

Annual Report

For Contract Holders of Kemper DestinationsSM

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



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Kemper Variable Series

ANNUAL REPORT TO
SHAREHOLDERS FOR THE YEAR
ENDED DECEMBER 31, 2000

Kemper Money Market Portfolio
Kemper Government Securities Portfolio
Kemper Investment Grade Bond Portfolio
Kemper High Yield Portfolio
Kemper Total Return Portfolio
Kemper Blue Chip Portfolio
Kemper Growth Portfolio
Kemper Aggressive Growth Portfolio
Kemper Horizon 20+ Portfolio
Kemper Horizon 10+ Portfolio
Kemper Horizon 5 Portfolio
Kemper Small Cap Growth Portfolio
Kemper Technology Growth Portfolio
Kemper Value+Growth Portfolio
Kemper Contrarian Value Portfolio
KVS Dreman High Return Equity Portfolio
KVS Focused Large Cap Growth Portfolio
KVS Growth And Income Portfolio
KVS Growth Opportunities Portfolio
KVS Index 500 Portfolio
Kemper Small Cap Value Portfolio
KVS Dreman Financial Services Portfolio
Kemper Strategic Income Portfolio
Kemper Global Blue Chip Portfolio
Kemper New Europe Portfolio
Kemper International Portfolio



KEMPER VARIABLE SERIES

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The opinions and forecasts expressed are those of the portfolio managers as of December 31, 2000, and may not actually come to pass. This information is subject to change at any time, based on market and other conditions and should not be construed as a recommendation of any specific security.

Economic Overview

Dear Contract Holder:

The global economy grew faster than it has in over a decade during the first half of 2000, but the news got worse as the year wore on. The leading indicators suggest the economy may be flirting with zero growth during the early months of this new year. Corporate profit problems, which foretold economic difficulty in our last market review, continue to surface at companies in a variety of industries. And, two new factors argue for a more pronounced slowdown: Bond markets and bankers, which had been extremely generous with credit, began to have second thoughts, and consumer confidence is giving early signs of cracking.

Having spent a lot of time wondering who the next president will be, Wall Street turned its attention to a more basic issue during the end of December: corporate earnings. And Wall Street didn't like what it saw. It seemed like almost every day of the week another major U.S. company — Microsoft, Compaq Computer Corp., General Motors, Whirlpool, Maytag, Chase Manhattan Corp., and J.P. Morgan & Co. — warned of reduced profits. We believe that there is fire amid this smoke. A general growth slowdown will make it harder to maintain productivity gains. Indeed, we saw the first evidence of productivity slowing along with economic growth in the third quarter: Productivity gains dipped to just 3.3 percent from the second quarter's remarkable 6.1 percent.

A projected slowdown in capital spending, which has been a driver of economic expansion, is also changing our earlier assessment that economic growth would only slow to around 3.5 percent in 2001. In the early part of the year, corporate treasurers were finding it more difficult to satiate their voracious appetite for money, but it was still available. However, from September through November, bank lending to corporations didn't grow at all. Cash was still available in the bond markets for investment-grade borrowers, but lower-quality companies are finding money both scarce and expensive. Though capital goods orders are still up about 15 percent vs. a year ago, like bank loans, they have flattened out in the last several months. That will begin to hurt capital spending next year. We expect the growth rate in capital spending to decrease from 14 percent to around 7 percent in 2001.

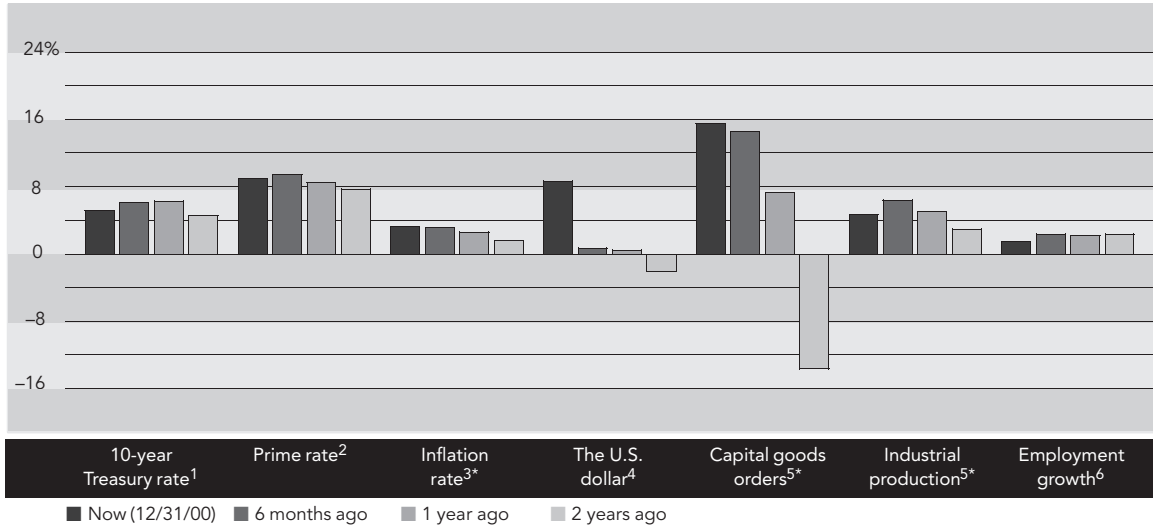
A third factor affecting our analysis is consumer spending. In the early part of the year, consumers were spending prolifically, and the personal savings rate fell from an already low 2.2 percent in 1999 to zero in 2000. It actually turned slightly negative in the third quarter. But consumer confidence is showing early signs of cracking. This was particularly obvious in mid-December as we moved to the crucial holiday season. The highly respected University of Michigan survey of consumer expectations registered a sharp drop, suggesting that shoppers, who have been a major support to the economic boom of the past several years, were beginning to get worried about the future. The Commerce Department reported sales at retail stores fell 0.4 percent in November after being flat in October. This suggests that a consumer spending slowdown might be earlier and sharper than we had previously expected.

As a result of these developments, we've taken a full percentage point off the growth rate we assume for the year 2001. We had previously expected growth of 3.5 percent; it now appears GDP is more likely to be up just 2.5 percent.

Economic Guideposts

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

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



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

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

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

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

⁵ These influence corporate profits and equity performance.

⁶ An influence on family income and retail sales.

* Data as of November 30, 2000.

Source: Economics Department, Zurich Scudder Investments, Inc.

The good news is that these signs of a slowing economy appear to have at least one beneficial effect: Consumer prices rose a mere 0.2 percent in November, while producer prices rose just 0.1 percent, rates that indicate that inflation pressures are not intensifying and might even be already easing. This theory was bolstered by a National Association of Purchasing Management survey which showed that companies are having a harder time passing along price increases than they did a year ago. We know that periods of economic slowdown are not the times when inflation accelerates, so we've trimmed a quarter of a point off our inflation outlook for 2001. We expect it to come in at around 2.75 percent, with even more good news on inflation in 2002.

Analysts began to believe that this subdued inflation outlook, combined with increasing signs of a slowing economy, would lead the Fed to cut interest rates early this year. On January 3, Fed Chairman Alan Greenspan came through with a surprise inter-meeting rate cut of half a percentage point. He has publicly recognized the risks of a worse economic slowdown than expected, and we believe he will not hesitate to cut rates more if he becomes convinced the economy requires it. This won't stop the economy

from slowing down, but it will prevent it from falling off a cliff. Therefore, the second half of 2001 is likely to be a little better than the early going.

The risk of a slowing economy — and continued volatility in capital markets — over the coming months is real. However, we believe that economic and technological changes will continue to transform economies around the world, and those who remain diversified and invest for the long term will ultimately benefit.

Sincerely,

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

January 3, 2001

The information contained in this piece has been taken from sources believed to be reliable, but the accuracy of the information is not guaranteed. The opinions and forecasts expressed are those of the economic advisors of Zurich Scudder Investments, Inc., as of January 3, 2001, and may not actually come to pass. This information is subject to change. No part of this material is intended as an investment recommendation.

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

Management Summary And Performance Update

December 31, 2000

Kemper Money Market Portfolio

During fiscal year 2000, strong economic growth prompted the Federal Reserve Board to raise its short-term interest-rate target three times by a total of 100 basis points (1 percentage point) to 6.50%. The government also initiated a buyback plan for 30-year Treasuries. The buyback boosted long-term bond prices even as the Fed has tightened short-term credit.

Between December 31, 1999, and December 31, 2000, yields for three-month Treasury bills rose 58 basis points (0.58 percentage point) while yields for long-term bonds fell 114 basis points (1.14 percentage points). At year's end, three-month Treasury bills yielded 5.90%, only 56 basis points more than 30-year Treasury bonds.

To maintain maximum portfolio flexibility, we kept average maturity in a 20- to 45-day range during the year, increasing maturity as economic growth appears to slow. In the coming months, we expect to continue to keep the Kemper Money Market Portfolio's average maturity within a 30- to 45-day range, given mixed signals about the weakness of the U.S. economy.

We continue to emphasize first-tier commercial paper, and we are being very conscious of credit quality because the U.S. economy is flirting with recession. We always buy high quality, but we are now looking to hold only the most pristine credits available. Industries that are having some difficulties right now, such as the auto industry, which faces declining sales and deteriorating fundamentals, are places we'll avoid.

Frank J. Rachwalski, Jr.
Lead Portfolio Manager

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

Kemper Money Market Portfolio

	Principal Amount (\$)	Value (\$)		Principal Amount (\$)	Value (\$)
Repurchase Agreements 1.4%					
State Street Bank and Trust Company, 5.95%, to be repurchased at \$3,548,344 on 1/2/2001*** (Cost \$3,546,000)	3,546,000	3,546,000	Corporate Asset Funding, 6.55%, 2/6/2001*	5,000,000	4,967,250
Certificates of Deposit 16.4%					
Allfirst Bank Note, 6.77%, 9/7/2001	5,000,000	5,000,000	Corporate Receivables Corp., 6.6%, 1/11/2001*	10,000,000	9,981,667
Amex Centurian Bank, 6.67%–6.75%, 6/5/2001–6/19/2001	7,500,000	7,499,679	Countrywide Home Loan, 6.72%, 5/21/2001	10,000,000	10,000,000
Bank of America, 6.67%, 3/2/2001	5,000,000	5,000,000	Daimler Chrysler Holdings, 6.79%, 11/8/2001	2,000,000	2,000,000
CIBC New York, 6.62%–6.58%, 7/3/2001–9/21/2001	10,000,000	9,996,757	General Electric Capital Corp., 6.31%, 5/4/2001*	5,000,000	4,892,204
Comerica, Inc., 6.67%, 1/12/2001	2,500,000	2,499,970	Giro Funding Corp., 6.55%, 2/15/2001*	10,000,000	9,918,125
First Union National Bank, 6.68%, 3/2/2001	2,500,000	2,500,000	Goldman Sachs & Co., 6.4%, 5/24/2001	10,000,000	10,000,000
Harris Trust & Savings Bank, 6.66%, 6/12/2001	5,000,000	4,999,112	Heller Financial, 6.25%–6.97%, 3/1/2001–7/17/2001	11,050,000	11,045,319
Key Bank, 6.69%, 5/25/2001	5,000,000	4,999,289	Household Finance Corp., 6.71%, 7/20/2001	4,500,000	4,497,863
Total Certificates of Deposit (Cost \$44,494,807)		42,494,807	Jupiter Securitization, 6.6%, 1/4/2001	10,000,000	9,994,500
Commercial Paper 82.2%					
Associates Corporation, 6.55%, 6/15/2001	5,000,000	5,000,000	Moat Funding, LLC, 6.46%, 4/26/2001*	10,000,000	9,793,639
Banco de Galicia y Buenos Aires S.A., 6.47%, 3/23/2001*	10,000,000	9,854,425	NATC California, LLC, 6.55%, 1/25/2001*	6,000,000	5,973,800
Bavaria Finance Funding, 6.49%– 6.59%, 1/8/2001–3/19/2001*	13,000,000	12,882,542	Prudential Funding Corp., 6.54%, 1/18/2001*	5,000,000	4,984,558
British Telecommunications, 6.49%, 3/26/2001*	10,000,000	9,848,567	SMM Trust, 6.73%, 3/14/2001	8,000,000	8,000,000
CIT Group Holdings, Inc., 6.61%– 6.64%, 3/27/2001–5/9/2001	10,000,000	9,998,339	Scaldis Capital, LLC, 6.55%, 2/26/2001*	7,649,000	7,571,065
CXC, Inc., 6.49%–6.56%, 1/22/2001–3/5/2001*	15,000,000	14,867,292	Sheffield Receivables Corp., 6.58%, 1/31/2001*	5,000,000	4,972,583
Comerica Bank, 6.64%, 4/14/2001**	2,500,000	2,499,808	Sigma Finance, Inc., 6.48%, 3/8/2001*	10,000,000	9,881,200
			Sinochem America, 6.49%, 3/5/2001* ..	10,000,000	9,886,425
			Stellar Funding Group, 6.59%, 1/24/2001–1/25/2001*	10,102,000	10,058,425
			Total Commercial Paper (Cost \$210,369,596)		213,369,596
			Total Investment Portfolio — 100.0% (Cost \$259,410,403) (a)		259,410,403

Notes to Kemper Money Market Portfolio of Investments

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

** Floating rate notes are securities whose yields vary with a designated market index or market rate, such as the coupon-equivalent of the Treasury bill rate. These securities are shown at their rate as of December 31, 2000.

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

(a) The cost for federal income tax purposes was \$259,410,403.

