions		**4,731,489**
Net increase (decrease) in net assets resulting from operations	**$**	**4,733,031**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2004 (Unaudited)	Year Ended December 31, 2003
Operations:		
Net investment income (loss)	$ 1,542	$ 694,308
Net realized gain (loss) on investment transactions	4,381,404	(6,450,874)
Net unrealized appreciation (depreciation) on investment transactions during the period	350,085	46,205,428
Net increase (decrease) in net assets resulting from operations	4,733,031	40,448,862
Distributions to shareholders from:		
Net investment income		
Class A	—	(1,260,686)
Class B	—	(10,289)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	2,908,999	34,880,490
Reinvestment of distributions	—	1,260,686
Cost of shares redeemed	(13,601,553)	(52,309,879)
Net increase (decrease) in net assets from Class A share transactions	(10,692,554)	(16,168,703)
Class B		
Proceeds from shares sold	7,480,715	15,708,908
Reinvestment of distributions	—	10,289
Cost of shares redeemed	(350,363)	(3,045,507)
Net increase (decrease) in net assets from Class B share transactions	7,130,352	12,673,690
Increase (decrease) in net assets	1,170,829	35,682,874
Net assets at beginning of period	203,532,438	167,849,564
Net assets at end of period (including undistributed net investment income of $237,290 and $235,748, respectively)	**$ 204,703,267**	**$ 203,532,438**

Other Information

Class A		
Shares outstanding at beginning of period	21,296,089	23,312,732
Shares sold	325,515	4,876,864
Shares issued to shareholders in reinvestment of distributions	—	180,614
Shares redeemed	(1,519,364)	(7,074,121)
Net increase (decrease) in Portfolio shares	(1,193,849)	(2,016,643)
Shares outstanding at end of period	**20,102,240**	**21,296,089**
Class B		
Shares outstanding at beginning of period	1,676,008	53,142
Shares sold	838,703	2,051,610
Shares issued to shareholders in reinvestment of distributions	—	1,472
Shares redeemed	(39,749)	(430,216)
Net increase (decrease) in Portfolio shares	798,954	1,622,866
Shares outstanding at end of period	**2,474,962**	**1,676,008**

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

Class A

Years Ended December 31,	2004[a]	2003	2002***	2001[b]	2000[c]	1999[c,d]
Selected Per Share Data			(Restated)			
Net asset value, beginning of period	**$ 8.86**	**$ 7.18**	**$ 9.05**	**$ 10.40**	**$ 11.49**	**$ 10.00**
Income (loss) from investment operations:						
Net investment income (loss)[e]	.02	.03	.04	.08	.12	—
Net realized and unrealized gain (loss) on investment transactions	.19	1.71	(1.86)	(1.36)	(1.16)	1.49
Total from investment operations	.21	1.74	(1.82)	(1.28)	(1.04)	1.49
Less distributions from:						
Net investment income	—	(.06)	(.05)	(.07)	—	—
Net realized gains on investment transactions	—	—	—	—	(.05)	—
Total distributions	—	(.06)	(.05)	(.07)	(.05)	—
Net asset value, end of period	**$ 9.07**	**$ 8.86**	**$ 7.18**	**$ 9.05**	**$ 10.40**	**$ 11.49**
Total Return (%)	2.37**	24.37	(20.22)	(12.28)	(9.18)[f]	14.93[f]**
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	182	189	167	179	104	16
Ratio of expenses before expense reductions (%)	1.07*	1.07	1.04	1.05	1.10	2.58*
Ratio of expenses after expense reductions (%)	1.07*	1.07	1.04	1.05	1.01	1.10*
Ratio of net investment income (loss) (%)	.04*	.40	.54	.90	1.07	(.05)*
Portfolio turnover rate (%)	48*	46	57	48	39	53*

a *For the six months ended June 30, 2004 (Unaudited).*

b *As required, effective January 1, 2001, the Portfolio 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 year ended December 31, 2001 was to decrease net investment income by $.01, increase net realized and unrealized gains and losses by $.01 and decrease the ratio of net investment income to average net assets from .92% to .90%. Per share, ratios and supplemental data for periods prior to January 1, 2001 have not been restated to reflect this change in presentation.*

c *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has 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.*

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

e *Based on average shares outstanding during the period.*

f *Total return would have been lower had certain expenses not been reduced.*

* *Annualized*

** *Not annualized*

*** *Subsequent to December 31, 2002, these numbers have been restated to reflect an adjustment to the value of a security as of December 31, 2002. The effect of this adjustment for the year ended December 31, 2002 was to increase the net asset value per share by $0.03. The total return was also adjusted from –20.56% to –20.22% in accordance with this change.*

Class B

Years Ended December 31,	2004[a]	2003	2002[b***]
Selected Per Share Data			**(Restated)**
Net asset value, beginning of period	**$ 8.84**	**$ 7.17**	**$ 7.96**
Income (loss) from investment operations:			
Net investment income (loss)[c]	(.02)	—[d]	.02
Net realized and unrealized gain (loss) on investment transactions	.21	1.71	(.81)
Total from investment operations	.19	1.71	(.79)
Less distributions from:			
Net investment income	—	(.04)	—
Net asset value, end of period	**$ 9.03**	**$ 8.84**	**$ 7.17**
Total Return (%)	2.15**	23.94	(9.92)**

Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period ($ millions)	22	15	.4
Ratio of expenses (%)	1.46*	1.47	1.29*
Ratio of net investment income (loss) (%)	(.35)*	(.01)	.48*
Portfolio turnover rate (%)	48*	46	57

a *For the six months ended June 30, 2004 (Unaudited).*

b *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*

c *Based on average shares outstanding during the period.*

d *Amount is less than $.005 per share.*

* *Annualized*

** *Not annualized*

*** *Subsequent to December 31, 2002, these numbers have been restated to reflect an adjustment to the value of a security as of December 31, 2002. The effect of this adjustment for the year ended December 31, 2002 was to increase the net asset value per share by $0.03. The total return was also adjusted from –10.30% to –9.92% in accordance with this change.*

SVS Janus Growth Opportunities Portfolio

For the six months ended June 30, 2004, the portfolio advanced 4.34% (Class A shares, unadjusted for contract charges) and outpaced its benchmark, the Russell 1000 Growth Index, which gained 2.74% for the period.

After finishing 2003 on a strong note, stocks treaded water during the first half of 2004, as concerns about increased interest rates, war and oil prices offset good news on job growth and corporate earnings. On June 30, investors' predictions about increasing interest rates came true when, for the first time in four years, the Federal Reserve raised the short-term benchmark rate.

There were no overarching investment themes in the portfolio during the period. We did a bit of selling in the financial services area, partly because of the likelihood of increased rates and partly because we feel that there are a lack of catalysts in this area. Other than that, we continued to select stocks company by company, resulting in an eclectic mix of growth names. Our focus remained on businesses we believe can successfully expand their margins, many of which were outperformers for us during the six months.

Two of the biggest contributors to the portfolio's absolute results were biotechnology holdings OSI Pharmaceuticals and Genentech. OSI, which focuses on oncology products, topped our list of outperformers, as successful phase-three (final) trials for a new cancer drug boosted investor enthusiasm for the company. Biotech concern Genentech advanced following news that the Food and Drug Administration approved its cancer treatment Avastin. Other standouts were Internet search engine Yahoo!, which remains one of the leading portals for online advertising; global air courier FedEx, which is benefiting from improving margins in its express business; and Lexmark International, a leading manufacturer of computer printers.

Finnish handset maker Nokia detracted from absolute performance when the stock declined as a result of new product introductions from competitors and waning market share. Another disappointment during the period was Intuit, a provider of small-business tax-preparation and personal-finance software products and services. A general weakening in the overall semiconductor business pressured chipmaker Applied Materials, which also subtracted from our results.

Although the economy's rate of expansion appears to have cooled, we remain confident in our fundamental approach to investing. We believe the market will reward strong, steady earnings growth, as opposed to broadly building up multiples, so we're comfortable with our mix of well-established companies, which, in our opinion, are poised to grow profits in a recovering economy.

Marc Pinto

Portfolio Manager, Janus Capital Management LLC, Subadvisor to the Portfolio

All performance shown is historical, assumes reinvestment of all dividends and capital gains, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less then their original cost. Current performance may be lower or higher than the performance data quoted. Please see scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Information concerning the portfolio holdings of the portfolio as of month-end is available upon request on the 16th of the following month.

Risk Considerations

This portfolio may at times have significant exposure to certain industry groups, which may react similarly to market developments (resulting in greater price volatility). The portfolio also may have significant exposure to foreign markets (which include risks such as currency fluctuation and political uncertainty). Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

The Russell 1000 Growth Index is an unmanaged, capitalization-weighted index containing those securities in the Russell 1000 Index with higher price–to–book ratios and higher forecasted growth values. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2004, and may not come to pass. This information is subject to change at any time based on market and other conditions.

SVS Janus Growth Opportunities Portfolio

	Shares	Value ($)
Common Stocks 93.6%		
Consumer Discretionary 15.0%		
Hotels Restaurants & Leisure 3.6%		
Hilton Hotels Corp.	149,230	2,784,632
McDonald's Corp.	63,330	1,646,580
Royal Caribbean Cruises Ltd.	15,630	678,498
		5,109,710
Media 5.0%		
Cablevision Systems New York Group "A"*	18,702	367,495
Gemstar-TV Guide International, Inc.*	160,495	770,376
Liberty Media Corp. "A"*	173,003	1,555,297
Time Warner, Inc.*	179,695	3,159,038
Viacom, Inc. "B"	36,085	1,288,956
		7,141,162
Multiline Retail 1.6%		
Target Corp.	54,375	**2,309,306**
Specialty Retail 3.4%		
Home Depot, Inc.	57,595	2,027,344
Staples, Inc.	98,035	2,873,406
		4,900,750
Textiles, Apparel & Luxury Goods 1.4%		
NIKE, Inc. "B"	26,080	**1,975,560**
Consumer Staples 1.2%		
Food & Drug Retailing		
Costco Wholesale Corp.	42,245	**1,735,002**
Energy 3.0%		
Energy Equipment & Services 1.1%		
Halliburton Co.	53,125	**1,607,562**
Oil & Gas 1.9%		
ExxonMobil Corp.	61,955	**2,751,422**
Financials 10.1%		
Capital Markets 2.2%		
Morgan Stanley	59,440	**3,136,649**
Consumer Finance 4.6%		
American Express Co.	78,055	4,010,466
SLM Corp.	66,460	2,688,307
		6,698,773
Diversified Financial Services 2.1%		
Citigroup, Inc.	34,173	1,589,044
Fannie Mae	19,000	1,355,840
		2,944,884
Insurance 1.2%		
Allstate Corp.	36,530	**1,700,472**
Health Care 18.2%		
Biotechnology 7.2%		
Amgen, Inc.*	78,150	4,264,646
Genentech, Inc.*	106,350	5,976,870
		10,241,516
Health Care Equipment & Supplies 3.3%		
Biomet, Inc.	30,470	1,354,087
Medtronic, Inc.	69,505	3,386,283
		4,740,370
Health Care Providers & Services 3.7%		
Caremark Rx, Inc.*	61,140	2,013,951
UnitedHealth Group, Inc.	52,095	3,242,914
		5,256,865
Pharmaceuticals 4.0%		
Eli Lilly & Co.	20,625	1,441,894
Pfizer, Inc.	127,682	4,376,939
		5,818,833
Industrials 12.9%		
Aerospace & Defense 2.1%		
United Technologies Corp.	32,900	**3,009,692**
Air Freight & Logistics 3.7%		
FedEx Corp.	65,065	**5,315,160**
Electronic Equipment & Instruments 2.0%		
Samsung Electronics Co., Ltd. (GDR), 144A (b)	13,955	**2,871,241**
Industrial Conglomerates 5.1%		
General Electric Co.	107,745	3,490,938
Tyco International Ltd.	112,195	3,718,142
		7,209,080
Information Technology 31.8%		
Communications Equipment 7.7%		
Cisco Systems, Inc.*	218,770	5,184,849
Motorola, Inc.	216,260	3,946,745
Nokia Oyj (ADR)	124,495	1,810,158
		10,941,752
Computers & Peripherals 5.4%		
Dell, Inc.*	83,355	2,985,776
Lexmark International, Inc.*	48,370	4,669,156
		7,654,932
Electronic Equipment & Instruments 1.2%		
Flextronics International Ltd.*	105,580	**1,684,001**
Internet Software & Services 3.1%		
Yahoo!, Inc.*	121,110	**4,399,926**
Semiconductors & Semiconductor Equipment 4.6%		
Applied Materials, Inc.*	181,695	3,564,856
Texas Instruments, Inc.	127,085	3,072,915
		6,637,771

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

	Shares	Value ($)
Software 9.8%		
Electronic Arts, Inc.*	69,990	3,817,955
Intuit, Inc.*	35,105	1,354,351
Microsoft Corp.	309,100	8,827,896
		14,000,202
Materials 1.4%		
Metals & Mining		
Rio Tinto PLC (ADR) (b)	21,085	**2,067,384**
Total Common Stocks (Cost $118,044,848)		**133,859,977**

	Shares	Value ($)
Securities Lending Collateral 2.4%		
Daily Assets Fund Institutional, 1.15% (d) (e) (Cost $3,465,300)	3,465,300	**3,465,300**
Cash Equivalents 4.0%		
Scudder Cash Management QP Trust 1.20% (c) (Cost $5,656,210)	5,656,210	**5,656,210**
Total Investment Portfolio — 100.0% (Cost $127,166,358) (a)		**142,981,487**

Notes to SVS Janus Growth Opportunities Portfolio of Investments

* *Non-income producing security.*

(a) *The cost for federal income tax purposes was $127,767,575. At June 30, 2004, net unrealized appreciation for all securities based on tax cost was $15,213,912. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $20,385,619 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $5,171,707.*

(b) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2004 amounted to $3,394,732, which is 2.4% of net assets.*

(c) *Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(d) *Daily Assets Fund Institutional, an affiliated fund, is also managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(e) *Represents collateral held in connection with securities lending.*

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

Statement of Assets and Liabilities
as of June 30, 2004 (Unaudited)

Assets

Investments:		
Investments in securities, at value (cost $118,044,848)	$	133,859,977
Investments in Daily Assets Fund Institutional (cost $3,465,300)*		3,465,300
Investments in Scudder Cash Management QP Trust (cost $5,656,210)		5,656,210
Total investments in securities, at value (cost $127,166,358)		142,981,487
Dividends receivable		64,928
Interest receivable		6,838
Receivable for Portfolio shares sold		43,123
Total assets		143,096,376

Liabilities

Accrued management fee		106,050
Payable for Portfolio shares redeemed		113,544
Payable for investments purchased		402,637
Payable upon return of securities loaned		3,465,300
Other accrued expenses and payables		75,586
Total liabilities		4,163,117
Net assets, at value	**$**	**138,933,259**

Net Assets

Net assets consist of:		
Accumulated net investment loss		(138,367)
Net unrealized appreciation (depreciation) on investments		15,815,129
Accumulated net realized gain (loss)		(93,906,047)
Paid-in capital		217,162,544
Net assets, at value	**$**	**138,933,259**
Class A		
Net Asset Value, offering and redemption price per share ($131,866,854 ÷ 18,272,796 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**7.22**
Class B		
Net Asset Value, offering and redemption price per share ($7,066,405 ÷ 986,397 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**7.16**

* *Represents collateral on securities loaned.*

Statement of Operations
for the six months ended June 30, 2004 (Unaudited)

Investment Income

Income:		
Dividends (net of foreign taxes withheld of $16,444)	$	539,120
Interest — Scudder Cash Management QP Trust		29,946
Securities lending income		13,239
Total Income		582,305
Expenses:		
Management fee		652,708
Custodian and accounting fees		19,596
Distribution service fees (Class B)		7,805
Record keeping fees (Class B)		4,466
Auditing		30,174
Trustees' fees and expenses		4,441
Registration fees		1,403
Total expenses, before expense reductions		720,593
Expense reduction		(543)
Total expenses, after expense reduction		720,050
Net investment income (loss)		**(137,745)**

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from investments		2,566,096
Net unrealized appreciation (depreciation) during the period on investments		3,430,456
Net gain (loss) on investment transactions		**5,996,552**
Net increase (decrease) in net assets resulting from operations	**$**	**5,858,807**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2004 (Unaudited)	Year Ended December 31, 2003
Operations:		
Net investment income (loss)	$ (137,745)	$ (226,725)
Net realized gain (loss) on investment transactions	2,566,096	(16,015,858)
Net unrealized appreciation (depreciation) on investment transactions during the period	3,430,456	46,344,783
Net increase (decrease) in net assets resulting from operations	5,858,807	30,102,200
Portfolio share transactions:		
Class A		
Proceeds from shares sold	1,706,510	7,945,670
Cost of shares redeemed	(7,434,212)	(22,894,437)
Net increase (decrease) in net assets from Class A share transactions	(5,727,702)	(14,948,767)
Class B		
Proceeds from shares sold	1,421,549	5,021,617
Cost of shares redeemed	(207,250)	(370,373)
Net increase (decrease) in net assets from Class B share transactions	1,214,299	4,651,244
Increase (decrease) in net assets	1,345,404	19,804,677
Net assets at beginning of period	137,587,855	117,783,178
Net assets at end of period (including accumulated net investment loss of $138,367 and $622, respectively)	**$ 138,933,259**	**$ 137,587,855**

Other Information

Class A		
Shares outstanding at beginning of period	19,085,611	21,572,540
Shares sold	240,074	1,334,121
Shares redeemed	(1,052,889)	(3,821,050)
Net increase (decrease) in Portfolio shares	(812,815)	(2,486,929)
Shares outstanding at end of period	**18,272,796**	**19,085,611**
Class B		
Shares outstanding at beginning of period	812,791	31,870
Shares sold	203,120	838,111
Shares redeemed	(29,514)	(57,190)
Net increase (decrease) in Portfolio shares	173,606	780,921
Shares outstanding at end of period	**986,397**	**812,791**

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

Class A

Years Ended December 31,	2004[a]	2003	2002	2001	2000[b]	1999[b,c]
Selected Per Share Data						
Net asset value, beginning of period	**$ 6.92**	**$ 5.45**	**$ 7.86**	**$ 10.31**	**$ 11.64**	**$ 10.00**
Income (loss) from investment operations:						
Net investment income (loss)[d]	(.01)	(.01)	(.01)	(.03)	(.02)	—***
Net realized and unrealized gain (loss) on investment transactions	.31	1.48	(2.40)	(2.42)	(1.31)	1.64
Total from investment operations	.30	1.47	(2.41)	(2.45)	(1.33)	1.64
Net asset value, end of period	**$ 7.22**	**$ 6.92**	**$ 5.45**	**$ 7.86**	**$ 10.31**	**$ 11.64**
Total Return (%)	4.34**	26.97	(30.53)	(23.76)	(11.42)[e]	16.43[e]**
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	132	132	118	164	139	17
Ratio of expenses before expense reductions (%)	1.05*	1.07	1.01	1.11	1.06	2.60*
Ratio of expenses after expense reductions (%)	1.05*	1.07	1.01	1.10	1.01	1.10*
Ratio of net investment income (loss) (%)	(.18)*	(.17)	(.10)	(.31)	(.20)	(.34)*
Portfolio turnover rate (%)	66*	50	48	34	14	1*

[a] *For the six months ended June 30, 2004 (Unaudited).*

[b] *On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Share and per share information, for the periods prior to December 31, 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.*

[c] *For the period from October 29, 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*

*** *Amount is less than $.005*

Class B

Years Ended December 31,	2004[a]	2003	2002[b]
Selected Per Share Data			
Net asset value, beginning of period	**$ 6.88**	**$ 5.44**	**$ 5.87**
Income (loss) from investment operations:			
Net investment income (loss)[c]	(.02)	(.04)	(.01)
Net realized and unrealized gain (loss) on investment transactions	.30	1.48	(.42)
Total from investment operations	.28	1.44	(.43)
Net asset value, end of period	**$ 7.16**	**$ 6.88**	**$ 5.44**
Total Return (%)	4.07**	26.47	(7.33)**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period ($ millions)	7	6	.2
Ratio of expenses (%)	1.44*	1.46	1.29*
Ratio of net investment income (loss) (%)	(.57)*	(.56)	(.49)*
Portfolio turnover rate (%)	66*	50	48

[a] *For the six months ended June 30, 2004 (Unaudited).*

[b] *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*

[c] *Based on average shares outstanding during the period.*

* *Annualized*

** *Not annualized*

SVS Oak Strategic Equity Portfolio

The portfolio returned –0.58% (Class A shares, unadjusted for contract charges) for the semiannual period ended June 30, 2004. The portfolio's benchmark, the Russell 1000 Growth Index, had a gain of 2.74% over the past six months.

Within the portfolio, financials were the sector hardest hit during the latter three months of the period, with market-related names coming under the greatest pressure due to concern over increased interest rates and inflation. To the extent that higher rates reflect a stronger economy, we believe our financial holdings should benefit from improved credit quality and product demand. We also believe the current uptick in inflation is temporary.

Within the broader market, technology holdings were up slightly. However, the portfolio's technology exposure did not outperform due to certain subsectors. In general our significant exposure in semiconductors created a drag on the portfolio, while certain areas such as analog companies performed better. The semiconductor industry, which is rather cyclical, suffered from a debate over whether this most recent cycle is ending. An accumulation of inventory at certain vendors provided ammunition for the naysayers. And while the growth rates may decelerate some, the short-term cyclicality and inventory concerns do not alter the long-term productivity benefits that technology produces. The portfolio's software holdings did outperform the market, providing a slight boost to performance, but weren't able to offset the negative results that cropped up in other subsectors.

From a year-to-date perspective, our health care exposure posted modest gains in line with the market.

James D. Oelschlager

Portfolio Manager
Oak Associates, Ltd., Subadvisor to the Portfolio

All performance shown is historical, assumes reinvestment of all dividends and capital gains, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please see scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Information concerning the portfolio holdings of the portfolio as of month-end is available upon request on the 16th of the following month.

Risk Considerations

The portfolio may concentrate investments in specific sectors, which creates special risk considerations. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

The Russell 1000 Growth Index is an unmanaged, capitalization-weighted index containing those securities in the Russell 1000 Index with higher price–to–book ratios and higher forecasted growth values. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2004, and may not come to pass. This information is subject to change at any time based on market and other conditions.