Financial Statements

Statement of Assets and Liabilities as of December 31, 2000

Assets

Investments in securities, at value (cost \$259,410,403)	\$ 259,410,403
Cash	17,267
Interest receivable	626,266
Receivable for Portfolio shares sold	19,693,116
Total assets	279,747,052

Liabilities

Dividends payable	720,537
Payable for Portfolio shares redeemed	281
Accrued management fee	117,264
Accrued Trustees' fees and expenses	27,398
Other accrued expenses and payables	55,362
Total liabilities	920,842

Net assets, at value \$ 278,826,210

Net Assets

Net assets consist of:	
Paid-in capital	278,826,210

Net assets, at value \$ 278,826,210

Net Asset Value

Net Asset Value and redemption price per share (\$278,826,210 ÷ 278,826,210 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized) \$ 1.000

Statement of Operations for the year ended December 31, 2000

Investment Income

Income:	
Interest	\$ 15,558,061
Expenses:	
Management fee	1,194,135
Custodian fees	24,086
Auditing	49,462
Legal	9,024
Trustees' fees and expenses	32,327
Reports to shareholders	40,936
Registration fees	20,830
Other	21,732
Total expenses, before expense reductions	1,392,532
Expense reductions	(17,035)
Total expenses, after expense reductions	1,375,497
Net investment income	14,182,564

Net increase (decrease) in net assets resulting from operations \$ 14,182,564

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

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2000	1999
Operations:		
Net investment income	\$ 14,182,564	\$ 8,886,458
Net increase (decrease) in net assets resulting from operations	14,182,564	8,886,458
Distributions to shareholders from:		
Net investment income	(14,182,564)	(8,886,458)
Portfolio share transactions:		
Proceeds from shares sold	1,379,647,587	538,375,861
Reinvestment of distributions	14,051,715	8,886,458
Cost of shares redeemed	(1,345,972,420)	(468,093,052)
Net increase (decrease) in net assets from Portfolio share transactions	47,726,882	79,169,267
Increase (decrease) in net assets	47,726,882	79,169,267
Net assets at beginning of period	231,099,328	151,930,061
Net assets at end of period	\$ 278,826,210	\$ 231,099,328
Other Information		
Shares outstanding at beginning of period	231,099,328	151,930,061
Shares sold	1,379,647,587	538,375,861
Shares issued to shareholders in reinvestment of distributions	14,051,715	8,886,458
Shares redeemed	(1,345,972,420)	(468,093,052)
Net increase (decrease) in Portfolio shares	47,726,882	79,169,267
Shares outstanding at end of period	278,826,210	231,099,328

Financial Highlights

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

Years Ended December 31,	2000	1999	1998	1997	1996
Net asset value, beginning of period	\$ 1.000	1.000	1.000	1.000	1.000
<i>Income from investment operations:</i>					
Net investment income	.059	.050	.050	.050	.050
Total from investment operations	.059	.050	.050	.050	.050
<i>Less distributions from:</i>					
Net investment income	(.059)	(.050)	(.050)	(.050)	(.050)
Total distributions	(.059)	(.050)	(.050)	(.050)	(.050)
Net asset value, end of period	\$ 1.000	1.000	1.000	1.000	1.000
Total Return (%)	6.10	4.84	5.15	5.25	5.03
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period (\$ millions)	279	231	152	100	71
Ratio of expenses before expense reductions (%)	.58	.54	.54	.55	.60
Ratio of expenses after expense reductions (%)	.58	.54	.54	.55	.60
Ratio of net investment income (loss) (%)	5.94	4.77	5.02	5.14	4.90

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

Management Summary And Performance Update

December 31, 2000

Kemper Government Securities Portfolio

Calendar year 2000 was an exceptionally rewarding time for government bond investors. Despite Federal Reserve monetary tightening and increased bond market volatility, the Kemper Government Securities Portfolio provided double-digit returns for the 12 months ended December 31, 2000.

During the period, strong economic growth prompted the Federal Reserve Board to raise its short-term interest-rate target three times by a total of 100 basis points (1 percentage point) to 6.50%. Early in the year, the government also began a buyback plan for 30-year Treasuries. The buyback has helped support long-term bond prices even as the Fed has tightened short-term credit. The result was an inversion of the yield curve. As the U.S. economy weakened, the yield curve began to be more positively sloped.

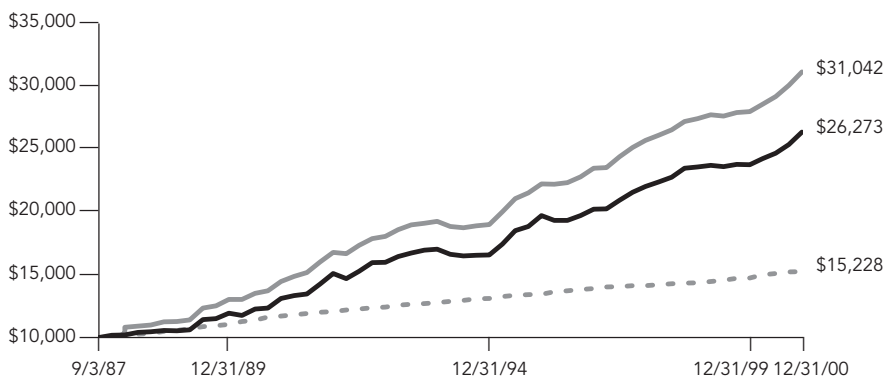
Between December 31, 1999, and December 31, 2000, yields for two-year Treasuries fell 135 basis points (1.35 percentage points) while yields for long-term bonds fell 114 basis points (1.14 percentage points). At mid-year, two-year Treasury notes yielded 4.86%, 49 basis points less than 30-year Treasury bonds.

Based on the Federal Reserve's January 3, 2001 rate cut of 50 basis points, we are optimistic that the Federal Reserve will continue to reduce short-term interest rates in an attempt to rekindle economic growth. We are also optimistic about government fiscal policy and the Treasury's buyback program. As a result of tax increases and nine years of economic growth, the U.S. government posted a record budget surplus of \$237 billion for its fiscal year ended September 30, 2000. While slowing U.S. economic growth may generate a smaller surplus in the year ahead, we believe there is an ample cushion to both continue the Treasury buybacks and provide tax relief.

Richard L. Vandenberg
Lead Portfolio Manager

Growth of an assumed \$10,000 investment in Kemper Government Securities Portfolio from 9/3/1987 to 12/31/2000

— Kemper Government Securities Portfolio
— Salomon Brothers 30-year GNMA Index
- - - Consumer Price Index



The Salomon Brothers 30-year GNMA Index is unmanaged, is on a total return basis with all dividends reinvested and is composed of GNMA 30-year pass-throughs of single family and graduated payment mortgages. In order for a GNMA coupon to be included in the index, it must have at least \$200 million of outstanding coupon product. The Consumer Price Index is a statistical measure of change, over time, in the prices of goods and services in major expenditure groups for all urban consumers. It is generally considered to be a measure of inflation.

Average Annual Total Returns¹

For the periods ended December 31, 2000	1-year	5-year	10-year	Life of portfolio
Kemper Government Securities Portfolio	10.93%	5.96%	7.22%	7.52% (Since 9/3/1987)

¹ Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details. Accumulation units are neither insured nor guaranteed by the U.S. government.

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

Kemper Government Securities Portfolio

	Principal Amount (\$)	Value (\$)		Principal Amount (\$)	Value (\$)
Repurchase Agreements 4.2%					
Chase Manhattan, 6.5%, to be repurchased at \$5,503,972 on 1/2/2001*	5,500,000	5,500,000	7.5% with various maturities to 12/1/2030	3,083,641	3,587,106
State Street Bank and Trust Company, 5.95%, to be repurchased at \$928,614 on 1/2/2001*	928,000	928,000	8% with various maturities to 11/1/2030	3,540,522	3,582,034
Total Repurchase Agreements (Cost \$6,428,000)		6,428,000	8.5% with various maturities to 7/1/2030	202,693	191,758
					10,366,587
U.S. Government & Agency Obligations 94.5%					
Government National Mortgage Association 64.1%					
Pass-through Certificates					
6% with various maturities to 6/15/2029 (b)	12,253,543	12,141,382	Federal Housing Authority 0.3%		
6.5% with various maturities to 8/15/2029	19,138,540	18,927,666	Pass-through Certificates		
7% with various maturities to 5/15/2030	26,204,828	26,263,156	7.5%, 2/15/2022	14,943	15,259
7.5% with various maturities to 12/20/2030 (b)	25,057,859	25,521,066	8.0% with various maturities to 7/15/2022	465,940	461,599
8% with various maturities to 10/15/2030 (b)	11,897,069	12,245,729	8.5%, 3/15/2026	18,169	17,760
8.5% with various maturities to 1/15/2030	567,443	587,220			494,618
9% with various maturities to 1/1/2031	1,925,710	1,995,818	Federal National Mortgage Association 6.4%		
9.5% with various maturities to 12/15/2022	237,455	247,621	Pass-through Certificates		
10% with various maturities to 3/15/2016	160,161	176,278	6% with various maturities to 2/1/2029	912,320	883,654
		98,105,936	6.5% with various maturities to 9/1/2030	5,077,483	5,008,497
U.S. Treasury Securities 13.4%			7% with various maturities to 11/1/2030	2,703,730	2,707,614
Bonds			7.5% with various maturities to 8/1/2030	975,059	994,717
10.375%, 11/15/2009	5,000,000	5,860,150	8% with various maturities to 12/1/2024	250,987	257,418
6.5%, 2/15/2010	3,900,000	4,266,834			9,851,900
12.5%, 8/15/2014	1,300,000	1,938,222	Federal Home Loan Bank 2.8%		
8%, 11/15/2021	1,000,000	1,294,060	Federal Home Loan Bank, 6.25%, 8/13/2004	4,100,000	4,173,677
Notes			Canadian Provincial Obligations 0.7%		
6.125%, 8/31/2002	7,000,000	7,092,960	Province of Ontario, 7.625%, 6/22/2004	500,000	526,815
		20,452,226	Province of Quebec, 8.625%, 1/19/2005	500,000	545,600
Federal Home Loan Mortgage Corporation 6.8%					1,072,415
Pass-through Certificates			Total U.S. Government & Agency Obligations (Cost \$142,888,790) (c)		144,517,359
6.5% with various maturities to 5/1/2029	68,134	67,336			
7% with various maturities to 2/1/2030	2,918,054	2,938,353	Corporate Obligations 1.3%		
			Equitable Life Assurance, 6.95%, 12/1/2005	500,000	503,290
			Ford Motor Credit Co., 8%, 5/15/2002	500,000	510,915
			Sears Roebuck Acceptance Corp., 6.75%, 9/15/2005	500,000	492,340
			Southwestern Bell Telephone Corp., 6.625%, 4/1/2005	500,000	502,406
			Total Corporate Obligations (Cost \$2,066,535)		2,008,951
			Total Investment Portfolio — 100.0% (Cost \$151,383,325) (a)		152,954,310

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

Notes to Kemper Government Securities Portfolio of Investments

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

- (a) The cost for federal income tax purposes was \$151,383,325. At December 31, 2000, net unrealized appreciation for all securities based on tax cost was \$1,570,985. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$1,846,398 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$275,413.
- (b) These securities, or a portion thereof, are when-issued or forward delivery pools.
- (c) At December 31, 2000 these securities have been pledged to cover, in whole or in part, initial margin requirements for open futures contracts.

At December 31, 2000, open futures contracts sold short were as follows:

Futures	Contracts	Expiration Date	Aggregate Face Value (\$)	Value (\$)	Unrealized Appreciation (Depreciation) (\$)
10 Year U.S. Treasury Note	48	March 21, 2001	4,963,014	5,033,250	(70,236)

At December 31, 2000, long open futures contracts were as follows:

5 Year U.S. Treasury Note	47	March 21, 2001	4,763,138	4,867,437	104,299
2 Year U.S. Treasury Note	78	March 21, 2001	15,684,133	15,846,187	162,054
Total net unrealized appreciation (depreciation) on open futures contracts					196,117

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

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

Financial Statements

Statement of Assets and Liabilities as of December 31, 2000

Assets

Investments in securities, at value (cost \$151,383,325)	\$ 152,954,310
Cash	634,696
Receivable for investments sold	2,528,958
Interest receivable	1,234,732
Receivable for Portfolio shares sold	150,196
Receivable for daily variation margin on open futures contracts	11,673
Total assets	157,514,565

Liabilities

Payable for investments purchased	5,619,134
Payable for Portfolio shares redeemed	21,151
Accrued management fee	70,052
Accrued Trustees' fees and expenses	24,824
Other accrued expenses and payables	26,421
Total liabilities	5,761,582

Net assets, at value	\$ 151,752,983
-----------------------------	-----------------------

Net Assets

Net assets consist of:	
Undistributed net investment income	7,848,205
Net unrealized appreciation (depreciation) on:	
Investments	1,570,985
Futures	196,117
Accumulated net realized gain (loss)	(6,092,425)
Paid-in capital	148,230,101
Net assets, at value	\$ 151,752,983

Net Asset Value

Net Asset Value and redemption price per share (\$151,752,983 ÷ 126,908,999 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 1.196
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The accompanying notes are an integral part of the financial statements.