SVS Oak Strategic Equity Portfolio

	Shares	Value ($)
Common Stocks 92.5%		
Consumer Discretionary 5.6%		
Internet & Catalog Retail		
eBay, Inc.*	60,500	**5,562,975**
Financials 13.5%		
Capital Markets 6.3%		
Charles Schwab Corp.	381,400	3,665,254
Morgan Stanley	49,900	2,633,223
		6,298,477
Consumer Finance 3.8%		
MBNA Corp.	147,300	**3,798,867**
Diversified Financial Services 3.4%		
Citigroup, Inc.	74,000	**3,441,000**
Health Care 16.4%		
Health Care Equipment & Supplies 4.4%		
Medtronic, Inc.	89,600	**4,365,312**
Health Care Providers & Services 7.8%		
Cardinal Health, Inc.	65,000	4,553,250
Express Scripts, Inc. "A"*	41,500	3,288,045
		7,841,295
Pharmaceuticals 4.2%		
Pfizer, Inc.	123,100	**4,219,868**
Information Technology 57.0%		
Communications Equipment 8.8%		
Cisco Systems, Inc.*	174,600	4,138,020
Juniper Networks, Inc.* (e)	189,700	4,660,929
		8,798,949
Computers & Peripherals 7.3%		
Dell, Inc.*	111,600	3,997,512
EMC Corp.*	292,600	3,335,640
		7,333,152
IT Consulting & Services 7.6%		
Cognizant Technology Solutions Corp.* (e)	185,600	4,716,096
Paychex, Inc.	83,500	2,828,980
		7,545,076
Semiconductors & Semiconductor Equipment 24.5%		
Applied Materials, Inc.*	206,700	4,055,454
Intel Corp.	108,000	2,980,800
Intersil Corp. "A"	224,000	4,851,840
Linear Technology Corp.	78,700	3,106,289
Maxim Integrated Products, Inc.	81,650	4,280,093
PMC–Sierra, Inc.*	82,700	1,186,745
Xilinx, Inc.	120,000	3,997,200
		24,458,421
Software 8.8%		
Microsoft Corp.	157,300	4,492,488
VERITAS Software Corp.*	155,800	4,315,660
		8,808,148
Total Common Stocks (Cost $82,115,799)		**92,471,540**
Securities Lending Collateral 4.2%		
Daily Assets Fund Institutional, 1.15% (c) (d) (cost $4,181,570)	4,181,570	**4,181,570**
Cash Equivalents 3.3%		
Scudder Cash Management QP Trust, 1.20% (b) (Cost $3,327,535)	3,327,535	**3,327,535**
Total Investment Portfolio — 100.0% (Cost $89,624,904) (a)		**99,980,645**

Notes to SVS Oak Strategic Equity Portfolio of Investments

* *Non-income producing security.*

(a) *The cost for federal income tax purposes was $89,628,662. At June 30, 2004, net unrealized appreciation for all securities based on tax cost was $10,351,983. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $12,352,337 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $2,000,354.*

(b) *Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Daily Assets Fund Institutional, an affiliated fund, is also managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(d) *Represents collateral held in connection with securities lending.*

(e) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2004 amounted to $4,138,940, which is 4.32% of net assets.*

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

Statement of Assets and Liabilities
as of June 30, 2004 (Unaudited)

Assets

Investments:		
Investments in securities, at value (cost $82,115,799)	$	92,471,540
Investment in Daily Assets Fund Institutional (cost $4,181,570)*		4,181,570
Investment in Scudder Cash Management QP Trust (cost $3,327,535)		3,327,535
Total investments in securities, at value (cost $89,624,904)		99,980,645
Dividends receivable		27,130
Interest receivable		3,413
Receivable for Portfolio shares sold		79,920
Other assets		1,868
Total assets		100,092,976

Liabilities

Payable for Portfolio shares redeemed		31,089
Payable upon return of securities loaned		4,181,570
Accrued management fee		76,657
Other accrued expenses and payables		62,948
Total liabilities		4,352,264
Net assets, at value	$	95,740,712

Net Assets

Net assets consist of:		
Accumulated net investment loss		(238,517)
Net unrealized appreciation (depreciation) on investments		10,355,741
Accumulated net realized gain (loss)		(10,081,049)
Paid-in capital		95,704,537
Net assets, at value	**$**	**95,740,712**
Class A		
Net Asset Value, offering and redemption price per share ($76,150,597 ÷ 11,165,292 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**6.82**
Class B		
Net Asset Value, offering and redemption price per share ($19,590,115 ÷ 2,891,396 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**6.78**

* *Represents collateral on securities loaned.*

Statement of Operations
for the six months ended June 30, 2004 (Unaudited)

Investment Income

Income:		
Dividends	$	260,962
Interest — Scudder Cash Management QP Trust		19,470
Securities lending income		3,465
Total Income		283,897
Expenses:		
Management fee		438,048
Custodian and accounting fees		24,252
Distribution service fees (Class B)		18,085
Record keeping fees (Class B)		9,888
Auditing		21,496
Legal		4,715
Trustees' fees and expenses		679
Reports to shareholders		3,651
Other		1,689
Total expenses, before expense reductions		522,503
Expense reductions		(344)
Total expenses, after expense reductions		522,159
Net investment income (loss)		**(238,262)**

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from investments		423,443
Net unrealized appreciation (depreciation) during the period on investments		(1,108,575)
Net gain (loss) on investment transactions		**(685,132)**
Net increase (decrease) in net assets resulting from operations	**$**	**(923,394)**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2004 (Unaudited)	Year Ended December 31, 2003
Operations:		
Net investment income (loss)	$ (238,262)	$ (303,416)
Net realized gain (loss) on investment transactions	423,443	(4,050,440)
Net unrealized appreciation (depreciation) on investment transactions during the period	(1,108,575)	27,866,046
Net increase (decrease) in net assets resulting from operations	(923,394)	23,512,190
Portfolio share transactions:		
Class A		
Proceeds from shares sold	9,823,718	23,109,017
Cost of shares redeemed	(8,623,130)	(9,960,954)
Net increase (decrease) in net assets from Class A share transactions	1,200,588	13,148,063
Class B		
Proceeds from shares sold	9,360,876	8,766,882
Cost of shares redeemed	(131,112)	(230,435)
Net increase (decrease) in net assets from Class B share transactions	9,229,764	8,536,447
Increase (decrease) in net assets	9,506,958	45,196,700
Net assets at beginning of period	86,233,754	41,037,054
Net assets at end of period (including accumulated net investment loss of $238,517 and $255, respectively)	**$ 95,740,712**	**$ 86,233,754**

Other Information

Class A		
Shares outstanding at beginning of period	11,043,224	8,877,415
Shares sold	1,401,150	3,930,253
Shares redeemed	(1,279,082)	(1,764,444)
Net increase (decrease) in Portfolio shares	122,068	2,165,809
Shares outstanding at end of period	**11,165,292**	**11,043,224**
Class B		
Shares outstanding at beginning of period	1,533,571	77,050
Shares sold	1,377,387	1,494,172
Shares redeemed	(19,562)	(37,651)
Net increase (decrease) in Portfolio shares	1,357,825	1,456,521
Shares outstanding at end of period	**2,891,396**	**1,533,571**

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

Financial Highlights

Class A

Years Ended December 31,	2004[a]	2003	2002	2001[b]
Selected Per Share Data				
Net asset value, beginning of period	**$ 6.86**	**$ 4.58**	**$ 7.60**	**$ 10.00**
Income (loss) from investment operations:				
Net investment income (loss)[c]	(.02)	(.03)	(.02)	(.02)
Net realized and unrealized gain (loss) on investment transactions	(.02)	2.31	(3.00)	(2.38)
Total from investment operations	(.04)	2.28	(3.02)	(2.40)
Net asset value, end of period	**$ 6.82**	**$ 6.86**	**$ 4.58**	**$ 7.60**
Total Return (%)	(.58)**	49.78	(39.74)	(24.00)[d]**
Ratios to Average Net Assets and Supplemental Data				
Net assets, end of period ($ millions)	76	76	41	44
Ratio of expenses before expense reductions (%)	1.07*	1.13	.96	1.44*
Ratio of expenses after expense reductions (%)	1.07*	1.13	.96	1.15*
Ratio of net investment income (loss) (%)	(.46)*	(.48)	(.30)	(.43)*
Portfolio turnover rate (%)	10*	6	16	3*

[a] *For the six months ended June 30, 2004 (Unaudited).*

[b] *For the period from May 1, 2001 (commencement of operations) to December 31, 2001.*

[c] *Based on average shares outstanding during the period.*

[d] *Total return would have been lower had certain expenses not been reduced.*

* *Annualized*

** *Not annualized*

Class B

Years Ended December 31,	2004[a]	2003	2002[b]
Selected Per Share Data			
Net asset value, beginning of period	**$ 6.83**	**$ 4.58**	**$ 5.04**
Income (loss) from investment operations:			
Net investment income (loss)[c]	(.03)	(.06)	(.02)
Net realized and unrealized gain (loss) on investment transactions	(.02)	2.31	(.44)
Total from investment operations	(.05)	2.25	(.46)
Net asset value, end of period	**$ 6.78**	**$ 6.83**	**$ 4.58**
Total Return (%)	(.73)**	49.13	(9.13)**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period ($ millions)	20	10	.4
Ratio of expenses (%)	1.46*	1.52	1.21*
Ratio of net investment income (loss) (%)	(.85)*	(.87)	(.68)*
Portfolio turnover rate (%)	10*	6	16

[a] *For the six months ended June 30, 2004 (Unaudited).*

[b] *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*

[c] *Based on average shares outstanding during the period.*

* *Annualized*

** *Not annualized*

SVS Turner Mid Cap Growth Portfolio

For the first half of 2004, SVS Turner Mid Cap Growth Portfolio returned 2.70% (Class A shares, unadjusted for contract charges), versus 5.94% for the Russell Midcap Growth Index.

The portfolio benefited from a modestly increased stock market, which was caught in a tug-of-war between the bulls and bears throughout the quarter. Bullish pundits pointed to an improving economy, stronger-than-expected corporate earnings, increased capital spending, strong demand for commodities and industrial products worldwide, and the historically positive catalyst of a presidential election year as reasons for the stock market to rise. Bearish observers made the case that oil prices of about $40 a barrel, higher interest rates, above-average valuations, the specter of new terrorist attacks and continued turmoil in Iraq boded ill for the stock market.

The majority of positive performance for the time period can be attributed to holdings in the technology sector. Although as a whole the health care sector detracted from performance, holdings in medical and dental instruments and supplies, as well as biotechnology added to performance. The sectors that had a negative impact on performance were consumer discretionary, producer durables, and materials and processing. The stocks that detracted the most from performance were in the production technology equipment, electronics, and radio and TV broadcasters industries.

Christopher K. McHugh
William C. McVail
Robert E. Turner

Co-Managers
Turner Investment Partners, Inc., Subadvisor to the Portfolio

All performance shown is historical, assumes reinvestment of all dividends and capital gains, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please see scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Information concerning the portfolio holdings of the portfolio as of month-end is available upon request on the 16th of the following month.

Returns during part or all of the periods shown reflect a fee waiver and/or expense reimbursement. Without this waiver/reimbursement, returns would have been lower.

Risk Considerations

Stocks of medium-sized companies involve greater risks than securities of larger, more-established companies, as they often have limited product lines, markets or financial resources and may be subject to more erratic and abrupt market movements. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

The Russell Midcap Growth Index is an unmanaged, capitalization-weighted index of medium and medium/small companies in the Russell 1000 Index chosen for their growth orientation. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly in an index.

Portfolio management market commentary is as of June 30, 2004, and may not come to pass. This information is subject to change at any time based on market and other conditions.

SVS Turner Mid Cap Growth Portfolio

	Shares	Value ($)
Common Stocks 82.9%		
Consumer Discretionary 12.1%		
Auto Components 0.4%		
Autoliv, Inc.	15,190	**641,018**
Hotels Restaurants & Leisure 4.0%		
Marriott International, Inc. "A"	42,720	2,130,874
Ruby Tuesday, Inc.	22,430	615,703
Starwood Hotels & Resorts Worldwide, Inc.	33,340	1,495,299
Station Casinos, Inc.	27,830	1,346,972
Wynn Resorts Ltd.* (e)	18,140	700,748
		6,289,596
Leisure Equipment & Products 1.3%		
Brunswick Corp.	22,930	935,544
Marvel Enterprises, Inc.* (e)	54,424	1,062,357
		1,997,901
Media 1.0%		
Interpublic Group of Companies, Inc.*	43,070	591,351
Lamar Advertising Co.*	23,520	1,019,592
		1,610,943
Specialty Retail 4.3%		
Boise Cascade Corp. (e)	24,080	906,371
Chico's FAS, Inc.*	31,380	1,417,121
Foot Locker, Inc.	40,240	979,442
PETsMART, Inc.	35,150	1,140,617
Talbots, Inc.	15,500	606,825
The Pep Boys — Manny, Moe & Jack (e)	30,630	776,470
Williams-Sonoma, Inc.*	29,810	982,538
		6,809,384
Textiles, Apparel & Luxury Goods 1.1%		
Coach, Inc.*	38,550	**1,742,075**
Consumer Staples 1.8%		
Food & Drug Retailing 0.6%		
Whole Foods Market, Inc.	10,280	**981,226**
Food Products 0.5%		
McCormick & Co, Inc.	24,620	**837,080**
Household Products 0.7%		
Clorox Co.	18,540	**997,081**
Energy 3.0%		
Energy Equipment & Services 1.3%		
National-Oilwell, Inc.*	27,010	850,545
Smith International, Inc.*	23,230	1,295,305
		2,145,850
Oil & Gas 1.7%		
Ashland, Inc.	20,300	1,072,043
Kinder Morgan, Inc.	2,250	133,402
Western Gas Resources, Inc.	1,490	48,424
XTO Energy, Inc.	46,272	1,378,443
		2,632,312

	Shares	Value ($)
Financials 5.0%		
Banks 0.6%		
UCBH Holdings, Inc.	23,120	**913,703**
Capital Markets 2.5%		
Investors Financial Services Corp. (e)	25,600	1,115,648
Legg Mason, Inc.	16,390	1,491,654
T. Rowe Price Group, Inc.	28,550	1,438,920
		4,046,222
Diversified Financial Services 1.4%		
Affiliated Managers Group, Inc.* (e)	18,824	948,165
CapitalSource, Inc.* (e)	25,810	631,054
MGIC Investment Corp.	8,800	667,568
		2,246,787
Insurance 0.5%		
Axis Capital Holdings Ltd.	27,400	**767,200**
Health Care 18.2%		
Biotechnology 3.8%		
Biogen Idec, Inc.*	21,870	1,383,277
Charles River Laboratories International, Inc.*	15,150	740,381
Gen-Probe, Inc.*	28,620	1,354,298
Invitrogen Corp.*	13,120	944,509
Neurocrine Biosciences, Inc.* (e)	16,390	849,822
OSI Pharmaceuticals, Inc.* (e)	9,580	674,815
		5,947,102
Health Care Equipment & Supplies 5.9%		
Biomet, Inc.	31,000	1,377,640
C.R. Bard, Inc.	36,220	2,051,863
Fisher Scientific International, Inc.* (e)	33,300	1,923,075
INAMED Corp.*	21,230	1,334,305
Varian Medical Systems, Inc.*	15,550	1,233,893
Zimmer Holdings, Inc.*	15,920	1,404,144
		9,324,920
Health Care Providers & Services 5.6%		
Anthem, Inc.*	11,920	1,067,555
Caremark Rx, Inc.*	59,490	1,959,601
Henry Schein, Inc.*	16,150	1,019,711
Laboratory Corp. of America Holdings*	15,900	631,230
Manor Care, Inc.	20,730	677,456
McKesson Corp.	38,530	1,322,735
Omnicare, Inc.	20,000	856,200
PacifiCare Health Systems, Inc.*	36,310	1,403,745
		8,938,233
Pharmaceuticals 2.9%		
Elan Corp. (ADR)* (e)	34,480	853,035
Endo Pharmaceuticals Holdings, Inc.*	22,310	523,170
Eon Labs, Inc. (e)	16,840	689,261
ImClone Systems, Inc.	8,800	754,952
IVAX Corp.*	26,490	635,495
Sepracor, Inc. (e)	21,070	1,114,603
		4,570,516

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

	Shares	Value ($)
Industrials 10.0%		
Air Freight & Couriers 0.7%		
Expeditors International of Washington, Inc.	20,520	**1,013,893**
Airlines 0.8%		
Southwest Airlines Co.	73,000	**1,224,210**
Building Products 0.8%		
American Standard Companies, Inc.*	29,220	**1,177,858**
Commercial Services & Supplies 4.3%		
Aramark Corp. "B"	33,840	973,238
ChoicePoint Inc.*	29,540	1,348,796
Education Management Corp.*	25,600	841,216
Manpower, Inc.	28,650	1,454,561
Monster Worldwide, Inc.*	50,130	1,289,344
Nu Skin Enterprises, Inc. "A" (e)	38,220	967,730
		6,874,885
Electrical Equipment 1.2%		
FormFactor, Inc.*	34,060	764,647
Power-One, Inc.* (e)	57,050	626,409
Rockwell Automation, Inc.	15,150	568,277
		1,959,333
Machinery 1.6%		
Eaton Corp.	12,300	796,302
Oshkosh Truck Corp.	11,840	678,550
Pentair, Inc.	33,520	1,127,613
		2,602,465
Marine 0.6%		
Teekay Shipping Corp.	25,020	**935,248**
Information Technology 29.1%		
Communications Equipment 4.3%		
Avaya, Inc.*	62,110	980,717
Comverse Technologies, Inc.*	79,380	1,582,837
Corning, Inc.*	107,750	1,407,215
Juniper Networks, Inc.* (e)	65,160	1,600,981
Polycom, Inc.*	55,980	1,254,512
		6,826,262
Computers & Peripherals 2.0%		
Lexmark International, Inc.*	21,920	2,115,938
Research In Motion, Ltd.*	16,000	1,095,040
		3,210,978
Electronic Equipment & Instruments 3.4%		
CDW Corp.	30,540	1,947,231
Flextronics International Ltd.*	56,320	898,304
PerkinElmer, Inc.	12,610	252,704
Sanmina-SCI Corp.*	170,770	1,554,007
Tektronix, Inc.	21,410	728,368
		5,380,614
Internet Software & Services 3.7%		
Akamai Technologies, Inc.* (e)	26,700	479,265
Ask Jeeves, Inc.* (e)	25,140	981,214
Check Point Software Technologies Ltd.*	41,790	1,127,912
CNET Networks, Inc.* (e)	113,100	1,252,017
InfoSpace, Inc.* (e)	13,810	525,333
SINA Corp.* (e)	12,380	408,416
VeriSign, Inc.*	54,100	1,076,590
		5,850,747
IT Consulting & Services 4.3%		
Alliance Data Systems Corp.*	33,210	1,403,123
Ceridian Corp.*	37,570	845,325
CheckFree Corp.*	31,200	936,000
Cognizant Technology Solutions Corp.*	26,680	677,939
Fiserv, Inc.*	41,090	1,597,990
Global Payments, Inc. (e)	14,790	665,846
MPS Group, Inc.*	47,620	577,154
		6,703,377
Office Electronics 0.9%		
Zebra Technologies Corp. "A"*	16,270	**1,415,490**
Semiconductors & Semiconductor Equipment 7.1%		
Altera Corp.*	60,780	1,350,532
Broadcom Corp. "A"*	36,320	1,698,686
Cymer, Inc.*	28,020	1,049,069
Integrated Device Technology, Inc.*	45,320	627,229
Lam Research Corp.*	65,910	1,766,388
Microchip Technology, Inc.	39,460	1,244,568
NVIDIA Corp.*	58,960	1,208,680
PMC-Sierra, Inc.*	64,770	929,449
Silicon Laboratories, Inc.* (e)	28,060	1,300,581
		11,175,182
Software 3.4%		
Citrix Systems, Inc.*	89,410	1,820,387
Mercury Interactive Corp.*	21,030	1,047,925
Red Hat, Inc.* (e)	55,069	1,264,935
Siebel Systems, Inc.*	121,700	1,299,756
		5,433,003
Materials 2.4%		
Chemicals 0.6%		
Ecolab, Inc.	28,500	**903,450**
Containers & Packaging 0.4%		
Ball Corp.	9,630	**693,842**
Metals & Mining 1.4%		
Peabody Energy Corp.	14,640	819,693
Phelps Dodge Corp.	17,180	1,331,622
		2,151,315
Telecommunication Services 1.0%		
Wireless Telecommunication Services		
NII Holdings, Inc. "B"* (e)	14,780	497,938
Western Wireless Corp. "A"* (e)	39,420	1,139,632
		1,637,570

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

	Shares	Value ($)
Utilities 0.3%		
Multi-Utilities & Unregulated Power		
Reliant Resources, Inc.*	52,070	**563,918**
Total Common Stocks (Cost $109,742,540)		**131,172,789**

Securities Lending Collateral 13.1%		
Daily Assets Fund Institutional 1.15% (c) (d) (Cost $20,690,700)	20,690,700	**20,690,700**

	Shares	Value ($)
Cash Equivalents 4.0%		
Scudder Cash Management QP Trust, 1.20% (b) (Cost $6,416,518)	6,416,518	**6,416,518**
Total Investment Portfolio — 100.0% (Cost $136,849,758) (a)		**158,280,007**

Notes to SVS Turner Mid Cap Growth Portfolio of Investments

* *Non-income producing security.*

(a) *The cost for federal income tax purposes was $136,849,758. At June 30, 2004, net unrealized appreciation for all securities based on tax cost was $21,430,249. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $22,431,288 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $1,001,039.*

(b) *Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Daily Assets Fund Institutional, an affiliated fund, is also managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(d) *Represents collateral held in connection with securities lending.*

(e) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2004 amounted to $20,261,592, which is 14.61% of net assets.*

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

Statement of Assets and Liabilities
as of June 30, 2004 (Unaudited)

Assets

Investments:		
Investments in securities, at value (cost $109,742,540)	$	131,172,789
Investment in Daily Assets Fund Institutional (cost $20,690,700)*		20,690,700
Investment in Scudder Cash Management QP Trust (cost $6,416,518)		6,416,518
Total investments in securities, at value (cost $136,849,758)		158,280,007
Receivable for investments sold		4,607,066
Dividends receivable		27,925
Interest receivable		5,939
Receivable for Portfolio shares sold		154,664
Other assets		2,955
Total assets		163,078,556

Liabilities

Payable for investments purchased		3,385,701
Payable for Portfolio shares redeemed		94,091
Payable upon return of securities loaned		20,690,700
Accrued management fee		73,252
Other accrued expenses and payables		200,250
Total liabilities		24,443,994
Net assets, at value	**$**	**138,634,562**

Net Assets

Net assets consist of:		
Accumulated net investment loss		(686,173)
Net unrealized appreciation (depreciation) on investments		21,430,249
Accumulated net realized gain (loss)		(6,084,102)
Paid-in capital		123,974,588
Net assets, at value	**$**	**138,634,562**
Class A		
Net Asset Value, offering and redemption price per share ($117,838,829 ÷ 12,922,323 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**9.12**
Class B		
Net Asset Value, offering and redemption price per share ($20,795,733 ÷ 2,295,171 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**9.06**