Statement of Operations for the year ended December 31, 2000

Investment Income

Income:	
Interest	\$ 10,102,772
Expenses:	
Management fee	766,804
Custodian fees	10,686
Auditing	22,868
Legal	5,759
Trustees' fees and expenses	20,412
Reports to shareholders	12,894
Registration fees	1,149
Other	9,426
Total expenses, before expense reductions	849,998
Expense reductions	(5,025)
Total expenses, after expense reductions	844,973
Net investment income (loss)	9,257,799

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	(460,642)
Futures	(526,604)
Written options	(16,682)
	(1,003,928)
Net unrealized appreciation (depreciation) during the period on:	
Investments	6,149,137
Futures	125,099
	6,274,236
Net gain (loss) on investment transactions	5,270,308
Net increase (decrease) in net assets resulting from operations	\$ 14,528,107

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

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2000	1999
Operations:		
Net investment income (loss)	\$ 9,257,799	\$ 8,411,814
Net realized gain (loss) on investment transactions	(1,003,928)	(1,826,499)
Net unrealized appreciation (depreciation) on investment transactions during the period	6,274,236	(5,845,814)
Net increase (decrease) in net assets resulting from operations	14,528,107	739,501
Distributions to shareholders from:		
Net investment income	(9,438,853)	(6,578,763)
Portfolio share transactions:		
Proceeds from shares sold	42,968,268	71,054,230
Reinvestment of distributions	9,438,853	6,578,763
Cost of shares redeemed	(52,132,339)	(48,615,628)
Net increase (decrease) in net assets from Portfolio share transactions	274,782	29,017,365
Increase (decrease) in net assets	5,364,036	23,178,103
Net assets at beginning of period	146,388,947	123,210,844
Net assets at end of period (including undistributed net investment income of \$7,848,205 and \$8,041,080, respectively)	\$ 151,752,983	\$ 146,388,947
Other Information		
Shares outstanding at beginning of period	126,625,276	101,983,052
Shares sold	37,388,280	60,485,588
Shares issued to shareholders in reinvestment of distributions	8,579,758	5,674,233
Shares redeemed	(45,684,315)	(41,517,597)
Net increase (decrease) in Portfolio shares	283,723	24,642,224
Shares outstanding at end of period	126,908,999	126,625,276

Financial Highlights

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

Years Ended December 31,	2000	1999	1998	1997	1996
Net asset value, beginning of period	\$ 1.156	1.208	1.207	1.207	1.269
<i>Income (loss) from investment operations:</i>					
Net investment income (loss)	.075(a)	.072(a)	.062	.084	.085
Net realized and unrealized gain (loss) on investment transactions	.045	(.064)	.019	.016	(.057)
Total from investment operations	.120	.008	.081	.100	.028
<i>Less distributions from:</i>					
Net investment income	(.080)	(.060)	(.080)	(.100)	(.090)
Total distributions	(.080)	(.060)	(.080)	(.100)	(.090)
Net asset value, end of period	\$ 1.196	1.156	1.208	1.207	1.207
Total Return (%)	10.93	.68	7.03	8.96	2.56
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period (\$ millions)	152	146	123	87	84
Ratio of expenses before expense reductions (%)	.61	.63	.65	.64	.66
Ratio of expenses after expense reductions (%)	.60	.63	.65	.64	.66
Ratio of net investment income (loss) (%)	6.60	6.13	6.27	7.12	7.09
Portfolio turnover rate (%)	173	150	142	179	325

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

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

Management Summary And Performance Update

December 31, 2000

Kemper Investment Grade Bond Portfolio

Fiscal year 2000 was a challenging but rewarding time for investment grade corporate bonds as the Federal Reserve Board raised its short-term interest rate target by 100 basis points (1 percentage point) to 6.50%, commodity prices rose and the U.S. economy's growth rate slowed.

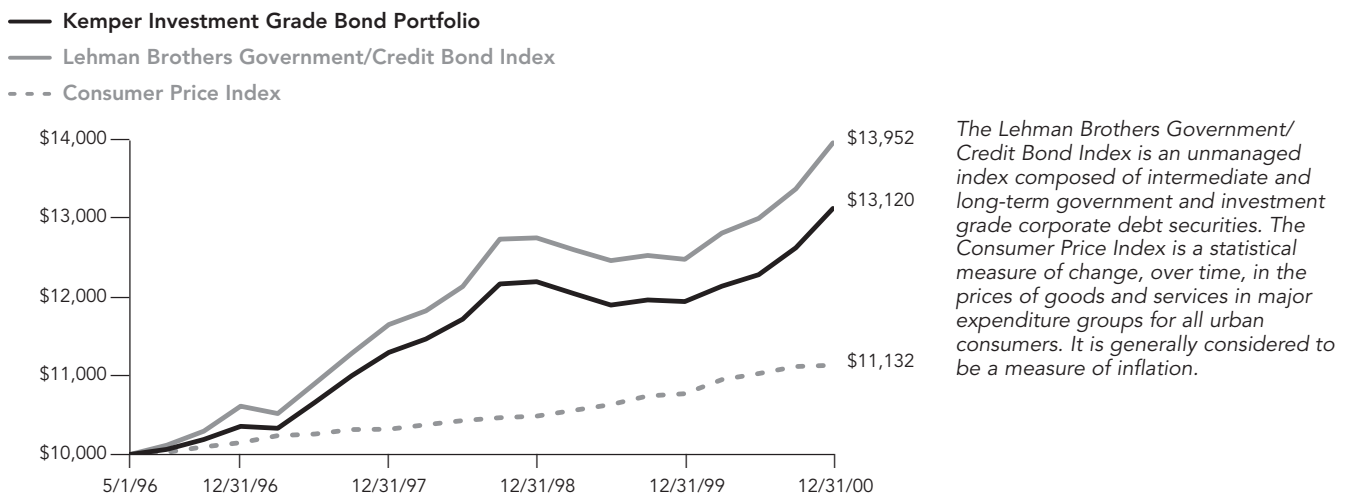
We began the year underweighted in long-term Treasuries and other government securities such as mortgages. When the corporate bond market fell sharply in January, the Kemper Investment Grade Bond Portfolio's strong position in corporate bonds hurt portfolio performance. By late spring, however, corporate bonds began to rebound and the portfolio's results improved. Among high-quality corporate securities, energy bonds were a bright spot last year, especially in the second half. The portfolio was overweighted in the sector relative to the energy component of the Lehman Corporate Bond Index, and this helped performance.

As the year progressed, we upgraded the quality of the portfolio's corporate bond portfolio, and in the second half, reduced our exposure to this area. We also added more Treasuries in the spring and summer. We believed that the Federal Reserve was done tightening short-term credit in May, and that high-quality government and corporate bonds would do well in a slowing economy. We were right and our positioning helped the portfolio provide attractive results, especially this past autumn. Long-term and intermediate Treasuries provided double-digit year 2000 returns that outpaced returns of many other asset classes.

As of December 31, with more than half of the portfolio's assets invested in AAA and AA securities — the two highest quality tiers — we have positioned the portfolio with a high degree of liquidity and diversification that has the potential to offer attractive risk-adjusted returns, especially if equity markets remain volatile.

Robert S. Cessine
Lead Portfolio Manager

Growth of an assumed \$10,000 investment in Kemper Investment Grade Bond Portfolio from 5/1/1996 to 12/31/2000



Average Annual Total Return¹

For the periods ended December 31, 2000	1-year	Life of portfolio	
Kemper Investment Grade Bond Portfolio	9.90%	6.00%	(Since 5/1/1996)

¹ Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details. Investments by the portfolio in lower-rated bonds present greater risk to principal and income than investments in higher-quality securities. Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

Kemper Investment Grade Bond Portfolio

	Principal Amount (\$)	Value (\$)		Principal Amount (\$)	Value (\$)
Repurchase Agreements 0.9%					
State Street Bank and Trust Company, 5.95%, to be repurchased at \$661,437 on 1/2/2001* (Cost \$661,000)	661,000	661,000			
U.S. Government & Agency Obligations 51.8%					
Federal National Mortgage Association:					
6.5% with various maturities to 9/1/2029	4,123,598	4,067,543			
7% with various maturities to 1/1/2030	5,579,509	5,690,530			
8% with various maturities to 1/1/2030	1,150,187	1,181,909			
Government National Mortgage Association:					
6.5% with various maturities to 6/15/2028	1,090,471	1,078,203			
7% with various maturities to 4/15/2029	2,481,981	2,492,746			
8% with various maturities to 12/1/2029	1,064,797	1,092,415			
U.S. Treasury Bonds:					
6.625%, 5/31/2002	5,000,000	5,081,250			
5.625%, 11/30/2002	550,000	554,466			
6.75%, 5/15/2005	1,505,000	1,603,292			
5.75%, 11/15/2005	5,740,000	5,927,468			
5.75%, 8/15/2010	6,420,000	6,727,967			
6.125%, 8/15/2029	2,210,000	2,403,729			
6.25%, 5/15/2030	1,560,000	1,740,367			
Total U.S. Government & Agency Obligations (Cost \$38,496,413)		39,641,885			
Foreign Government Bonds 2.0%					
Province of Ontario:					
8.625%, 1/19/2005	750,000	818,400			
5.5%, 10/1/2008	750,000	721,778			
Total Foreign Bonds (Cost \$1,546,186)		1,540,178			
Asset Backed 2.7%					
Financial 1.2%					
MBNA Master Credit Card Trust, 6.9%, 1/15/2008	900,000	933,813			
Automobile Receivables 1.0%					
Daimler Chrysler Auto Trust Series 2000-C, 6.82%, 9/6/2004	425,000	432,912			
Daimler Chrysler Auto Trust Series 2000-D, 6.66%, 3/8/2006	350,000	360,126			
					793,038
Credit Card Receivables 0.5%					
Citibank Credit Card Issuance Trust Series 2000-A1, 6.9%, 10/17/2007	375,000	386,864			
Total Asset Backed (Cost \$2,049,363)					2,113,715
Corporate Bonds 42.6%					
Consumer Discretionary 1.8%					
Park Place Entertainment, Inc., 8.5%, 11/15/2006	200,000	207,500			
Tricon Global Restaurants, 7.65%, 5/15/2008	450,000	438,534			
Wal-Mart Stores, Inc., 6.875%, 8/10/2009	700,000	730,506			
					1,376,540
Consumer Staples 3.1%					
Bass North America, Inc., 6.625%, 3/1/2003	1,000,000	1,002,770			
Pepsi Bottling Holdings, Inc., 5.625%, 2/17/2009	725,000	691,389			
Unilever Capital Corp., 7.125%, 11/1/2010	675,000	707,076			
					2,401,235
Communications 5.0%					
British Telecommunications plc, 8.125%, 12/15/2010	375,000	379,110			
Deutsche Telekom AG, 7.75%, 6/15/2005	325,000	330,619			
Global Crossing Holdings Ltd., 9.5%, 11/15/2009	350,000	330,750			
McLeodUSA, Inc., 8.125%, 2/15/2009 ..	250,000	215,000			
Nextel Communications, 9.375%, 11/15/2009	450,000	420,750			
Qwest Communications International, 7.5%, 11/1/2008	750,000	770,663			
Sprint Capital Corp., 6.125%, 11/15/2008	700,000	629,594			
Vodafone Group plc, 7.75%, 2/15/2010	700,000	728,217			
					3,804,703
Financial 12.5%					
Capital Auto Receivables Asset Trust, 6.46%, 1/15/2004	325,000	327,082			
Citigroup, Inc., 6.75%, 12/1/2005	700,000	713,496			
Firststar Bank, 7.125%, 12/1/2009	300,000	302,190			
FleetBoston Financial Corp., Series 2000-C, 7.25%, 9/15/2005	625,000	642,712			
Ford Motor Credit Co., 7.875%, 6/15/2010	1,100,000	1,131,537			
General Electric Capital Corp., 6.5%, 12/10/2007	750,000	763,410			

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

	Principal Amount (\$)	Value (\$)		Principal Amount (\$)	Value (\$)
General Motors Acceptance Corp., 7.75%, 1/19/2010	375,000	387,008	Lockheed Martin Corp., 7.7%, 6/15/2008	200,000	211,228
Merrill Lynch & Co., Inc., 6%, 2/17/2009	700,000	662,858			677,502
NiSource Finance Corp., 7.875%, 11/15/2010	725,000	758,321	Manufacturing 1.9%		
PNC Funding Corp., 7%, 9/1/2004	650,000	657,495	Dow Chemical, 7%, 8/15/2005	700,000	724,171
Prudential Insurance Co., 6.375%, 7/23/2006	1,000,000	971,860	International Paper Co., 8%, 7/8/2003 ..	700,000	726,222
Repsol International Finance, 7.45%, 7/15/2005	725,000	743,488			1,450,393
Verizon Global Funding Corp., 7.6%, 3/15/2007	300,000	309,213	Energy 6.8%		
Verizon Global Funding Corp., 7.25%, 12/1/2010	450,000	459,423	Apache Finance Canada, 7.75%, 12/15/2029	725,000	765,672
Wells Fargo Company, 7.25%, 8/24/2005	700,000	726,026	Barrett Resources Corp., 7.55%, 2/1/2007	600,000	597,388
		9,556,119	Conoco, Inc., 6.95%, 4/15/2029	1,000,000	974,300
Media 5.1%			Petroleum Geo-Services, 7.5%, 3/31/2007	1,000,000	965,590
British Sky Broadcasting, 6.875%, 2/23/2009	275,000	240,122	Phillips Petroleum, 8.75%, 5/25/2010 ...	650,000	743,756
CSC Holdings, Inc., 7.875%, 12/15/2007	750,000	746,250	Pioneer Natural Resources, 9.625%, 4/1/2010	400,000	424,000
Charter Communications Holdings LLC: 8.25%, 4/1/2007	300,000	268,500	Texas Eastern Trans Corp, 7.3%, 12/1/2010	700,000	722,519
Step-up Coupon, 0% to 4/1/2004, 9.92% to 4/1/2011	600,000	345,000			5,193,225
Cox Communications, Inc., 7.75%, 11/1/2010	725,000	750,513	Utilities 5.5%		
News America Holdings, Inc., 9.25%, 2/1/2013	650,000	696,371	Alabama Power Co., 7.125%, 8/15/2004	1,000,000	1,019,840
Time Warner, Inc., 9.125%, 1/15/2013 ..	750,000	871,740	Cleveland Electric Illumination Co., 7.67%, 7/1/2004	1,050,000	1,084,587
		3,918,496	Detroit Edison Co., 7.5%, 2/1/2005	650,000	673,530
Durables 0.9%			KeySpan Corp., 7.625%, 11/15/2010 ...	725,000	769,442
Lockheed Martin Corp., 7.25%, 5/15/2006	450,000	466,274	Niagara Mohawk Power Corp., 6.625%, 7/1/2005	600,000	594,984
					4,142,383
			Total Corporate Bonds (Cost \$31,903,267)		32,520,596
			Total Investment Portfolio — 100.0% (Cost \$74,656,229) (a)		76,477,374

Notes to Kemper Investment Grade Bond Portfolio of Investments

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

(a) The cost for federal income tax purposes was \$74,733,166. At December 31, 2000, net unrealized appreciation for all securities based on tax cost was \$1,744,208. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$1,988,261 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$244,053.