* *Represents collateral on securities loaned.*

Statement of Operations
for the six months ended June 30, 2004 (Unaudited)

Investment Income

Income:		
Dividends	$	160,718
Interest — Scudder Cash Management QP Trust		22,788
Securities lending income		12,798
Total Income		196,304
Expenses:		
Management fee		654,241
Custodian and accounting fees		148,704
Distribution service fees (Class B)		20,930
Record keeping fees (Class B)		11,651
Auditing		54,755
Legal		9,385
Trustees' fees and expenses		1,623
Reports to shareholders		19,050
Other		2,513
Total expenses, before expense reductions		922,852
Expense reductions		(40,656)
Total expenses, after expense reductions		882,196
Net investment income (loss)		**(685,892)**

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from investments		8,266,605
Net unrealized appreciation (depreciation) during the period on investments		(4,277,683)
Net gain (loss) on investment transactions		**3,988,922**
Net increase (decrease) in net assets resulting from operations	**$**	**3,303,030**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2004 (Unaudited)	Year Ended December 31, 2003
Operations:		
Net investment income (loss)	$ (685,892)	$ (800,151)
Net realized gain (loss) on investment transactions	8,266,605	10,584,885
Net unrealized appreciation (depreciation) on investment transactions during the period	(4,277,683)	23,791,384
Net increase (decrease) in net assets resulting from operations	3,303,030	33,576,118
Portfolio share transactions:		
Class A		
Proceeds from shares sold	11,165,933	23,691,008
Cost of shares redeemed	(5,857,289)	(6,045,865)
Net increase (decrease) in net assets from Class A share transactions	5,308,644	17,645,143
Class B		
Proceeds from shares sold	7,579,058	11,019,067
Cost of shares redeemed	(464,758)	(720,077)
Net increase (decrease) in net assets from Class B share transactions	7,114,300	10,298,990
Increase (decrease) in net assets	15,725,974	61,520,251
Net assets at beginning of period	122,908,588	61,388,337
Net assets at end of period (including accumulated net investment loss of $686,173 and $281, respectively)	**$ 138,634,562**	**$ 122,908,588**

Other Information

Class A		
Shares outstanding at beginning of period	12,352,137	10,171,623
Shares sold	1,229,623	3,071,391
Shares redeemed	(659,437)	(890,877)
Net increase (decrease) in Portfolio shares	570,186	2,180,514
Shares outstanding at end of period	**12,922,323**	**12,352,137**
Class B		
Shares outstanding at beginning of period	1,499,883	96,707
Shares sold	846,103	1,496,481
Shares redeemed	(50,815)	(93,305)
Net increase (decrease) in Portfolio shares	795,288	1,403,176
Shares outstanding at end of period	**2,295,171**	**1,499,883**

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

Financial Highlights

Class A

Years Ended December 31,	2004[a]	2003	2002	2001[b]
Selected Per Share Data				
Net asset value, beginning of period	**$ 8.88**	**$ 5.98**	**$ 8.82**	**$ 10.00**
Income (loss) from investment operations:				
Net investment income (loss)[c]	(.05)	(.06)	(.06)	(.04)
Net realized and unrealized gain (loss) on investment transactions	.29	2.96	(2.78)	(1.14)
Total from investment operations	.24	2.90	(2.84)	(1.18)
Net asset value, end of period	**$ 9.12**	**$ 8.88**	**$ 5.98**	**$ 8.82**
Total Return (%)	2.70[d]**	48.49	(32.20)	(11.80)[d]**
Ratios to Average Net Assets and Supplemental Data				
Net assets, end of period ($ millions)	118	110	61	48
Ratio of expenses before expense reductions (%)	1.36*	1.18	1.13	1.82*
Ratio of expenses after expense reductions (%)	1.30*	1.18	1.13	1.30*
Ratio of net investment income (loss) (%)	(1.00)*	(.90)	(.82)	(.76)*
Portfolio turnover rate (%)	86*	155	225	205*

a *For the six months ended June 30, 2004 (Unaudited).*

b *For the period from May 1, 2001 (commencement of operations) to December 31, 2001.*

c *Based on average shares outstanding during the period.*

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

* *Annualized*

** *Not annualized*

Class B

Years Ended December 31,	2004[a]	2003	2002[b]
Selected Per Share Data			
Net asset value, beginning of period	**$ 8.84**	**$ 5.97**	**$ 6.60**
Income (loss) from investment operations:			
Net investment income (loss)[c]	(.06)	(.09)	(.02)
Net realized and unrealized gain (loss) on investment transactions	.28	2.96	(.61)
Total from investment operations	.22	2.87	(.63)
Net asset value, end of period	**$ 9.06**	**$ 8.84**	**$ 5.97**
Total Return (%)	2.49[d]**	48.07	(9.55)**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period ($ millions)	21	13	.6
Ratio of expenses before expense reductions (%)	1.74*	1.57	1.38*
Ratio of expenses after expense reductions (%)	1.70*	1.57	1.38*
Ratio of net investment income (loss) (%)	(1.40)*	(1.29)	(.81)*
Portfolio turnover rate (%)	86*	155	225

a *For the six months ended June 30, 2004 (Unaudited).*

b *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*

c *Based on an average shares outstanding during the period.*

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

* *Annualized*

** *Not annualized*

A. Significant Accounting Policies

Scudder Variable Series II (the "Trust") is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end, diversified management investment company organized as a Massachusetts business trust. The Trust offers twenty-seven portfolios (the "portfolio(s)"). During the period, Scudder Government Securities Portfolio changed its name to Scudder Government & Agency Securities Portfolio and Scudder Contrarian Value Portfolio changed its name to Scudder Large Cap Value Portfolio.

Multiple Classes of Shares of Beneficial Interest. The Trust offers two classes of shares (Class A shares and Class B shares). Sales of Class B shares are subject to Rule 12b-1 fees under the 1940 Act, and are subject to record keeping fees, equal to an annual rate of 0.25% and up to 0.15%, respectively, of the average daily net assets 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 portfolio-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 and record keeping fee). Differences in class-level 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.

The Trust's 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 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 on each day the exchange is open for trading. Equity securities are valued at the most recent sale price or official closing price reported on the exchange (US or foreign) or over-the-counter market on which the security is traded most extensively. Securities for which no sales are reported are valued at the calculated mean between the most recent bid and asked quotations on the relevant market or, if a mean cannot be determined, at the most recent bid quotation.

Debt securities are valued by independent pricing services approved by the Trustees of the Portfolios. If the pricing services are unable to provide valuations, the securities are valued at the most recent bid quotation or evaluated price, as applicable, obtained from one or more broker-dealers. Such services may use various pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes.

Money market instruments purchased with an original or remaining maturity of sixty days or less, maturing at par, are valued at amortized cost. Investments in open-end investment companies and Scudder Cash Management QP Trust are valued at their net asset value each business day.

Securities and other assets for which market quotations are not readily available or for which the above valuation procedures are deemed not to reflect fair value are valued in a manner that is intended to reflect their fair value as determined in accordance with procedures approved by the Trustees.

Foreign Currency Translations. The books and records of the Trust are maintained in US dollars. Investment securities and other assets and liabilities denominated in a foreign currency are translated into US dollars at the prevailing exchange rates at period end. Purchases and sales of investment securities, income and expenses are translated into US 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 US 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 value is equal to at least the principal amount of the repurchase price plus accrued interest. The custodian bank holds the collateral in a separate account until the agreement matures. If the value of the securities falls below the principal amount of the repurchase agreement plus accrued interest, the financial institution deposits additional collateral by the following business day. If the financial institution either fails to deposit the required additional collateral or fails to repurchase the securities as agreed, the portfolios have the right to sell the securities and recover any resulting loss from the financial institution. If the financial institution enters into bankruptcy, the portfolios' claims on the collateral may be subject to legal proceedings.

Securities Lending. Each portfolio, except Scudder Money Market Portfolio and SVS Dreman Small Cap Value Portfolio, may lend securities to financial institutions. The portfolios retain beneficial ownership of the securities they have loaned and continue to receive interest and dividends paid by the securities and to participate in any changes in their market value. The portfolios require the borrowers of the securities to maintain collateral with the portfolios in the form of cash and/or government securities equal to 102 percent of the value of domestic securities and 105 percent of the value of foreign denominated securities on loan. The portfolios may invest the cash collateral in Daily Assets Fund Institutional, an affiliated money market fund. The portfolios receive compensation for lending their securities either in the form of fees or by earning interest on invested cash collateral net fees paid to lending agent. Either the portfolios or the borrower may terminate the loan. The portfolios are subject to all investment risks associated with the value of any cash collateral received, including, but not limited to, interest rate, credit and liquidity risk associated with such investments.

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. The portfolios may enter into option contracts in order to hedge against potential adverse price movements in the value of portfolio assets; as a temporary substitute for selling selected investments; to lock in the purchase price of a security or currency which it expects to purchase in the near future; as a temporary substitute for purchasing selected investments; and to enhance potential gain.

The liability representing the portfolio's obligation under an exchange traded written option or investment in a purchased option is valued at the last sale price or, in the absence of a sale, the mean between the closing bid and asked prices or at the most recent asked price (bid for purchased options) if no bid and asked price are available. Over-the-counter written or purchased options are valued using dealer-supplied quotations. Gain or loss is recognized when the option contract expires or is closed.

If the portfolio writes a covered call option, the portfolio foregoes, in exchange for the premium, the opportunity to profit during the option period from an increase in the market value of the underlying security above the exercise price. If the portfolio writes a put option it accepts the risk of a decline in the 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). The portfolios may enter into futures contracts as a hedge against anticipated interest rate, currency or equity market changes and for duration management, risk management and return enhancement purposes.

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 currency contract) is a commitment to purchase or sell a foreign currency at the settlement date at a negotiated rate. The portfolios may enter into forward currency contracts in order to hedge its exposure to changes in foreign currency exchange rates on its foreign currency denominated portfolio holdings and to facilitate transactions in foreign currency denominated securities.

Forward currency 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 currency 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 currency contract to buy and a forward currency 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 currency contracts from the potential inability of counterparties to meet the terms of their contracts. Additionally, when utilizing forward currency 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 Fixed Income Portfolio, Scudder Government & Agency Securities Portfolio and Scudder Total Return Portfolio entered into mortgage dollar rolls in which each portfolio sells to a bank or broker/dealer (the "counterparty") mortgage-backed securities for delivery in the current month and simultaneously contracts to repurchase similar, but not identical, securities on a fixed date. The counterparty receives all principal and interest payments, including prepayments, made on the security while it is the holder. Each portfolio receives compensation as consideration for entering into the commitment to repurchase. The compensation is paid in the form of a lower price for the security upon its repurchase, or alternatively, a fee. Mortgage dollar rolls may be renewed with a new sale and repurchase price and a cash settlement made at each renewal without physical delivery of the securities subject to the contract.

Mortgage dollar rolls may be treated for purposes of the 1940 Act as borrowings by each portfolio because they involve the sale of a security coupled with an agreement to repurchase. A mortgage dollar roll involves costs to each portfolio. For example, while each portfolio receives compensation as consideration for agreeing to repurchase the security, each portfolio forgoes the right to receive all principal and interest payments while the counterparty holds the security. These payments to the counterparty may exceed the compensation received by each portfolio, thereby effectively charging each portfolio interest on its borrowings. Further, although each portfolio can estimate the amount of expected principal prepayment over the term of the mortgage dollar roll, a variation in the actual amount of prepayment could increase or decrease the cost of each portfolio's borrowing.