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

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

Financial Statements

Statement of Assets and Liabilities as of December 31, 2000

Assets

Investments in securities, at value (cost \$74,656,229)	\$ 76,477,374
Cash	281
Interest receivable	1,071,129
Receivable for Portfolio shares sold	105,729
Total assets	77,654,513

Liabilities

Payable for Portfolio shares redeemed	44,476
Accrued management fee	39,322
Accrued Trustees' fees and expenses	11,030
Other accrued expenses and payables	19,768
Total liabilities	114,596

Net assets, at value \$ 77,539,917

Net Assets

Net assets consist of:	
Undistributed net investment income	3,982,660
Net unrealized appreciation (depreciation) on investments	1,821,145
Accumulated net realized gain (loss)	(3,815,598)
Paid-in capital	75,551,710

Net assets, at value \$ 77,539,917

Net Asset Value

Net Asset Value and redemption price per share ($\$77,539,917 \div 67,709,470$ outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized) \$ 1.145

Statement of Operations for the year ended December 31, 2000

Investment Income

Income:	
Interest	\$ 4,975,070

Expenses:

Management fee	422,387
Custodian fees	6,431
Auditing	14,859
Legal	3,399
Trustees' fees and expenses	11,846
Reports to shareholders	13,914
Registration fees	3,165
Other	3,623
Total expenses, before expense reductions	479,624
Expense reductions	(3,653)
Total expenses, after expense reductions	475,971

Net investment income (loss) 4,499,099

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from investments	(1,826,804)
Net unrealized appreciation (depreciation) during the period on investments	4,069,145

Net gain (loss) on investment transactions 2,242,341

Net increase (decrease) in net assets resulting from operations \$ 6,741,440

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

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2000	1999
Operations:		
Net investment income (loss)	\$ 4,499,099	\$ 3,496,040
Net realized gain (loss) on investment transactions	(1,826,804)	(1,972,757)
Net unrealized appreciation (depreciation) on investment transactions during the period	4,069,145	(2,802,822)
Net increase (decrease) in net assets resulting from operations	6,741,440	(1,279,539)
Distributions to shareholders from:		
Net investment income	(3,737,486)	(1,572,997)
Net realized gains	—	(524,333)
Portfolio share transactions:		
Proceeds from shares sold	14,249,355	32,476,506
Reinvestment of distributions	3,737,486	2,097,331
Cost of shares redeemed	(14,428,513)	(12,374,222)
Net increase (decrease) in net assets from Portfolio share transactions	3,558,328	22,199,615
Increase (decrease) in net assets	6,562,282	18,822,746
Net assets at beginning of period	70,977,635	52,154,888
Net assets at end of period (including undistributed net investment income of \$3,982,660 and \$3,220,635, respectively)	\$ 77,539,917	\$ 70,977,635
Other Information		
Shares outstanding at beginning of period	64,475,079	44,780,514
Shares sold	12,917,576	28,913,488
Shares issued to shareholders in reinvestment of distributions	3,528,360	1,879,110
Shares redeemed	(13,211,545)	(11,098,033)
Net increase (decrease) in Portfolio shares	3,234,391	19,694,565
Shares outstanding at end of period	67,709,470	64,475,079

Financial Highlights

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

Years Ended December 31,	2000	1999	1998	1997	1996(a)
Net asset value, beginning of period	\$ 1.100	1.165	1.118	1.036	1.000
<i>Income (loss) from investment operations:</i>					
Net investment income (loss)	.069(b)	.060(b)	.032	.066	.031
Net realized and unrealized gain (loss) on investment transactions	.036	(.085)	.055	.026	.005
Total from investment operations	.105	(.025)	.087	.092	.036
<i>Less distributions from:</i>					
Net investment income	(.060)	(.030)	(.030)	(.010)	—
Net realized gains on investment transactions	—	(.010)	(.010)	—	—
Total distributions	(.060)	(.040)	(.040)	(.010)	—
Net asset value, end of period	\$ 1.145	1.100	1.165	1.118	1.036
Total Return (%)	9.90	(2.06)	7.93	9.04	3.57**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	78	71	52	16	2
Ratio of expenses before expense reductions (%)	.68	.65	.67	.80	.87*
Ratio of expenses after expense reductions (%)	.67	.65	.67	.80	.87*
Ratio of net investment income (loss) (%)	6.36	5.42	5.50	6.23	4.93*
Portfolio turnover rate (%)	311	131	130	311	75*

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

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

* Annualized

** Not annualized

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

Management Summary And Performance Update

December 31, 2000

Kemper High Yield Portfolio

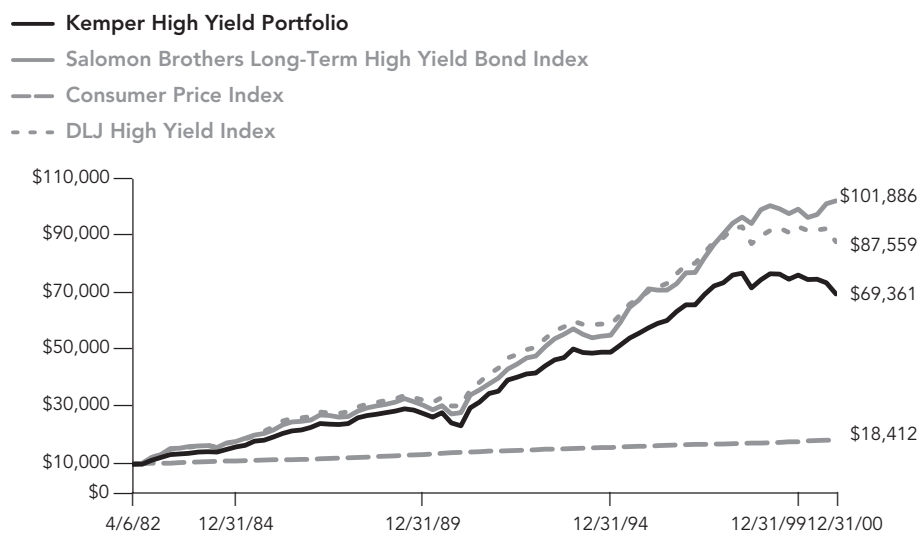
A horrible year for Nasdaq stocks, continuing concern over high-yield bond defaults and weak investor demand led to negative quarterly and yearly results. The unmanaged Chase Global High Yield Index fell 5.68% for the 12 months ended December 31, underperforming intermediate and long-term Treasuries and other investment-grade bonds by a wide margin. Still, high yield bonds outperformed the unmanaged S&P 500 Index in December, in the fourth quarter and for the year.

Throughout fiscal year 2000, we focused our research efforts in sectors and companies where we thought we had a competitive advantage. We gradually increased the percentage of the Kemper High Yield Portfolio's bonds rated BB, the highest quality tier within the high-yield market. Double-B's were the best performing sector of the high yield market in 2000.

In the coming months, we will take a careful look at opportunities among undervalued bonds with B ratings. Lower interest rates in the months ahead and a revival of economic growth may provide the catalysts for renewed enthusiasm for high yield securities. Spreads, as measured by comparing the DLJ High Yield Index with 10-year Treasuries, reached 959 basis points as of year's end, the highest level since the index's inception in 1993. While an overweighting in lower-yielding BB-rated bonds helped the portfolio preserve capital in 2000, employing new investments into higher-yielding, lower-quality securities can help position the portfolio to benefit from a potential market rebound this year.

Harry E. Resis, Jr.
Lead Portfolio Manager

Growth of an assumed \$10,000 investment in Kemper High Yield Portfolio from 4/6/1982 to 12/31/2000



The Salomon Brothers Long-Term High Yield Bond Index is on a total return basis with all dividends reinvested and is composed of high-yield bonds with a par value of \$50 million or higher and a remaining maturity of ten years or longer rated BB+ or lower by Standard & Poor's Corporation or Ba1 or lower by Moody's Investors Service, Inc. This index is unmanaged. The Consumer Price Index is a statistical measure of change, over time, in the prices of goods and services in major expenditure groups for all urban consumers. It is generally considered to be a measure of inflation. The DLJ High Yield Index is designed to mirror the investable universe of the U.S. dollar-denominated high-yield market. The index includes \$302 billion in tradable securities.

Average Annual Total Return¹

For the periods ended December 31, 2000	1-year	5-year	10-year	Life of portfolio
Kemper High Yield Portfolio	-8.68%	3.80%	11.49%	10.89% (Since 4/6/1982)

¹ Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details. Investment by the portfolio in lower-rated and non-rated bonds presents greater risk to principal and income than investments in higher-quality securities.

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

Kemper High Yield Portfolio

	Principal Amount (\$)	Value (\$)		Principal Amount (\$)	Value (\$)
Repurchase Agreements 0.3%					
State Street Bank and Trust Company, 5.95%, to be repurchased at \$1,051,695 on 1/2/2001** (Cost \$1,051,000)	1,051,000	1,051,000	Finlay Fine Jewelry Co., 8.375%, 5/1/2008	1,540,000	1,324,400
			Galey & Lord, Inc., 9.125%, 3/1/2008 ..	1,500,000	825,000
			Guitar Center Management, 11%, 7/1/2006	1,810,000	1,701,400
			Harvey's Casino Resorts, 10.625%, 6/1/2006	2,210,000	2,309,450
			Hines Horticulture, Inc., 11.75%, 10/15/2005	2,096,000	1,645,360
			Horseshoe Gaming Holdings, 8.625%, 5/15/2009	630,000	616,613
			Horseshoe Gaming LLC, 9.375%, 6/15/2007	410,000	411,025
			Imperial Home Decor Group, Inc., 11%, 3/15/2008*	1,050,000	5,250
			International Game Technology, 8.375%, 5/15/2009	1,300,000	1,296,750
			Krystal, Inc., 10.25%, 10/1/2007	2,050,000	1,599,000
			MGM Grand, Inc., 9.75%, 6/1/2007	1,730,000	1,807,850
			MGM Mirage, Inc., 8.5%, 9/15/2010 ...	2,300,000	2,305,750
			Mandalay Resort Group: 6.45%, 2/1/2006	350,000	320,288
			9.5%, 8/1/2008	490,000	485,100
			National Vision Association, Ltd., 12.75%, 10/15/2005*	2,480,000	992,000
			Park Place Entertainment, Inc., 9.375%, 2/15/2007	1,670,000	1,720,100
			Perkins Finance, L.P., 10.125%, 12/15/2007	1,570,000	1,256,000
			Restaurant Co., Step-up Coupon, 0% to 5/15/2003, 11.25% to 5/15/2008	2,010,000	804,000
			Sealy Mattress Co.: 9.875%, 12/15/2007	1,600,000	1,536,000
			Step-up Coupon, 0% to 12/15/2002, 10.875% to 12/15/2007	910,000	682,500
			Specialty Retailers, Inc.: 8.5%, 7/15/2005*	540,000	27,000
			9%, 7/15/2007*	2,400,000	24,000
			Station Casinos, Inc.: 10.125%, 3/15/2006	440,000	455,400
			9.75%, 4/15/2007	680,000	697,000
			Venetian Casino, 12.25%, 11/15/2004 ..	100,000	100,500
					<u>36,624,302</u>
			Consumer Staples 0.8%		
			Dyersburg Corp., 9.75%, 9/1/2007	1,260,000	100,800
			Grove Worldwide LLC, 9.25%, 5/1/2008	1,180,000	106,200
			Jafra Cosmetics International, Inc., 11.75%, 5/1/2008	1,710,000	1,624,500
			U.S. Canco Corporation, 12.375%, 10/1/2010	600,000	594,000
					<u>2,425,500</u>
Commercial Paper 2.3%					
Countrywide Home Loans, 6.7%***, 1/2/2001 (Cost \$6,998,717)	7,000,000	6,998,717			
U.S. Government Obligations 14.0%					
U.S. Treasury Bonds: 6.5%, 2/15/2010	3,000,000	3,282,180			
14%, 11/15/2011	5,000,000	7,157,800			
U.S. Treasury Notes: 6.75%, 5/15/2005	20,000,000	21,306,200			
6%, 8/15/2009	10,000,000	10,551,600			
Total U.S. Government Obligations (Cost \$41,699,179)		42,297,780			
Foreign Bonds 2.0%					
AES Corporation, 11.5%, 8/30/2010 ...	680,000	724,200			
Dolphin Telecom plc, Step-up Coupon, 0% to 5/15/2004, 14% to 6/15/2009	1,240,000	148,800			
Euramax International plc, 11.25%, 10/1/2006	2,060,000	1,318,400			
Federative Republic of Brazil, 14.5%, 10/15/2009	2,000,000	2,205,000			
Kappa Beheer BV, 10.625%, 7/15/2009	530,000	540,600			
TFM, S.A. de C.V., 10.25%, 6/15/2007 ..	1,130,000	1,042,425			
Total Foreign Bonds (Cost \$6,140,203)		5,979,425			
Corporate Bonds 79.9%					
Consumer Discretionary 12.1%					
AFC Enterprises, 10.25%, 5/15/2007 ...	4,100,000	3,854,000			
AMF Bowling, Inc.: 10.875%, 3/15/2006*	2,540,000	254,000			
Step-up Coupon, 0% to 3/15/2001, 12.25% to 3/15/2006	2,320,000	301,600			
Advantica Restaurant Co., 11.25%, 1/15/2008	614,706	307,353			
Avondale Mills, 10.25%, 5/1/2006	1,490,000	1,385,700			
Boca Resorts, Inc., 9.875%, 4/15/2009 ..	2,810,000	2,585,200			
Cinemark USA, Inc., 8.5%, 8/1/2008 ...	1,170,000	702,000			
Color Tile, Inc., 10.75%, 12/15/2001* ..	1,470,000	12,863			
Eldorado Resorts, 10.5%, 8/15/2006 ...	2,010,000	1,979,850			
Finlay Enterprises, Inc., 9%, 5/1/2008 ..	350,000	294,000			