Certain risks may arise upon entering into mortgage dollar rolls from the potential inability of counterparties to meet the terms of their commitments. Additionally, the value of such securities may change adversely before each portfolio is able to repurchase them. There can be no assurance that each portfolio's use of the cash that it receives from a mortgage dollar roll will provide a return that exceeds its borrowing costs.

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 price of such security and the date when the security will be delivered and paid for are fixed at the time the transaction is negotiated. 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.

Certain risks may arise upon entering into when-issued or delayed delivery securities from the potential inability of counterparties to meet the terms of their contracts or if the issuer does not issue the securities due to political, economic, or other factors. Additionally, losses may arise due to changes in the value of the underlying securities.

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 and tax-exempt income to its shareholders. Accordingly, the portfolios paid no federal income taxes and no federal income tax provision was required.

At December 31, 2003, 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, whichever occurs first:

Portfolio	Capital Loss Carryforward ($)	Expiration Date
Scudder Aggressive Growth Portfolio	3,153,000	12/31/2008
	5,489,000	12/31/2009
	8,989,000	12/31/2010
	23,998,000	12/31/2011
Scudder Blue Chip Portfolio	33,261,000	12/31/2009
	21,981,000	12/31/2010
Scudder Global Blue Chip Portfolio	2,711,000	12/31/2009
	4,724,000	12/31/2010
	2,456,000	12/31/2011
Scudder Growth Portfolio*	127,000	12/31/2007
	94,269,000	12/31/2009
	39,544,000	12/31/2010
	24,621,000	12/31/2011

Portfolio	Capital Loss Carryforward ($)	Expiration Date
Scudder High Income Portfolio	12,052,000	12/31/2007
	16,114,000	12/31/2008
	22,935,000	12/31/2009
	55,108,000	12/31/2010
	13,877,000	12/31/2011
Scudder International Select Equity Portfolio*	130,000	12/31/2007
	3,819,000	12/31/2008
	30,360,000	12/31/2009
	20,016,000	12/31/2010
	4,400,000	12/31/2011
Scudder Large Cap Value Portfolio	19,935,000	12/31/2008
	11,765,000	12/31/2010
	6,438,000	12/31/2011
Scudder Small Cap Growth Portfolio	83,569,000	12/31/2009
	62,668,000	12/31/2010
Scudder Technology Growth Portfolio	8,613,000	12/31/2008
	94,141,000	12/31/2009
	93,499,000	12/31/2010
	71,517,000	12/31/2011
Scudder Total Return Portfolio	57,276,000	12/31/2009
	8,813,000	12/31/2010
	46,269,000	12/31/2011
SVS Davis Venture Value Portfolio	127,000	12/31/2009
	4,386,000	12/31/2010
	1,390,000	12/31/2011
SVS Dreman Financial Services Portfolio	2,341,000	12/31/2009
	2,479,000	12/31/2010
	2,101,000	12/31/2011
SVS Dreman High Return Equity Portfolio	21,004,000	12/31/2010
	8,716,000	12/31/2011
SVS Dreman Small Cap Value Portfolio	15,799,000	12/31/2011
SVS Eagle Focused Large Cap Growth Portfolio	1,336,000	12/31/2008
	7,025,000	12/31/2009
	13,889,000	12/31/2010
	334,000	12/31/2011
SVS Focus Value+Growth Portfolio	9,619,000	12/31/2009
	15,209,000	12/31/2010
	7,546,000	12/31/2011
SVS Index 500 Portfolio	448,000	12/31/2008
	3,267,000	12/31/2009
	9,116,000	12/31/2010
	3,518,000	12/31/2011
SVS INVESCO Dynamic Growth Portfolio	317,000	12/31/2009
	6,175,000	12/31/2010
	377,000	12/31/2011
SVS Janus Growth and Income Portfolio	3,871,000	12/31/2008
	16,173,000	12/31/2009
	29,907,000	12/31/2010
	6,934,000	12/31/2011
SVS Janus Growth Opportunities Portfolio	2,379,000	12/31/2008
	31,299,000	12/31/2009

Portfolio	Capital Loss Carryforward ($)	Expiration Date
	42,499,000	12/31/2010
	19,473,000	12/31/2011
SVS Oak Strategic Equity Portfolio	322,000	12/31/2009
	4,400,000	12/31/2010
	2,522,000	12/31/2011
SVS Turner Mid Cap Growth Portfolio	13,630,000	12/31/2010

* *Certain of these losses may be subject to limitations under Section 381–383 of the Internal Revenue Code.*

For the period from November 1, 2003 through December 31, 2003, the following portfolios incurred approximate net realized capital losses as follows:

Portfolio	Net Realized Capital Loss ($)
Scudder Aggressive Growth Portfolio	11,000
Scudder Government & Agency Securities Portfolio	376,000
Scudder High Income Portfolio	1,859,000
Scudder International Select Equity Portfolio	564,000
Scudder Small Cap Growth Portfolio	81,000
Scudder Strategic Income Portfolio	52,000
Scudder Technology Growth Portfolio	118,000
Scudder Total Return Portfolio	19,000
SVS Davis Venture Value Portfolio	512,000
SVS Index 500 Portfolio	512,000
SVS Janus Growth and Income Portfolio	535,000
SVS Janus Growth Opportunities Portfolio	48,000
SVS Oak Strategic Equity Portfolio	3,256,000

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, 2004.

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 of 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 of America. 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.

The tax character of current year distributions, if any, will be determined at the end of the fiscal year.

Expenses. Expenses arising in connection with a specific portfolio are allocated to that portfolio. Trust expenses are allocated between the portfolios in proportion to their relative net assets.

Other. Investment transactions are accounted for on a trade date plus one basis for daily net asset value calculations. However, for financial reporting purposes, investment transactions are reported on trade date. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date net of foreign withholding taxes. 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 both tax and financial reporting purposes for all portfolios, with the exception of securities bought in default.

B. Investment Transactions

During the six months ended June 30, 2004, purchases and sales of investment transactions (excluding short-term investments) were as follows:

Portfolio	Purchases ($)	Proceeds from Sales ($)
Scudder Aggressive Growth Portfolio	40,131,888	39,910,960
Scudder Blue Chip Portfolio	354,548,977	350,237,288
Scudder Fixed Income Portfolio excluding US Treasury Obligations and mortgage dollar roll transactions	151,432,843	136,110,897
US Treasury Obligations	140,315,647	138,563,863
mortgage dollar roll transactions	25,894,177	25,422,174
Scudder Global Blue Chip Portfolio	46,894,360	43,421,184
Scudder Government & Agency Securities Portfolio excluding US Treasury Obligations and mortgage dollar roll transactions	544,873,023	586,478,534
direct US Treasury Obligations	52,672,414	53,733,988
mortgage dollar roll transactions	52,115,176	19,485,546
Scudder Growth Portfolio	71,800,865	81,822,311
Scudder High Income Portfolio excluding US Treasury Obligations	454,001,517	491,950,281
US Treasury Obligations	13,558,961	16,188,693
Scudder International Select Equity Portfolio	126,171,100	108,826,293
Scudder Large Cap Value Portfolio	90,689,843	70,594,307
Scudder Small Cap Growth Portfolio	101,954,750	105,541,509
Scudder Strategic Income Portfolio excluding US Treasury Obligations	165,356,410	160,255,726
US Treasury Obligations	23,921,145	33,117,780
Scudder Technology Growth Portfolio	166,762,161	188,895,202
Scudder Total Return Portfolio excluding direct US Treasury Obligations and mortgage dollar roll transactions	53,906,228	161,774,999
direct US Treasury Obligations	225,700,338	130,701,758
mortgage dollar roll transactions	41,506,445	44,940,480
SVS Davis Venture Value Portfolio	55,512,511	21,112,215
SVS Dreman Financial Services Portfolio	11,123,114	6,693,839
SVS Dreman High Return Equity Portfolio	115,996,269	84,115,070
SVS Dreman Small Cap Value Portfolio	143,171,626	129,140,274
SVS Eagle Focused Large Cap Growth Portfolio	65,009,513	50,928,973
SVS Focus Value+Growth Portfolio	65,416,558	68,837,683
SVS Index 500 Portfolio	99,766,389	77,421,820
SVS INVESCO Dynamic Growth Portfolio	24,299,880	25,359,121
SVS Janus Growth and Income Portfolio	78,397,622	78,516,891
SVS Janus Growth Opportunities Portfolio	43,421,777	50,362,670
SVS Oak Strategic Equity Portfolio	12,652,057	4,502,532
SVS Turner Mid Cap Growth Portfolio	117,239,525	109,585,276

For the six months ended June 30, 2004, transactions for written options were as follows for the Scudder Strategic Income Portfolio:

	Contract Amounts	Premium ($)
Beginning of period	49,656	13,199
Written	5,557,677	197,222
Closed	(3,252,239)	(141,287)
End of period	**2,355,094**	**69,134**

For the six months ended June 30, 2004, transactions for written options were as follows for the Scudder Technology Growth Portfolio:

	Contract Amounts	Premium ($)
Beginning of period	—	—
Written	6,828	587,080
Closed	(1,733)	(176,872)
Expired	(3,902)	(315,740)
End of period	**1,193**	**94,468**

C. Related Parties

Management Agreement. Under the Management Agreement with Deutsche Investment Management Americas Inc. ("DeIM" or the "Advisor"), the Advisor directs the investments of the portfolios in accordance with its 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 Management Agreement. Accordingly, for the six months ended June 30, 2004, the fees pursuant to the Management Agreement were equivalent to the annual effective rates shown below of the portfolios' average daily net assets:

Portfolio	Annualized Management Fee Rate
Scudder Blue Chip Portfolio	0.65%
Scudder Fixed Income Portfolio	0.60%
Scudder Government & Agency Securities Portfolio	0.55%
Scudder Growth Portfolio	0.60%
Scudder High Income Portfolio	0.60%
Scudder International Select Equity Portfolio	0.75%
Scudder Large Cap Value Portfolio	0.75%
Scudder Money Market Portfolio	0.50%
Scudder Small Cap Growth Portfolio	0.65%
Scudder Strategic Income Portfolio	0.65%
Scudder Total Return Portfolio	0.55%
SVS Dreman Small Cap Value Portfolio	0.75%
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 a monthly investment management fee, based on the average daily net assets of the portfolio, computed and accrued daily and payable monthly, of 1/12 of the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annualized Management Fee Rate
$0–$250 million	0.75%
next $750 million	0.72%
next $1.5 billion	0.70%
next $2.5 billion	0.68%
next $2.5 billion	0.65%
next $2.5 billion	0.64%
next $2.5 billion	0.63%
over $12.5 billion	0.62%

Accordingly, for the six months ended June 30, 2004, the fees pursuant to the Management Agreement were equivalent to the annual effective rates shown below of the portfolios' average daily net assets:

Portfolio	Effective Rate
Scudder Aggressive Growth Portfolio	0.75%
Scudder Technology Growth Portfolio	0.75%
SVS Dreman Financial Services Portfolio	0.75%
SVS Dreman High Return Equity Portfolio	0.73%

SVS INVESCO Dynamic Growth Portfolio and SVS Turner Mid Cap Growth Portfolio each pay a monthly investment management fee, based on the average daily net assets of the portfolio, computed and accrued daily and payable monthly, of 1/12 of the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annualized Management Fee Rate
$0–$250 million	1.000%
next $250 million	0.975%
next $500 million	0.950%
next $1.5 billion	0.925%
Over $2.5 billion	0.900%

For the six months ended June 30, 2004 the Advisor agreed to limit its fees and reimburse expenses of each class of the SVS INVESCO Dynamic Growth Portfolio and SVS Turner Mid Cap Growth Portfolio to the extent necessary to maintain the annualized expenses of Class A at 1.30% and Class B at 1.70%. For the six months ended June 30, 2004 the Advisor waived $8,664 and $40,253, respectively, of management fees.

Accordingly, for the six months ended June 30, 2004, the fees pursuant to the Management Agreement were equivalent to the annual effective rates shown below of the portfolios' average daily net assets:

Portfolio	Effective Rate
SVS INVESCO Dynamic Growth Portfolio	0.95%
SVS Turner Mid Cap Growth Portfolio	0.94%

SVS Davis Venture Value Portfolio, SVS Eagle Focused Large Cap Growth Portfolio, SVS Janus Growth and Income Portfolio, SVS Janus Growth Opportunities Portfolio and SVS Oak Strategic Equity Portfolio each pay a monthly investment management fee, based on the average daily net assets of the portfolio, computed and accrued daily and payable monthly, of 1/12 of the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annualized Management Fee Rate
$0–$250 million	0.950%
next $250 million	0.925%
next $500 million	0.900%
next $1.5 billion	0.875%
Over $2.5 billion	0.850%

Accordingly, for the six months ended June 30, 2004, the fees pursuant to the Management Agreement were equivalent to the annual effective rates shown below of the portfolios' average daily net assets:

Portfolio	Effective Rate
SVS Davis Venture Value Portfolio	0.95%
SVS Eagle Focused Large Cap Growth Portfolio	0.95%
SVS Janus Growth and Income Portfolio	0.95%
SVS Janus Growth Opportunities Portfolio	0.95%
SVS Oak Strategic Equity Portfolio	0.95%

The SVS Index 500 Portfolio pays a monthly investment management fee, based on the average daily net assets of the portfolio, computed and accrued daily and payable monthly, of 1/12 of the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annualized Management Fee Rate
$0–$250 million	0.370%
next $250 million	0.330%
next $500 million	0.310%
next $1.5 billion	0.295%
Over $2.5 billion	0.270%

Accordingly, for the six months ended June 30, 2004, the fee pursuant to the Management Agreement was equivalent to an annualized effective rate of 0.37% of SVS Index 500 Portfolio's average daily net assets.

The Scudder Global Blue Chip Portfolio pays a monthly investment management fee, based on the average daily net assets of the portfolio, computed and accrued daily and payable monthly, of 1/12 of the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annualized Management Fee Rate
$0–$250 million	1.00%
next $500 million	0.95%
next $750 million	0.90%
next $1.5 billion	0.85%
Over $3 billion	0.80%

Accordingly, for the six months ended June 30, 2004, the fee pursuant to the Management Agreement was equivalent to an annualized effective rate of 1.00% of Scudder Global Blue Chip Portfolio's average daily net assets.

For the six months ended June 30, 2004, the Advisor has agreed to reimburse the Portfolios for expenses in the following amounts:

Portfolio	Amount ($)
Scudder Aggressive Growth Portfolio	337
Scudder Blue Chip Portfolio	769
Scudder Fixed Income Portfolio	843
Scudder Global Blue Chip Portfolio	325
Scudder Government & Agency Securities Portfolio	1,738
Scudder Growth Portfolio	985
Scudder High Income Portfolio	1,141
Scudder International Select Equity Portfolio	508
Scudder Large Cap Value Portfolio	771
Scudder Money Market Portfolio	1,709
Scudder Small Cap Growth Portfolio	623
Scudder Strategic Income Portfolio	396
Scudder Technology Growth Portfolio	694
Scudder Total Return Portfolio	1,913
SVS Davis Venture Value Portfolio	648
SVS Dreman Financial Services Portfolio	527
SVS Dreman High Return Equity Portfolio	1,564
SVS Dreman Small Cap Value Portfolio	837
SVS Eagle Focused Large Cap Growth Portfolio	392
SVS Focus Value+Growth Portfolio	478
SVS Index 500 Portfolio	857
SVS INVESCO Dynamic Growth Portfolio	244
SVS Janus Growth and Income Portfolio	675
SVS Janus Growth Opportunities Portfolio	532

Portfolio	Amount ($)
SVS Oak Strategic Equity Portfolio	338
SVS Turner Mid Cap Growth Portfolio	390

Deutsche Asset Management Investment Services Limited ("DeAMIS") serves as sub-advisor to the Scudder International Select Equity and Scudder Strategic Income Portfolios and is paid by the Advisor for its services.

Dreman Value Management, LLC serves as sub-advisor to the SVS Dreman Financial Services, SVS Dreman High Return Equity and SVS Dreman Small Cap Value Portfolios and is paid by the Advisor for its services.

INVESCO Institutional (N.A.) Inc. serves as sub-advisor to the SVS INVESCO Dynamic Growth Portfolio and is paid by the Advisor for its services.

Eagle Asset Management, Inc. serves as sub-advisor to the SVS Eagle Focused Large Cap Growth Portfolio and is paid by the Advisor for its services.

Janus Capital Management, LLC, formerly Janus Capital Corporation, serves as sub-advisor to the SVS Janus Growth and Income and SVS Janus Growth Opportunities Portfolios and is paid by the Advisor for its services.

Turner Investment Partners, Inc. serves as sub-advisor to the SVS Turner Mid Cap Growth Portfolio and is paid by the Advisor for its services.

Oak Associates, Ltd. serves as sub-advisor to the SVS Oak Strategic Equity Portfolio and is paid by the Advisor for its services.

Davis Selected Advisers, L.P., serves as sub-advisor to the SVS Davis Venture Value Portfolio and is paid by the Advisor for its services.

Jennison Associates, L.L.C. serves as sub-advisor to the "growth" portion and Dreman Value Management, LLC. serves as sub-advisor to the "value" portion of the of the SVS Focus Value+Growth Portfolio and are paid by the Advisor for their services.

Northern Trust Investments, N.A. ("NTI") serves as sub-advisor to SVS Index 500 Portfolio and is paid by the Advisor for its services.

Service Provider Fees.

Scudder Fund Accounting Corporation ("SFAC"), a subsidiary of the Advisor, is responsible for determining the daily net asset value per share and maintaining the portfolio and general accounting records of each portfolio. In turn, SFAC has delegated certain fund accounting functions to a third-party service provider. For the six months ended June 30, 2004, SFAC received the following fee for its services for the following portfolios:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2004 ($)
Scudder Aggressive Growth Portfolio	18,079	18,079
Scudder Global Blue Chip Portfolio	28,767	28,767
Scudder Technology Growth Portfolio	28,400	28,400
SVS Davis Venture Value Portfolio	27,300	27,300
SVS Dreman Financial Services Portfolio	25,414	25,414
SVS Dreman High Return Equity Portfolio	57,690	57,690
SVS Eagle Focused Large Cap Growth Portfolio	20,101	20,101
SVS Index 500 Portfolio	78,260	78,260
SVS INVESCO Dynamic Growth Portfolio	24,588	24,588
SVS Janus Growth and Income Portfolio	45,500	45,500
SVS Janus Growth Opportunities Portfolio	22,386	22,386
SVS Oak Strategic Equity Portfolio	18,784	18,784
SVS Turner Mid Cap Growth Portfolio	137,680	137,680

Distribution Service Agreement. Scudder Investments Service Company ("SISC"), an affiliate of the Advisor, acts as each portfolio's transfer, dividend paying and shareholder service agent. SISC has, in turn, delegated certain of these functions to a third-party service provider. Under the Distribution Service Agreement, in accordance with Rule 12b-1 under the 1940 Act, SISC, receives a fee ("Distribution Service Fee") of 0.25% of average daily net assets of Class B shares. For the six months ended June 30, 2004, the Distribution Service Fee was as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2004 ($)
Scudder Aggressive Growth Portfolio	6,041	1,151
Scudder Blue Chip Portfolio	27,356	5,367
Scudder Fixed Income Portfolio	71,773	14,204
Scudder Global Blue Chip Portfolio	9,763	1,897
Scudder Government & Agency Securities Portfolio	51,878	17,047
Scudder Growth Portfolio	11,871	1,374
Scudder High Income Portfolio	51,789	9,248
Scudder International Select Equity Portfolio	30,314	6,263
Scudder Large Cap Value Portfolio	32,923	6,870
Scudder Money Market Portfolio	79,095	13,479
Scudder Small Cap Growth Portfolio	24,373	4,763
Scudder Strategic Income Portfolio	14,938	3,021
Scudder Technology Growth Portfolio	16,157	2,950
Scudder Total Return Portfolio	29,494	5,277
SVS Davis Venture Value Portfolio	48,211	9,712
SVS Dreman Financial Services Portfolio	15,107	2,840
SVS Dreman High Return Equity Portfolio	99,541	18,641
SVS Dreman Small Cap Value Portfolio	51,720	10,194
SVS Eagle Focused Large Cap Growth Portfolio	24,874	5,227
SVS Focus Value+Growth Portfolio	9,864	1,830
SVS Index 500 Portfolio	54,818	20,541
SVS INVESCO Dynamic Growth Portfolio	6,688	1,144
SVS Janus Growth and Income Portfolio	22,373	4,266
SVS Janus Growth Opportunities Portfolio	7,805	1,392
SVS Oak Strategic Equity Portfolio	18,085	3,668
SVS Turner Mid Cap Growth Portfolio	20,930	3,967

Trustees' Fees and Expenses. The portfolios pay each Trustee not affiliated with the Advisor retainer fees plus specified amounts for attended board and committee meetings.

Scudder Cash Management QP Trust. Pursuant to an Exemptive Order issued by the SEC, the portfolios may invest in the Scudder Cash Management QP Trust (the "QP Trust") and other affiliated funds managed by the Advisor. The QP Trust seeks to provide as high a level of current income as is consistent with the preservation of capital and the maintenance of liquidity. The QP Trust does not pay the Advisor a management fee for the affiliated funds' investments in the QP Trust.

D. Investing in High Yield Securities

Investing in high yield securities may involve greater risks and considerations not typically associated with investing in US Government bonds and other high quality fixed-income securities. These securities are non-investment grade securities, often referred to as "junk bonds." Economic downturns may disrupt the high yield market and impaired the ability of issuers to repay principal and interest. Also, an increase in interest rates would likely have an adverse impact on the value of such obligations. Moreover, high yield securities may be less liquid due to the extent that there is no established retail secondary market and because of a decline in the value of such securities.

E. Investing in Emerging Markets

Investing in emerging markets may involve special risks and considerations not typically associated with investing in the United States of America. These risks include revaluation of currencies, high rates of inflation, repatriation restrictions on income and capital, and future adverse political, social and economic developments. Moreover, securities issued in these markets may be less liquid, subject to government ownership controls, delayed settlements and their prices more volatile than those of comparable securities in the United States of America.