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

	Principal Amount (\$)	Value (\$)		Principal Amount (\$)	Value (\$)
Health 2.6%					
Dade International, Inc., 11.125%, 5/1/2006	2,380,000	476,000	Step-up Coupon, 0% to 7/15/2002, 11.25% to 7/15/2007	2,570,000	1,644,800
MEDIQ, Inc., 11%, 6/1/2008*	400,000	4,000	KMC Telecom Holdings, Inc.:		
Magellan Health Services, Inc., 9%, 2/15/2008	3,180,000	2,226,000	13.5%, 5/15/2009	2,550,000	739,500
Mariner Post-Acute Network, Inc.:			Step-up Coupon, 0% to 2/15/2003, 12.5% to 2/15/2008	3,840,000	422,400
10.5%, 8/1/2006	2,060,000	1,915,800	Level 3 Communications, Inc.:		
Step-up Coupon, 0% to 11/1/2002, 10.5% to 11/1/2007*	4,340,000	21,700	9.125%, 5/1/2008	1,350,000	1,090,125
Tenet Healthcare Corp., 9.25%, 9/1/2010	2,680,000	2,911,150	11.25%, 3/15/2010	270,000	232,200
Vencor, Inc., 9.875%, 5/1/2005*	1,510,000	302,000	MGC Communications, 13%, 10/1/2004	2,000,000	1,020,000
		<u>7,856,650</u>	McLeod USA, Inc.:		
			9.25%, 7/15/2007	1,040,000	951,600
			8.125%, 2/15/2009	1,000,000	860,000
			Metromedia Fiber Network, Inc., 10%, 11/15/2008	1,180,000	979,400
Communications 18.5%					
Airgate PCS, Inc., Step-up Coupon, 0% to 10/1/2004, 13.5% to 10/1/2009	220,000	125,400	MetroNet Communications Corp.:		
Allegiance Telecom, Inc.:			12%, 8/15/2007	550,000	615,312
12.875%, 5/15/2008	1,575,000	1,559,250	10.625%, 11/1/2008	1,410,000	1,544,937
Step-up Coupon, 0% to 2/15/2003, 11.75% to 2/15/2008	1,300,000	799,500	Step-up Coupon, 0% to 11/1/2002, 10.75% to 11/1/2007	780,000	678,600
Call-Net Enterprises, Inc.:			Step-up Coupon, 0% to 6/15/2003, 9.95%, 6/15/2008	1,440,000	1,152,000
9.375%, 5/15/2009	820,000	328,000	Millicom International Cellular, S.A., Step-up Coupon, 0% to 6/1/2001, 13.5% to 6/1/2006	2,700,000	2,119,500
Step-up Coupon, 0% to 8/15/2003, 8.94% to 8/15/2008	225,000	60,750	Nextel Communications, Inc.:		
Step-up Coupon, 0% to 5/15/2004, 10.8% to 5/15/2009	370,000	99,900	9.375%, 11/15/2009	3,110,000	2,907,850
Century Communications Corp., 8.375%, 12/15/2007	550,000	437,250	Step-up Coupon, 0% to 9/15/2002, 10.65% to 9/15/2007	1,225,000	967,750
Comunicacion Cellular, S.A., Step-up Coupon, 0% to 9/29/2000, 14.125% to 3/1/2005	2,400,000	1,920,000	Nextlink Communications, Inc.:		
Crown Castle International Corp.:			12.5%, 4/15/2006	300,000	270,000
9.5%, 8/1/2011	300,000	294,750	Step-up Coupon, 0% to 4/15/2003, 9.45% to 4/15/2008	920,000	478,400
10.75%, 8/1/2011	960,000	998,400	Step-up Coupon, 0% to 6/1/2004, 12.25% to 6/1/2009	2,000,000	960,000
Step-up Coupon, 0% to 11/15/2002, 10.625% to 11/15/2007	790,000	628,050	PTC International Finance, Step-up Coupon, 0% to 7/1/2002, 10.75% to 7/1/2007	1,440,000	1,051,200
Dobson Communications Corp., 10.875%, 7/1/2010	460,000	453,100	PTC International Finance II, 11.25%, 12/1/2009	360,000	342,000
Esprit Telecom Group plc:			Price Communications Wireless, 9.125%, 12/15/2006	2,490,000	2,564,700
11.5%, 12/15/2007	1,625,000	24,375	Primus Telecommunications Group:		
10.875%, 6/15/2008	800,000	8,000	11.75%, 8/1/2004	1,740,000	487,200
FairPoint Communications, 12.5%, 5/1/2010	1,710,000	1,556,100	11.25%, 1/15/2009	320,000	89,600
Global Crossing Holdings, Ltd., 9.5%, 11/15/2009	3,000,000	2,835,000	12.75%, 10/15/2009	1,120,000	313,600
Global Telesystems Group, 9.875%, 2/15/2005	440,000	211,200	Rogers Cantel, 9.75%, 6/1/2016	3,000,000	3,195,000
Hermes Europe Railtel BV, 11.5%, 8/15/2007	210,000	86,100	SBA Communications Corp., Step-up Coupon, 0% to 3/1/2003, 12% to 3/1/2008	1,500,000	1,162,500
ICG Holdings, Inc., Step-up Coupon, 0% to 9/15/2000, 13.5% to 9/15/2005	4,190,000	460,900	Spectrasite Holdings, Inc.:		
Impsat Corp., 12.375%, 6/15/2008	1,805,000	1,227,400	10.75%, 3/16/2010	180,000	162,900
Intermedia Communications of Florida, Inc.:			Step-up Coupon, 0% to 7/15/2003, 12% to 7/15/2008	3,220,000	1,932,000
Step-up Coupon, 0% to 5/15/2001, 12.5% to 5/15/2006	1,880,000	1,353,600	Step-up Coupon, 0% to 4/15/2004, 11.25% to 4/15/2009	2,580,000	1,406,100

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	Principal Amount (\$)	Value (\$)		Principal Amount (\$)	Value (\$)
Telecorp PCS, Inc.:			Diamond Cable Communications plc,		
10.625%, 7/15/2010	960,000	974,400	13.25%, 9/30/2004	1,990,000	1,950,200
Step-up Coupon, 0% to 4/15/2004, 11.625% to 4/15/2009	350,000	239,313	Echostar DBS Corp.:		
Teligent, Inc.:			9.25%, 2/1/2006	1,510,000	1,472,250
11.5%, 12/1/2007	1,130,000	158,200	9.375%, 2/1/2009	1,120,000	1,092,000
Step-up Coupon, 0% to 3/1/2003, 11.5% to 3/1/2008	690,000	62,100	Frontiervision LP, 11%, 10/15/2006	860,000	838,500
Tritel PCS, Inc., Step-up Coupon, 0% to 5/1/2004, 12.75% to 5/15/2009	1,320,000	904,200	Interep National Radio Sales, Inc., 10%, 7/1/2008	1,530,000	1,132,200
Triton Communications, LLC, Step-up Coupon, 0% to 5/1/2003, 11% to 5/1/2008	720,000	568,800	NTL Communications Corp., 11.875%, 10/1/2010	250,000	220,000
Versatel Telecom:			NTL, Inc.:		
13.25%, 5/15/2008	910,000	564,200	11.5%, 10/1/2008	4,220,000	3,713,600
13.25%, 5/15/2008	380,000	235,600	Step-up Coupon, 0% to 2/1/2001, 11.5% to 2/1/2006	320,000	288,000
11.875%, 7/15/2009	410,000	246,000	Outdoor Systems, Inc., 9.375%, 10/15/2006	2,395,000	2,508,762
Viatel, Inc., Step-up Coupon, 0% to 4/15/2003, 12.5% to 4/15/2008	530,000	95,400	Panavision, Inc., Step-up Coupon, 0% to 2/1/2002, 9.625% to 2/1/2006	2,680,000	670,000
VoiceStream Wireless Corp., 10.375%, 11/15/2009	2,390,000	2,560,287	Renaissance Media Group, Step-up Coupon, 0% to 4/15/2003, 10% to 4/15/2008	1,540,000	1,016,400
Western Wireless Corp., 10.5%, 2/1/2007	1,200,000	1,260,000	Rogers Cablesystems, Ltd., 10%, 3/15/2005	630,000	664,650
		<u>55,676,699</u>	Sinclair Broadcasting Group, Inc.:		
Financial 0.5%			9%, 7/15/2007	350,000	320,250
FRD Acquisition, 12.5%, 7/15/2004	210,000	77,700	8.75%, 12/15/2007	550,000	492,250
HMH Properties, 7.875%, 8/1/2008	1,380,000	1,324,800	Star Choice Communications, Inc., 13%, 12/15/2005	750,000	795,000
		<u>1,402,500</u>	TeleWest Communications plc:		
Media 14.8%			9.625%, 10/1/2006	720,000	626,400
AMFM, Inc., 8%, 11/1/2008	1,900,000	1,911,875	11.25%, 11/1/2008	1,650,000	1,468,500
Adelphia Communications Corp.:			Step-up Coupon, 0% to 10/1/2000, 11% to 10/1/2007	2,895,000	2,533,125
7.875%, 5/1/2009	370,000	301,550	Transwestern Publishing:		
9.375%, 11/15/2009	890,000	801,000	9.625%, 11/15/2007	950,000	922,688
American Lawyer Media, Inc.:			Step-up Coupon, 0% to 11/15/2002, 11.875% to 11/15/2008	420,000	327,600
9.75%, 12/15/2007	680,000	591,600	United International Holdings, Step-up Coupon, 0% to 2/15/2003, 10.75% to 2/15/2008	3,150,000	1,354,500
Step-up Coupon, 0% to 12/15/2002, 12.25% to 12/15/2008	1,980,000	1,197,900	United Pan-Europe Communications, 10.875%, 11/1/2007	2,200,000	1,463,000
Australis Holdings, 15% to 11/1/2002 ..	3,660,000	36,600			<u>44,806,143</u>
Avalon Cable Holdings LLC, Step-up Coupon, 0% to 12/1/2003, 11.875% to 12/1/2008	1,870,000	1,271,600	Service Industries 3.8%		
CSC Holdings, Inc.:			Allied Waste North America, Inc., 10%, 8/1/2009	260,000	244,400
9.25%, 11/1/2005	1,000,000	1,015,000	Avis Rent A Car, 11%, 5/1/2009	3,580,000	3,857,450
8.125%, 7/15/2009	400,000	407,519	Coinmach Corp., 11.75%, 11/15/2005	4,750,000	4,738,125
8.125%, 8/15/2009	1,010,000	1,029,199	Kindercare Learning Centers, Inc., 9.5%, 2/15/2009	1,550,000	1,395,000
9.875%, 2/15/2013	1,145,000	1,185,075	La Petite Academy, Inc., 10%, 5/15/2008	1,890,000	1,134,000
10.5%, 5/15/2016	1,640,000	1,779,400	Spincycle, Inc., Step-up Coupon, 0% to 5/1/2001, 12.75% to 5/1/2005	1,520,000	136,800
Century Communications Corp., 9.5%, 3/1/2005	140,000	124,600			<u>11,505,775</u>
Charter Communications Holdings LLC:			Durables 2.5%		
8.25%, 4/1/2007	4,470,000	4,000,650	Airxcel, 11%, 11/15/2007	880,000	457,600
Step-Up Coupon, 0% to 4/1/2004, 9.92% to 4/1/2011	850,000	488,750			
Comcast UK Cable Partners, Ltd., Step-up Coupon, 0% to 11/15/2000, 11.2% to 11/15/2007	3,230,000	2,793,950			