F. 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 portfolios' expenses. During the six months ended June 30, 2004, the portfolios' custodian fees were reduced under these arrangements as follows:

Portfolio	Amount ($)
Scudder Aggressive Growth Portfolio	5
Scudder Blue Chip Portfolio	10
Scudder Fixed Income Portfolio	447
Scudder Government & Agency Securities Portfolio	24
Scudder Growth Portfolio	8
Scudder High Income Portfolio	1,338
Scudder Large Cap Value Portfolio	14
Scudder Money Market Portfolio	88
Scudder Small Cap Growth Portfolio	123
Scudder Strategic Income Portfolio	199
Scudder Technology Growth Portfolio	102
Scudder Total Return Portfolio	276
SVS Davis Venture Value Portfolio	38
SVS Dreman Financial Services Portfolio	6
SVS Dreman High Return Equity Portfolio	7
SVS Dreman Small Cap Value Portfolio	318
SVS Eagle Focused Large Cap Growth Portfolio	7
SVS Focus Value+Growth Portfolio	18
SVS Index 500 Portfolio	4
SVS INVESCO Dynamic Growth Portfolio	7
SVS Janus Growth and Income Portfolio	20
SVS Janus Growth Opportunities Portfolio	11
SVS Oak Strategic Equity Portfolio	6
SVS Turner Mid Cap Growth Portfolio	13

G. Commitments

As of June 30, 2004, the following portfolios had entered into the following forward foreign currency exchange contracts resulting in the following:

Scudder High Income Portfolio

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Appreciation (US$)
EUR	4,977,120	USD	6,090,726	9/15/2004	**35,353**

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Depreciation (US$)
EUR	250,346	USD	302,057	9/15/2004	**(2,524)**

Scudder Strategic Income Portfolio

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Appreciation (US$)
CLP	9,481,680	USD	15,600	8/6/2004	710
CLP	94,855,820	USD	155,885	8/6/2004	6,922
USD	170,000	COP	463,250,000	8/6/2004	1,025
COP	8,281,800	USD	3,115	8/6/2004	57
COP	454,968,200	USD	170,720	8/6/2004	2,753
USD	45,747	PLN	185,000	8/6/2004	3,993
USD	298,528	TRL	431,671,200,000	7/29/2004	133,144
USD	110,000	TRL	182,215,000,000	10/28/2004	72,215

EUR	311,064	USD	380,663	9/15/2004	2,209
					223,028

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Depreciation (US$)
USD	90,000	BRL	276,030	8/6/2004	(1,713)
BRL	276,030	USD	87,908	8/6/2004	(380)
USD	170,000	CLP	104,337,500	8/6/2004	(6,147)
EUR	595,550	USD	707,156	7/29/2004	(17,857)
EUR	20,000	USD	24,160	7/29/2004	(188)
PLN	45,000	USD	11,211	8/6/2004	(889)
PLN	140,000	USD	36,609	8/6/2004	(1,032)
TRL	220,575,000,000	USD	150,000	7/29/2004	(70,575)
TRL	211,096,200,000	USD	143,262	7/29/2004	(67,835)
EUR	2,699,694	USD	3,208,044	7/16/2004	(79,385)
EUR	19,554	USD	23,593	9/15/2004	(197)
GBP	1,019,863	USD	1,811,277	7/16/2004	(35,081)
					(281,279)

SVS Janus Growth and Income Portfolio

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Depreciation (US$)
CHF	1,100,000	USD	869,016	9/27/2004	(12,057)
CHF	925,000	USD	712,635	10/15/2004	(28,710)
EUR	700,000	USD	850,850	9/27/2004	(708)
EUR	220,000	USD	263,410	9/27/2004	(4,222)
					(41,475)

As of June 30, 2004, the following portfolios had the following closed forward foreign currency exchange contracts resulting in the following:

SVS Janus Growth and Income Portfolio

Contracts to Deliver		In Exchange For		Settlement Date	Receivable (Payable)
USD	660,101	EUR	545,000	9/27/2004	
EUR	220,000	USD	263,410	9/27/2004	
EUR	325,000	USD	395,038	9/27/2004	
Total receivable (payable)					**(1,654)**

Scudder Strategic Income Portfolio

Contracts to Deliver		In Exchange For		Settlement Date	Receivable (Payable)
USD	455,562	EUR	376,000	7/29/2004	
USD	37,875	EUR	31,450	7/29/2004	
EUR	407,450	USD	483,809	7/29/2004	(9,631)
USD	455,006	PLN	1,815,000	8/06/2004	
PLN	650,000	USD	161,891	8/06/2004	
PLN	1,165,000	USD	290,234	8/06/2004	7,120
USD	80,000	RUB	2,536,000	10/27/2004	
EUR	2,536,000	USD	79,748	10/27/2004	(252)
Total receivable (payable)					**(2,763)**

Currency Abbreviations:

BRL	Brazilian Real	PLN	Polish Zloty
CLP	Chilean Peso	RUB	Russian Ruble
COP	Colombian Peso	USD	United States Dollar

EUR	Euro	TRL	Turkish Lira
GBP	British Pound		

H. Ownership of the Portfolios

At June 30, 2004, the beneficial ownership in the portfolios was as follows:

Scudder Aggressive 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 65% and 34%, respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 90%.

Scudder Blue Chip 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 57% and 41%, respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 89%.

Scudder Fixed Income 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 50% and 47%, respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 88%.

Scudder Global Blue Chip 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 59% and 39%, respectively. Two Participating Insurance Companies were the owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 83% and 10%, respectively.

Scudder Government & Agency Securities 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 49% and 45%, respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 93%.

Scudder 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 76% and 21%, respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 93%.

Scudder High Income 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 58% and 39%, respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 87%.

Scudder International Select Equity 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 67% and 31%, respectively. Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 77% and 18%, respectively.

Scudder Large Cap Value 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 60% and 39% respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 88%.

Scudder Money Market 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 63% and 36%, respectively. Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 70% and 27%, respectively.

Scudder Small Cap 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 69% and 28%, respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 89%.

Scudder Strategic Income 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 49% and 48%, respectively. Two participating Insurance Companies were the owners of record of 10% or more of the outstanding Class B shares of the Portfolio, each owning 76% and 17%, respectively.

Scudder Technology 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 62% and 36%, respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 87%.

Scudder Total Return 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 67% and 32%, respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 88%.

SVS Davis Venture Value 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 74% and 25%, respectively. Two Participating Insurance Companies were the owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 85% and 10%, respectively.

SVS Dreman Financial Services 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 53% and 44%, respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 88%.

SVS Dreman High Return Equity 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 66% and 30%, respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 93%.

SVS Dreman Small Cap Value 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 66% and 33%, respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 88%.

SVS Eagle Focused Large Cap 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 72% and 28%, respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 90%.

SVS Focus Value+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 52% and 47%, respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 91%.

SVS Index 500 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 67% and 33%, respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 88%.

SVS INVESCO Dynamic 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 80% and 20%, respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 92%.

SVS Janus Growth and Income 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 69% and 30%, respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 91%.

SVS Janus Growth Opportunities 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 69% and 30%, respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 96%.

SVS Oak Strategic Equity 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 80% and 20%, respectively. Two Participating Insurance Companies were the owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 86% and 10%, respectively.

SVS Turner Mid Cap Growth Portfolio: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, owning 79% and 20%, respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 90%.

I. Line of Credit

The Trust and several other affiliated funds (the "Participants") share in a $1.25 billion revolving credit facility administered by J.P. Morgan Chase Bank 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, based upon net assets, among each of the Participants. Interest is calculated at the Federal Funds Rate plus 0.5 percent. The facility borrowing limit for each portfolio is as follows:

Portfolio	Facility Borrowing Limit
Scudder Aggressive Growth Portfolio	33%
Scudder Blue Chip Portfolio	33%
Scudder Fixed Income Portfolio	33%
Scudder Global Blue Chip Portfolio	33%
Scudder Government & Agency Securities Portfolio	33%
Scudder Growth Portfolio	33%
Scudder High Income Portfolio	33%
Scudder International Select Equity Portfolio	33%

Portfolio	Facility Borrowing Limit
Scudder Large Cap Value Portfolio	33%
Scudder Money Market Portfolio	33%
Scudder Small Cap Growth Portfolio	33%
Scudder Strategic Income Portfolio	33%
Scudder Technology Growth Portfolio	5%
Scudder Total Return Portfolio	33%
SVS Davis Venture Value Portfolio	33%
SVS Dreman Financial Services Portfolio	33%
SVS Dreman High Return Equity Portfolio	33%
SVS Dreman Small Cap Value Portfolio	33%
SVS Eagle Focused Large Cap Growth Portfolio	33%
SVS Focus Value+Growth Portfolio	33%
SVS Index 500 Portfolio	33%
SVS INVESCO Dynamic Growth Portfolio	33%
SVS Janus Growth and Income Portfolio	33%
SVS Janus Growth Opportunities Portfolio	33%
SVS Oak Strategic Equity Portfolio	33%
SVS Turner Mid Cap Growth Portfolio	33%

J. Regulatory Matters and Litigation

Since at least July 2003, federal, state and industry regulators have been conducting ongoing inquiries and investigations ("inquiries") into the mutual fund industry, and have requested information from numerous mutual fund companies, including Scudder Investments. We are unable to determine what the outcome of these inquiries will be or what the effect, if any, would be on the funds or their advisors. Publicity about mutual fund practices arising from these industry-wide inquiries serves as the general basis of a number of private lawsuits against the Scudder funds. These lawsuits, which previously have been reported in the press, involve purported class action and derivative lawsuits, making various allegations and naming as defendants various persons, including certain Scudder funds, Deutsche Asset Management ("DeAM") and its affiliates, certain individuals, including in some cases Fund Trustees/Directors, and other parties. DeAM has undertaken to bear all liabilities and expenses incurred by the Scudder funds in connection with these lawsuits, or other lawsuits or regulatory actions that may be filed making allegations similar to these lawsuits regarding fund valuation, market timing, revenue sharing or other subjects of the pending inquiries. Based on currently available information, DeAM believes the likelihood that the pending lawsuits will have a material adverse financial impact on a Scudder fund is remote and such actions are not likely to materially affect its ability to perform under its investment management agreements with the Scudder funds.

Proxy Voting

A description of the Trust's policies and procedures for voting proxies for portfolio securities and information about how the Trust voted proxies related to its portfolio securities during the 12-month period ended June 30 is available on our Web site — scudder.com (type "proxy voting" in the search field) — or on the SEC's Web site — www.sec.gov. To obtain a written copy of the Trust's policies and procedures without charge, upon request, call us toll free at (800) 621-1048.

About the Fund's Advisor

Scudder Investments is part of Deutsche Asset Management, which is the marketing name in the US for the asset management activities of Deutsche Bank AG, Deutsche Investment Management Americas Inc., Deutsche Asset Management Inc., Deutsche Asset Management Investment Services Ltd., Deutsche Bank Trust Company Americas and Scudder Trust Company.

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

The views expressed in this report reflect those of the portfolio managers only through the end of the period of the report as stated on the cover. The managers' views are subject to change at any time based on market and other conditions and should not be construed as a recommendation.

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SCUDDER INVESTMENTS

A Member of
Deutsche Asset Management

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

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

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This report must be preceded or accompanied by the current prospectus. Read it carefully before investing.

Scudder Destinations[SM] (policy form series L-8166 and L-1550) is a variable, fixed and market value-adjusted deferred annuity contract issued by **Kemper Investors Life Insurance Company**. Securities are distributed by **Investors Brokerage Services, Inc.**, located at 1600 McConnor Parkway, Schaumburg, IL 60196. Scudder Destinations[SM] may not be available in all states. The contract contains limitations and policy forms may vary by state.

Scudder Investments is part of Deutsche Asset Management which is the marketing name in the US for the asset management activities of Deutsche Bank AG, Deutsche Bank Trust Company Americas, Deutsche Asset Management Inc., Deutsche Asset Management Investment Services Ltd., Deutsche Investment Management Americas Inc. and Scudder Trust Company.

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