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	Principal Amount (\$)	Value (\$)		Principal Amount (\$)	Value (\$)
DeCrane Aircraft Holdings, Inc., 12%, 9/30/2008	1,180,000	1,073,800	SF Holdings Group, Inc., Step-up Coupon, 0% to 3/15/2003, 12.75% to 3/15/2008	2,030,000	812,000
Fairchild Corp., 10.75%, 4/15/2009	1,500,000	1,110,000	Stone Container Corp.:		
Level 3 Communications, Inc., 11%, 3/15/2000	2,900,000	2,552,000	12.25%, 4/1/2002	627,000	629,351
United Rentals, Inc.:			10.75%, 10/1/2002	1,000,000	1,016,250
9.25%, 1/15/2009	2,350,000	1,739,000	11.5%, 8/15/2006	1,585,000	1,640,475
9%, 4/1/2009	760,000	554,800	Tenneco Automotive, Inc., 11.625%, 10/15/2009	2,190,000	1,062,150
		<u>7,487,200</u>	Terex Corp.:		
Manufacturing 12.2%			8.875%, 4/1/2008	2,980,000	2,562,800
Agriculture, Mining and Chemicals, Inc., 10.75%, 9/30/2003	2,200,000	1,474,000	8.875%, 4/1/2008	1,110,000	954,600
Atlantis Group, Inc., 11%, 2/15/2003	1,735,000	1,301,250	Terra Industries, Inc., 10.5%, 6/15/2005	570,000	364,800
BPC Holdings Corp., 12.5%, 6/15/2006	802,666	361,200	Texas Petrochemicals, 11.125%, 7/1/2006	710,000	568,000
Berry Plastics Corp., 12.25%, 4/15/2004	1,530,000	1,289,025			<u>36,913,608</u>
Consumers International, 10.25%, 4/1/2005	1,330,000	133,000	Technology 1.2%		
Day International Group, Inc., 11.125%, 6/1/2005	1,270,000	1,219,200	Exodus Communications, Inc., 11.625%, 7/15/2010	2,700,000	2,403,000
Delco Remy International, 10.625%, 8/1/2006	1,230,000	1,033,200	PSINet, Inc.:		
Eagle-Picher Holdings, Inc., 9.375%, 3/1/2008	1,600,000	1,040,000	10%, 2/15/2005	400,000	112,000
Flowserve Corp., 12.25%, 8/15/2010	650,000	650,000	11.5%, 11/1/2008	1,490,000	432,100
Foamex, L.P., 13.5%, 8/15/2005	1,130,000	678,000	11%, 8/1/2009	1,970,000	551,600
Fonda Group, 9.5%, 3/1/2007	1,340,000	1,045,200			<u>3,498,700</u>
GS Technologies:			Energy 3.3%		
12%, 9/1/2004	1,090,000	54,500	AES Corp., 9.375%, 9/15/2010	1,960,000	2,004,100
12.25%, 10/1/2005	1,340,000	67,000	Chesapeake Energy Corp., 9.625%, 5/1/2005	440,000	452,650
Gaylord Container Corp.:			Continental Resources, Inc., 10.25%, 8/1/2008	1,470,000	1,275,225
9.75%, 6/15/2007	1,690,000	1,064,700	Key Energy Services, Inc., 14%, 1/15/2009	690,000	783,150
9.875%, 2/15/2008	470,000	145,700	Nuevo Energy, 9.375%, 10/1/2010	310,000	310,775
Grove Holdings LLC:			Parker Drilling Corp., 9.75%, 11/15/2006	500,000	502,500
14.5%, 5/1/2010	928,229	9,282	Pen Holdings, Inc., 9.875%, 6/15/2008	625,000	375,000
Step-up Coupon, 0% to 5/1/2003, 11.625% to 5/1/2009	310,000	3,100	Pride International, Inc., 10%, 6/1/2009	1,470,000	1,543,500
Hayes Wheels International, Inc., 11%, 7/15/2006	1,750,000	1,312,500	R&B Falcon Corp.:		
Huntsman Package, 11.75%, 12/1/2004	2,650,000	2,120,000	11%, 3/15/2006	580,000	671,350
Knoll, Inc., 10.875%, 3/15/2006	886,000	903,720	9.5%, 12/15/2008	370,000	403,300
Millar Western Forest Products, Ltd., 9.875%, 5/15/2008	890,000	703,100	Stone Energy Corp., 8.75%, 9/15/2007	870,000	878,700
Motors and Gears, Inc., 10.75%, 11/15/2006	580,000	522,000	Triton Energy, 8.875%, 10/1/2007	820,000	828,200
NL Industries, Inc., Senior Note, 11.75%, 10/15/2003	2,603,000	2,629,030			<u>10,028,450</u>
Owens-Illinois, Inc., 8.1%, 5/15/2007	210,000	113,400	Metals & Minerals 1.1%		
Plainwell, Inc., 11%, 3/1/2008*	4,445,000	222,250	MMI Products, Inc., 11.25%, 4/15/2007	1,345,000	1,311,375
Printpack, Inc., 10.625%, 8/15/2006	1,440,000	1,353,600	Metal Management, Inc., 10%, 5/15/2008*	1,820,000	18,200
Riverwood International Corp.:			Metals USA, Inc., 8.625%, 2/15/2008	1,490,000	849,300
10.25%, 4/1/2006	710,000	708,225	Renco Steel Holdings Co., Series B, 10.875%, 2/1/2005	1,800,000	720,000
10.625%, 8/1/2007	530,000	530,000			
10.875%, 4/1/2008	5,130,000	4,617,000			

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	Principal Amount (\$)	Value (\$)
Republic Technologies International, 13.75%, 7/15/2009	2,820,000	282,000 <u>3,180,875</u>
Construction 3.4%		
Del Webb Corp.:		
9.75%, 1/15/2008	560,000	492,800
10.25%, 2/15/2010	300,000	267,000
Dimac Corp., 12.5%, 10/1/2008*	1,540,000	15,400
Fortress Group, 13.75%, 5/15/2003	880,000	334,400
Hovnanian Enterprises, Inc.:		
9.75%, 6/1/2005	560,000	498,400
9.125%, 5/1/2009	1,090,000	907,425
Lennar Corp., 9.95%, 5/1/2010	1,870,000	1,907,400
Nortek, Inc.:		
9.875%, 3/1/2004	2,220,000	2,070,150
9.125%, 9/1/2007	1,050,000	947,625
Ryland Group, Inc.:		
8.25%, 4/1/2008	800,000	688,000
9.75%, 9/1/2010	370,000	357,050
Standard Pacific Corp.:		
8%, 2/15/2008	330,000	297,825
8.5%, 4/1/2009	510,000	464,100
Toll Corp.:		
8.75%, 11/15/2006	500,000	490,000
7.75%, 9/15/2007	210,000	195,825
8.125%, 2/1/2009	100,000	94,500
8%, 5/1/2009	230,000	218,500
		<u>10,246,400</u>
Transportation 0.9%		
Petro Stopping Centers, 10.5%, 2/1/2007	2,520,000	2,079,000
Transtar Holdings, Inc., 13.375% to 12/15/2003	631,000	634,155 <u>2,713,155</u>
Utilities 1.1%		
Azurix Corp., 10.75%, 2/15/2010	1,980,000	1,940,400
Calpine Corp.:		
7.75%, 4/15/2009	840,000	785,753
8.625%, 8/15/2010	630,000	614,363 <u>3,340,516</u>
Miscellaneous 1.1%		
Azurix Corp., 10.375%, 2/15/2007	770,000	754,600
Golden Tree High Yield Opportunities "I", Series 144A, 13.054%, 10/31/2007		
	2,500,000	2,546,500 <u>3,301,100</u>
Total Corporate Bonds (Cost \$328,973,230)		<u>241,007,573</u>

Convertible Preferred Stocks 0.2%

Communications

Telephone/Communications

World Access, Inc.* (Cost \$1,389,749) ..	933	606,385
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Preferred Stocks 1.1%

Communications 0.3%

Cellular Telephone

Dobson Communications, PIK	1,028	894,360
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Financial 0.2%

Real Estate

Crown American Realty Trust	19,820	748,205
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Media 0.4%

Broadcasting & Entertainment

Sinclair Capital	13,000	1,118,000
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Manufacturing 0.1%

Containers & Paper 0.0%

SF Holdings Group, Inc., PIK*	40	80,000
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Machinery/Components/Controls 0.1%

Eagle-Picher Holdings, Inc.*	170	382,500
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Total Preferred Stocks (Cost \$4,666,689)

3,223,065

Common Stocks and Warrants 0.2%

Communications 0.1%

Telephone/Communications

AT&T Canada, Inc.*	1,885	55,018
Benedek Communications Corp., Warrants*	5,000	2,500
Comunicacion Cellular, S.A., Warrants*	2,200	22,000
Econophone, Inc., Warrants*	1,260	63,000
ICG Communications, Inc.*	4,851	631
Intermedia Communications, Inc.*	4,258	30,604
KMC Telecom Holdings, Inc., Warrants*	1,950	1,950
Primus Telecommunications Group, Warrants*	1,000	100

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	Shares	Value (\$)		Shares	Value (\$)
Star Choice Communications, Warrants*	17,370	143,303	Manufacturing 0.0%		
Tele1 Europe Holding AB (ADR)*	6,340	29,323		Containers & Paper	
		348,429	Gaylord Container Corp.*	92,250	92,250
Financial 0.1%			SF Holdings Group, Inc.*	517	2,585
Other Financial Companies					94,835
Ono Finance plc, Warrants*	1,650	115,500	Energy 0.0%		
			Oil/Gas Transmission		
Media 0.0%			Empire Gas Corp., Warrants*	2,070	207
Cable Television 0.0%			Metals & Minerals 0.0%		
UIH Australia Pacific, Inc., Warrants*	750	750	Steel & Metals 0.0%		
Miscellaneous 0.0%			Gulf States Steel, Warrants*	1,810	18
Australis Holdings, Warrants*	3,720	21	Republic Technologies International, Warrants*	2,820	28
					46
Service Industries 0.0%			Miscellaneous 0.0%		
Miscellaneous Consumer Services 0.0%			Bar Technologies, Warrants*	750	0
Spincycle, Inc., Warrants*	1,520	15	Construction 0.0%		
Printing/Publishing 0.0%			Building Materials 0.0%		
American Banknote Corp., Warrants*	1,200	0	Waxman Industries, Inc., Warrants*	52,274	523
Durables 0.0%			Homebuilding 0.0%		
Aerospace			Capital Pacific Holdings, Warrants*	3,634	908
Decrane Holdings Co., Warrants*	1,350	14			
			Total Common Stock and Warrants (Cost \$816,818)		561,248
			Total Investment Portfolio — 100.0%		
			(Cost \$391,735,585) (a)		301,725,193

Notes to Kemper High Yield Portfolio of Investments

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

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

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

(a) The cost for federal income tax purposes was \$392,658,797. At December 31, 2000, net unrealized depreciation for all securities based on tax cost was \$90,933,604. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$3,224,013 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$94,157,617.

PIK denotes that interest or dividend is paid in kind.

Financial Statements

Statement of Assets and Liabilities as of December 31, 2000

Assets

Investments in securities, at value (cost \$391,735,585)	\$ 301,725,193
Cash	123,156
Receivable for investments sold	14,054
Interest receivable	7,443,381
Receivable for Portfolio shares sold	56,582
Total assets	309,362,366

Liabilities

Payable for Portfolio shares redeemed	55,110
Accrued management fee	154,436
Accrued Trustees' fees and expenses	50,377
Other accrued expenses and payables	96,263
Total liabilities	356,186

Net assets, at value \$ 309,006,180

Net Assets

Net assets consist of:	
Undistributed net investment income	37,265,016
Net unrealized appreciation (depreciation) on investments	(90,010,392)
Accumulated net realized gain (loss)	(39,835,452)
Paid-in capital	401,587,008

Net assets, at value \$ 309,006,180

Net Asset Value

Net Asset Value and redemption price per share (\$309,006,180 ÷ 337,288,122 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized) \$.916

Statement of Operations for the year ended December 31, 2000

Investment Income

Income:	
Dividends	\$ 551,048
Interest	39,109,906
Total Income	39,660,954
Expenses:	
Management fee	1,991,358
Custodian fees	14,918
Auditing	47,233
Legal	90,917
Trustees' fees and expenses	50,713
Reports to shareholders	40,389
Registration fees	14,330
Other	20,113
Total expenses, before expense reductions	2,269,971
Expense reductions	(10,081)
Total expenses, after expense reductions	2,259,890
Net investment income (loss)	37,401,064

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	(15,817,187)
Futures	(17,005)
	(15,834,192)
Net unrealized appreciation (depreciation) during the period on investments	(48,518,517)
Net gain (loss) on investment transactions	(64,352,709)

Net increase (decrease) in net assets resulting from operations \$ (26,951,645)

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

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2000	1999
Operations:		
Net investment income (loss)	\$ 37,401,064	\$ 45,563,581
Net realized gain (loss) on investment transactions	(15,834,192)	(14,886,753)
Net unrealized appreciation (depreciation) on investment transactions during the period	(48,518,517)	(20,024,876)
Net increase (decrease) in net assets resulting from operations	(26,951,645)	10,651,952
Distributions to shareholders from:		
Net investment income	(43,395,484)	(42,416,234)
Portfolio share transactions:		
Proceeds from shares sold	95,392,371	116,611,231
Reinvestment of distributions	43,395,484	42,416,234
Cost of shares redeemed	(155,637,443)	(173,185,353)
Net increase (decrease) in net assets from Portfolio share transactions	(16,849,588)	(14,157,888)
Increase (decrease) in net assets	(87,196,717)	(45,922,170)
Net assets at beginning of period	396,202,897	442,125,067
Net assets at end of period (including undistributed net investment income of \$37,265,016 and \$43,318,696, respectively)	\$ 309,006,180	\$ 396,202,897
Other Information		
Shares outstanding at beginning of period	345,783,442	360,218,162
Shares sold	100,313,983	97,968,309
Shares issued to shareholders in reinvestment of distributions	44,120,810	36,157,082
Shares redeemed	(152,930,113)	(148,560,111)
Net increase (decrease) in Portfolio shares	(8,495,320)	(14,434,720)
Shares outstanding at end of period	337,288,122	345,783,442

Financial Highlights

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

Years Ended December 31,	2000	1999	1998	1997	1996
Net asset value, beginning of period	\$ 1.146	1.227	1.296	1.281	1.259
<i>Income (loss) from investment operations:</i>					
Net investment income (loss)	.114(a)	.122(a)	.106	.116	.120
Net realized and unrealized gain (loss) on investment transactions	(.204)	(.093)	(.085)	.019	.042
Total from investment operations	(.090)	.029	.021	.135	.162
<i>Less distributions from:</i>					
Net investment income	(.140)	(.110)	(.090)	(.120)	(.140)
Total distributions	(.140)	(.110)	(.090)	(.120)	(.140)
Net asset value, end of period	\$.916	1.146	1.227	1.296	1.281
Total Return (%)	(8.68)	2.15	1.45	11.61	14.06
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period (\$ millions)	309	396	442	391	289
Ratio of expenses before expense reductions (%)	.68	.67	.65	.65	.65
Ratio of expenses after expense reductions (%)	.68	.67	.65	.65	.65
Ratio of net investment income (loss) (%)	11.23	10.40	9.36	9.20	9.70
Portfolio turnover rate (%)	54	42	74	90	98

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

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

Management Summary And Performance Update

December 31, 2000

Kemper Total Return Portfolio

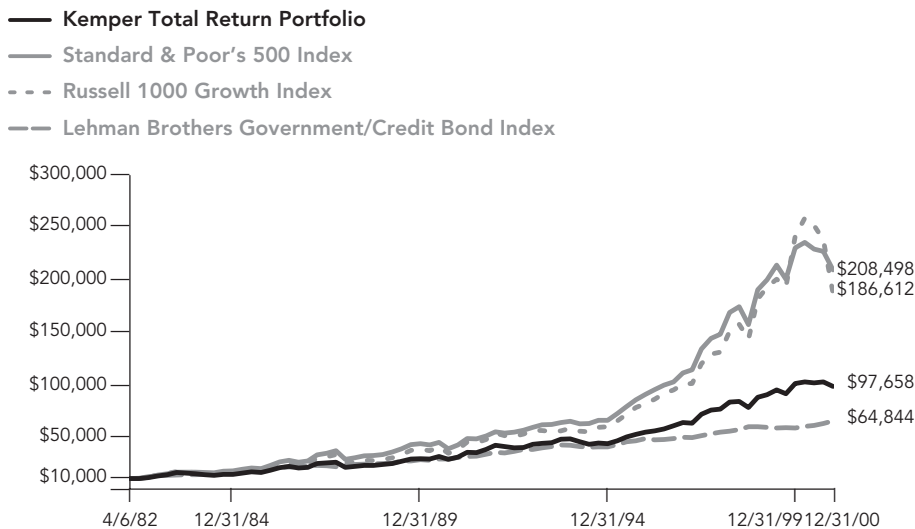
The year ending December 31, 2000 was a challenge for investors. Early on, it seemed as if nothing could stop the momentum in technology-related stocks, which climbed to extreme highs. By March, though, investors became skittish that the climb wouldn't last and began taking profits and moving assets into more reasonably valued stocks. This caused a swift decline in the Nasdaq and other market indices, and was the beginning of a broadening in the overall market. We saw wild swings as technology stocks jockeyed to retain their leadership. Ultimately, the market shifted its favor from large growth stocks to value stocks, which had underperformed over the last several years. The bond market struggled early in 2000 as interest rates rose, but recovered as it became clear the Federal Reserve Board had completed its series of rate hikes.

The Kemper Total Return Portfolio lost ground, but solidly outperformed its equity benchmark — the S&P 500 Stock Index. It did, however, underperform its bond benchmark — the Lehman Brothers Government/Credit Bond Index. Our technology holdings struggled with the sector. We had more success with financials — specifically brokerage stocks. Energy stocks also added to performance as they were buoyed by higher oil prices. And our health care stocks, specifically large-cap pharmaceuticals, gained as well. Our bonds helped overall performance by mitigating losses in equities.

The economy is clearly weakening and we expect more disappointing corporate earnings. We've positioned the portfolio more defensively — increasing bonds and reducing equities. This should help cushion the portfolio from further stock market weakness.

Gary A. Langbaum
Lead Portfolio Manager

Growth of an assumed \$10,000 investment in Kemper Total Return Portfolio from 4/6/1982 to 12/31/2000



The Standard & Poor's 500 Index is an unmanaged index generally representative of the U.S. stock market. The Russell 1000 Growth Index is an unmanaged index composed of common stock of larger U.S. companies with greater than average growth orientation and represents the universe of stocks from which "earnings/growth" money managers typically select. The Lehman Brothers Government/Credit Bond Index is an unmanaged index composed of intermediate and long-term government and investment grade corporate debt securities.

Average Annual Total Returns¹

For the periods ended December 31, 2000	1-year	5-year	10-year	Life of portfolio
Kemper Total Return Portfolio	-2.63%	12.51%	12.45%	12.94% (Since 4/6/1982)

¹ Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details. Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

Kemper Total Return Portfolio

	Principal Amount (\$)	Value (\$)		Principal Amount (\$)	Value (\$)
Repurchase Agreements 5.0%					
State Street Bank and Trust Company, 5.95%, to be repurchased at \$42,659,184 on 1/2/2001** (Cost \$42,631,000)	42,631,000	42,631,000			
U.S. Government & Agency Obligations 26.5%					
Federal National Mortgage Association:					
6.5% with various maturities to 7/1/2030	18,736,082	18,481,390			
7%, 7/15/2005	6,300,000	6,612,039			
7%, 3/1/2015	3,199,102	3,232,092			
7%, 9/1/2030	6,640,605	6,649,943			
7.5% with various maturities to 9/1/2030	9,662,067	9,822,738			
8% with various maturities to 7/15/2030	5,597,886	5,751,111			
Government National Mortgage Association:					
6.5%, 6/15/2028	2,566,381	2,537,509			
6.5% with various maturities to 4/15/2029	2,523,580	2,495,190			
7% with various maturities to 6/15/2029	11,209,182	11,256,471			
8% with various maturities to 9/15/2030	4,791,794	4,916,853			
U.S. Treasury Bonds:					
5.625%, 11/30/2002	2,625,000	2,646,315			
9.375%, 2/15/2006	33,275,000	39,514,063			
6.5%, 2/15/2010	17,645,000	19,304,689			
6.125%, 8/15/2029	12,650,000	13,758,899			
6.25%, 5/15/2030	5,150,000	5,745,443			
U.S. Treasury Notes:					
6.75%, 5/15/2005	40,110,000	42,729,584			
5.75%, 11/15/2005	13,655,000	14,100,972			
5.75%, 8/15/2010	13,615,000	14,268,112			
Total U.S. Treasury Obligations (Cost \$215,945,294)		223,823,413			
Asset Backed 0.7%					
Citibank Credit Card Issuance Trust Series 2000-A1, 6.9%, 10/17/2007 ...	1,750,000	1,805,363			
Daimler Chrysler Auto Trust Series 2000-C, 6.82%, 9/6/2004	2,000,000	2,037,234			
MBNA Master Credit Card Trust, 6.9%, 1/15/2008	2,050,000	2,127,018			
Total Asset Backed (Cost \$5,797,971)		5,969,615			
Foreign Government Bonds — U.S.\$ Denominated 0.2%					
Province of Quebec, 8.625%, 1/19/2005 (Cost \$1,659,308)	1,500,000	1,636,800			
Corporate Bonds 8.3%					
Consumer Discretionary 0.4%					
AFC Enterprises, 10.25%, 5/15/2007 ...	700,000	658,000			
Cinemark USA, Inc., 8.5%, 8/1/2008 ...	800,000	480,000			
MGM Grand, Inc., 9.75%, 6/1/2007 ...	1,450,000	1,515,250			
Park Place Entertainment, Inc., 8.5%, 11/15/2006	1,000,000	1,037,500			
					3,690,750
Consumer Staples 0.2%					
Unilever Capital Corp., 7.125%, 10/1/2010	1,525,000	1,597,467			
Health 0.2%					
Magellan Health Services, Inc., 9%, 2/15/2008	2,270,000	1,589,000			
Communications 1.7%					
Deutsche Telekom AG, 7.75%, 6/15/2005	800,000	813,832			
Esprit Telecom Group plc, 11.5%, 12/15/2007	630,000	9,450			
Intermedia Communications, 8.6%, 6/1/2008	1,930,000	1,428,200			
McLeod USA, Inc., Step-up Coupon, 0% to 3/1/2002, 10.5% to 3/1/2007 .	1,650,000	1,369,500			
MetroNet Communications Corp., Step-up Coupon, 0% to 6/15/2003, 9.95%, 6/15/2008	1,900,000	1,520,000			
Nextel Communications, 9.375%, 11/15/2009	2,080,000	1,944,800			
Qwest Communications International, Inc., 7.5%, 11/1/2008	2,350,000	2,414,743			
Rogers Cantel, Inc., 8.8%, 10/1/2007 ...	2,100,000	2,100,000			
Sprint Capital Corp., 6.125%, 11/15/2008	1,625,000	1,461,558			
Vodafone Group plc, 7.75%, 2/15/2010	1,625,000	1,690,504			
					14,752,587

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

	Principal Amount (\$)	Value (\$)
Financial 1.6%		
Citigroup, Inc., 6.75%, 12/1/2005	1,625,000	1,656,330
Firststar Bank, 7.125%, 12/1/2009	800,000	805,840
FleetBoston Financial Corp. Series 2000-C, 7.25%, 9/15/2005	1,450,000	1,491,093
Ford Motor Credit Co., 6.7%, 7/16/2004	1,450,000	1,449,174
General Electric Capital Corp., 6.5%, 12/10/2007	1,625,000	1,654,055
Merrill Lynch & Co., Inc., 6%, 2/17/2009	1,625,000	1,538,778
PNC Funding Corp., 7.5%, 11/1/2009	825,000	852,596
Repsol International Finance, 7.45%, 7/15/2005	1,675,000	1,717,712
Verizon Global Funding Corp.:		
7.6%, 3/15/2007	580,000	597,812
7.25%, 12/1/2010	1,000,000	1,020,940
Wells Fargo Company, 7.25%, 8/24/2005	1,625,000	1,685,418
		<u>14,469,748</u>
Manufacturing 0.7%		
Dow Chemical, 7%, 8/15/2005	1,625,000	1,681,111
International Paper Co., 8%, 7/8/2003 ..	1,625,000	1,685,873
Plainwell, Inc., 11%, 3/1/2008*	1,020,000	51,000
Riverwood International Corp., 10.25%, 4/1/2006	2,470,000	2,463,825
Stone Container Corp., 11.5%, 8/15/2006	500,000	517,500
		<u>6,399,309</u>
Media 1.5%		
Cablevision Systems Corp., 7.875%, 12/15/2007	2,000,000	1,990,000
Charter Communications Holdings LLC, 8.625%, 4/1/2009	500,000	453,750
NTL, Inc., Step-up Coupon, 0% to 2/1/2001, 11.5% to 2/1/2006	2,270,000	2,043,000
News America Holdings, Inc., 9.25%, 2/1/2013	1,630,000	1,746,284
Sinclair Broadcasting Group, Inc., 8.75%, 12/15/2007	850,000	760,750
TeleWest Communications plc, 11% to 10/1/2007	4,020,000	3,517,500
Time Warner, Inc., 9.125%, 1/15/2013 ..	1,625,000	1,888,770
		<u>12,400,054</u>
Technology 0.1%		
PSINet, Inc.:		
10%, 2/15/2005	810,000	226,800
11.5%, 11/1/2008	1,040,000	301,600
		<u>528,400</u>
Energy 1.0%		
Conoco, Inc., 6.35%, 4/15/2009	1,625,000	1,615,315
Gulf Canada Resources, Inc., 9.25%, 1/15/2004	1,500,000	1,518,090
Petroleum Geo-Services, 7.5%, 3/31/2007	1,625,000	1,569,084
Phillips Petroleum, 8.75%, 5/25/2010 ...	1,625,000	1,859,390

	Principal Amount (\$)	Value (\$)
Texas Eastern Trans Corp., 7.3%, 12/1/2010	1,625,000	1,677,276
		<u>8,239,155</u>
Metals & Minerals 0.3%		
Euramax International plc, 11.25%, 10/1/2006	2,850,000	1,824,000
Renco Steel Holdings Co., Series B, 10.875%, 2/1/2005	2,210,000	884,000
		<u>2,708,000</u>
Construction 0.4%		
Del Webb Corp., 9.75%, 1/15/2008	2,250,000	1,980,000
Hovnanian Enterprises Inc. 144A, 10.5%, 10/1/2007	1,725,000	1,595,625
		<u>3,575,625</u>
Utilities 0.1%		
Alabama Power Co., 7.125%, 8/15/2004	800,000	815,871
Total Corporate Bonds (Cost \$77,439,952)		<u>70,765,966</u>

Shares

Common Stocks 59.3%

Consumer Discretionary 3.5%

Department & Chain Stores

Costco Wholesale Corp.*	64,000	2,556,000
Kohl's Corp.*	136,500	8,326,500
Target Corp.	229,000	7,385,250
Wal-Mart Stores, Inc.	223,900	11,894,688
		<u>30,162,438</u>

Consumer Staples 4.7%

Food & Beverage 3.3%

Coca-Cola Co.	116,000	7,068,750
H.J. Heinz Co.	183,300	8,695,293
PepsiCo, Inc.	235,000	11,647,188
		<u>27,411,231</u>

Package Goods/Cosmetics 1.4%

Colgate-Palmolive Co.	100,000	6,455,000
Procter & Gamble Co.	72,000	5,647,500
		<u>12,102,500</u>

Health 12.5%

Biotechnology 1.3%

Biogen, Inc.*	45,000	2,702,812
Genzyme Corporation (General Division)*	41,700	3,750,393
Immunex Corp.*	109,500	4,448,437
		<u>10,901,642</u>

Hospital Management 0.7%

Tenet Healthcare Corp.	131,000	5,821,313
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Medical Supply & Specialty 3.4%

Applera Corp. — Applied Biosystems Group	54,800	5,154,625
Baxter International, Inc.	130,600	11,533,612

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

	Shares	Value (\$)		Shares	Value (\$)
Becton Dickinson & Co.	219,000	7,582,875	Walt Disney Co.	146,000	4,224,875
Guidant Corp.*	84,000	4,530,750			12,941,003
		<u>28,801,862</u>	Cable Television 0.5%		
Pharmaceuticals 7.1%			AT&T Corp. — Liberty Media		
Abbott Laboratories	187,000	9,057,812	Group "A"*	306,000	4,150,125
Allergan, Inc.	50,100	4,850,306			
Alza Corp.*	157,500	6,693,750	Service Industries 1.5%		
American Home Products Corp.	125,300	7,962,815	Investment 0.7%		
Eli Lilly & Co.	68,000	6,328,250	Merrill Lynch & Co., Inc.	85,500	5,830,031
Glaxo Wellcome plc (ADR)	69,000	3,864,000			
Merck & Co., Inc.	60,500	5,664,313	Miscellaneous Commercial Services 0.8%		
Pfizer, Inc.	345,750	15,904,500	Siebel Systems, Inc.*	42,300	2,860,538
		<u>60,325,746</u>	United Parcel Service "B"	69,000	4,058,063
					<u>6,918,601</u>
Communications 2.5%			Durables 1.9%		
Cellular Telephone 0.8%			Aerospace		
Nokia Oyj (ADR)	150,000	6,525,000	Boeing Co.	43,500	2,871,000
			United Technologies Corp.	171,000	13,444,876
					<u>16,315,876</u>
Telephone/Communications 1.8%			Manufacturing 3.3%		
BroadWing, Inc.*	208,000	4,745,000	Diversified Manufacturing		
Qwest Communications			General Electric Co.	425,500	20,397,406
International, Inc.*	143,000	5,863,000	Tyco International Ltd.	138,146	7,667,103
SBC Communications, Inc.	91,000	4,345,250			<u>28,064,509</u>
		<u>14,953,250</u>			
Financial 12.1%			Technology 10.4%		
Banks 2.3%			Computer Software 1.7%		
Chase Manhattan Corp.	119,000	5,407,062	Intuit, Inc.*	81,000	3,194,438
Washington Mutual, Inc.	119,000	6,314,438	Microsoft Corp.*	176,000	7,634,000
Wells Fargo Co.	134,500	7,489,969	Oracle Corp.*	126,000	3,661,875
		<u>19,211,469</u>			<u>14,490,313</u>
Insurance 5.2%			Diverse Electronic Products 2.3%		
Allstate Corp.	124,000	5,401,750	Applied Materials, Inc.*	64,500	2,463,093
American International Group, Inc.	123,937	12,215,541	General Motors Corp. "H" (New)*	171,900	3,953,700
Cigna Corp.	54,000	7,144,200	Motorola, Inc.	242,500	4,910,625
Hartford Financial Services Group, Inc. .	110,500	7,804,062	Solectron Corp.*	206,100	6,986,790
Jefferson Pilot Corp.	70,400	5,262,400			<u>18,314,208</u>
St. Paul Companies, Inc.	109,000	5,920,063	EDP Peripherals 0.9%		
		<u>43,748,016</u>	EMC Corp.*	81,500	5,419,750
Consumer Finance 4.0%			VERITAS Software Corp.*	28,000	2,450,000
American Express Co.	135,000	7,416,562			<u>7,869,750</u>
Capital One Finance Corp.	73,600	4,843,800	Electronic Components/Distributors 1.8%		
Citigroup, Inc.	202,000	10,314,625	Applied Micro Circuits Corp.*	34,000	2,551,594
Household International, Inc.	112,162	6,168,910	Cisco Systems, Inc.*	339,000	12,966,750
Mellon Financial Corp.	111,000	5,459,813			<u>15,518,344</u>
		<u>34,203,710</u>	Electronic Data Processing 1.8%		
Other Financial Companies 0.6%			International Business Machines Corp. .	83,000	7,055,000
Marsh & McLennan Companies, Inc. ...	44,200	5,171,400	Radioshack Corp.	129,100	5,527,094
			Sun Microsystems, Inc.*	103,000	2,871,125
Media 2.3%					<u>15,453,219</u>
Advertising 0.2%			Semiconductors 1.9%		
Omnicom Group, Inc.	25,300	2,096,738	Intel Corp.	205,400	6,174,837
			Texas Instruments, Inc.	134,000	6,348,250
Broadcasting & Entertainment 1.6%			Xilinx, Inc.*	76,000	3,505,500
Infinity Broadcasting Corp.*	90,900	2,539,518			<u>16,028,587</u>
Viacom, Inc. "B"*	132,120	6,176,610			

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

	Shares	Value (\$)		Shares	Value (\$)
Energy 4.1%			Transportation 0.5%		
Oil & Gas Production 2.8%			Railroads		
Exxon Mobil Corp.	148,729	12,930,127	Union Pacific Corp.	76,000	3,857,000
Nabors Industries, Inc.*	94,000	5,560,100			
Royal Dutch Petroleum Co.	85,000	5,147,813	Total Common Stocks (Cost \$406,644,339)		501,970,077
		<u>23,638,040</u>	Total Investment Portfolio — 100.0%		846,796,871
			(Cost \$750,117,864) (a)		
Oilfield Services/Equipment 1.3%					
BJ Services Company*	44,000	3,030,500			
Schlumberger Ltd.	101,500	8,113,656			
		<u>11,144,156</u>			

Notes to Kemper Total Return Portfolio of Investments

* Non-income producing security.

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

(a) The cost for federal income tax purposes was \$751,598,831. At December 31, 2000, net unrealized appreciation for all securities based on tax cost was \$95,198,040. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$130,283,291 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$35,085,251.

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

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

Financial Statements

Statement of Assets and Liabilities as of December 31, 2000

Assets

Investments in securities, at value (cost \$750,117,864)	\$ 846,796,871
Receivable for investments sold	1,773,273
Dividends receivable	613,994
Interest receivable	5,014,034
Total assets	854,198,172

Liabilities

Due to custodian bank	44,331
Payable for investments purchased	2,423,733
Payable for Portfolio shares redeemed	387,120
Accrued management fee	415,826
Accrued Trustees' fees and expenses	88,549
Other accrued expenses and payables	229,391
Total liabilities	3,588,950

Net assets, at value \$ 850,609,222

Net Assets

Net assets consist of:	
Undistributed net investment income	24,053,463
Net unrealized appreciation (depreciation) on investments	96,679,007
Accumulated net realized gain (loss)	28,129,821
Paid-in capital	701,746,931

Net assets, at value \$ 850,609,222

Net Asset Value

Net Asset Value and redemption price per share (\$850,609,222 ÷ 328,284,442 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized) \$ 2.591

Statement of Operations for the year ended December 31, 2000

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$749)	\$ 4,626,608
Interest	25,763,670
Total Income	30,390,278
Expenses:	
Management fee	4,959,560
Custodian fees	33,402
Auditing	183,332
Legal	39,089
Trustees' fees and expenses	120,630
Reports to shareholders	139,381
Registration fees	39,967
Other	32,991
Total expenses, before expense reductions	5,548,352
Expense reductions	(13,397)
Total expenses, after expense reductions	5,534,955
Net investment income (loss)	24,855,323

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	29,574,413
Foreign currency related transactions	(1,583)
	29,572,830
Net unrealized appreciation (depreciation) during the period on investments	(77,942,993)
Net gain (loss) on investment transactions	(48,370,163)

Net increase (decrease) in net assets resulting from operations \$ (23,514,840)

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

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2000	1999
Operations:		
Net investment income (loss)	\$ 24,855,323	\$ 27,648,765
Net realized gain (loss) on investment transactions	29,572,830	45,180,101
Net unrealized appreciation (depreciation) on investment transactions during the period	(77,942,993)	52,174,093
Net increase (decrease) in net assets resulting from operations	(23,514,840)	125,002,959
Distributions to shareholders from:		
Net investment income	(29,012,969)	(27,964,602)
Net realized gains	(43,519,453)	(46,607,499)
Portfolio share transactions:		
Proceeds from shares sold	17,090,676	107,465,501
Reinvestment of distributions	72,532,422	74,572,123
Cost of shares redeemed	(95,451,365)	(145,406,836)
Net increase (decrease) in net assets from Portfolio share transactions	(5,828,267)	36,630,788
Increase (decrease) in net assets	(101,875,529)	87,061,646
Net assets at beginning of period	952,484,751	865,423,105
Net assets at end of period (including undistributed net investment income of \$24,053,463 and \$27,660,585, respectively)	\$ 850,609,222	\$ 952,484,751
Other Information		
Shares outstanding at beginning of period	330,477,010	316,471,412
Shares sold	6,285,302	39,553,132
Shares issued to shareholders in reinvestment of distributions	26,801,324	27,723,580
Shares redeemed	(35,279,194)	(53,271,114)
Net increase (decrease) in Portfolio shares	(2,192,568)	14,005,598
Shares outstanding at end of period	328,284,442	330,477,010

Financial Highlights

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

Years Ended December 31,	2000	1999	1998	1997	1996
Net asset value, beginning of period	\$ 2.882	2.735	2.822	2.815	2.579
<i>Income (loss) from investment operations:</i>					
Net investment income (loss)	.074(a)	.084(a)	.086	.090	.084
Net realized and unrealized gain (loss) on investment transactions	(.140)	.303	.317	.377	.322
Total from investment operations	(.066)	.387	.403	.467	.406
<i>Less distributions from:</i>					
Net investment income	(.090)	(.090)	(.090)	(.090)	(.090)
Net realized gains on investment transactions	(.135)	(.150)	(.400)	(.370)	(.080)
Total distributions	(.225)	(.240)	(.490)	(.460)	(.170)
Net asset value, end of period	\$ 2.591	2.882	2.735	2.822	2.815
Total Return (%)	(2.63)	14.81	15.14	19.96	16.76

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	851	952	865	787	697
Ratio of expenses before expense reductions (%)	.61	.61	.60	.60	.59
Ratio of expenses after expense reductions (%)	.61	.61	.60	.60	.59
Ratio of net investment income (loss) (%)	2.75	3.12	3.33	3.32	3.21
Portfolio turnover rate (%)	107	80	81	122	90

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

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

Management Summary And Performance Update

December 31, 2000

Kemper Blue Chip Portfolio

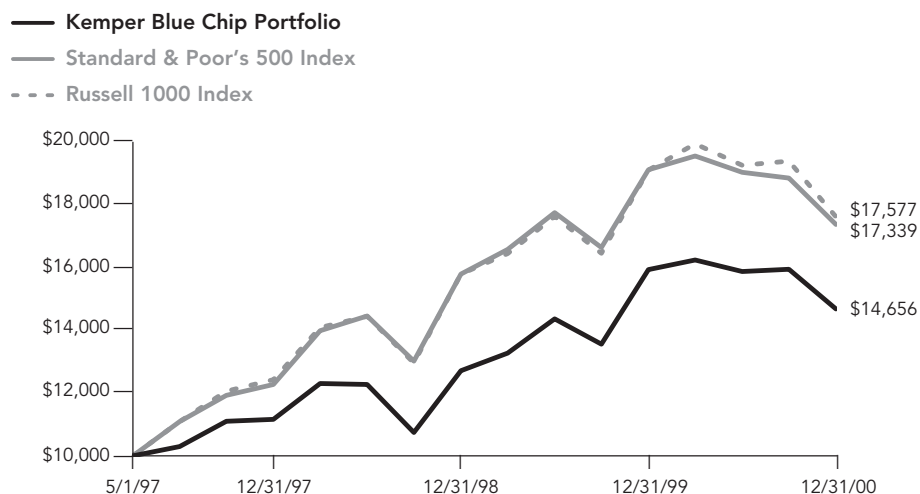
The Kemper Blue Chip Portfolio posted solid returns in 2000 and outperformed its benchmark, the S&P 500 Index. Our intensive stock selection process, which leads us to some of the most attractive blue-chip stocks from a wide variety of market sectors, proved to be crucial in achieving these results. Financial services, health care, media and energy were among the portfolio's best performing areas. Names that led the way included Capital One, Abbott Laboratories, CBS and Exxon Mobil.

We were also able to find solid performers in sectors that generally lagged that market, such as retailer Kohl's. Most of our retail holdings were a disappointment, though. These types of consumer stocks were hurt by rising interest rates as investors became increasingly concerned about the slowing economy. Other disappointments included technology. Since March, the technology sector has been quite volatile, and our holdings here have struggled. The upside to these minor disappointments is that we are finding opportunities to buy into these solid companies as their prices drop down to more reasonable levels and growth rates remain solid.

The market downturn has given us the opportunity to enhance the quality of the portfolio through the addition of names that have excellent long-term potential, superior fundamentals and solid growth, made even more attractive by reasonable prices. Regardless of volatility, we believe the Kemper Blue Chip Portfolio is well positioned to take advantage of these challenging market conditions.

Tracy McCormick
Lead Portfolio Manager

Growth of an assumed \$10,000 investment in Kemper Blue Chip Portfolio from 5/1/1997 to 12/31/2000



The Standard & Poor's 500 Index is an unmanaged index generally representative of the U.S. stock market. 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 U.S. This larger capitalization, market-oriented index is highly correlated with the S&P 500 Index.

Average Annual Total Return¹

For the periods ended December 31, 2000	1-year	Life of portfolio
Kemper Blue Chip Portfolio	-7.84%	11.00% (Since 5/1/1997)

¹ Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details. Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

Kemper Blue Chip Portfolio

	Principal Amount (\$)	Value (\$)		Shares	Value (\$)
Repurchase Agreements 0.3%					
State Street Bank and Trust Company, 5.95%, to be repurchased at \$736,487 on 1/2/2001** (Cost \$736,000)	736,000	736,000			
Commercial Paper 4.4%					
FCAR Owner Trust, 6.5%***, 1/3/2001 ..	2,000,000	1,999,278			
Countrywide Home Loans, 6.7%***, 1/2/2001	8,000,000	7,998,516			
Total Commercial Paper (Cost \$9,997,794)		9,997,794			
			Shares		
Common Stocks 95.3%					
Consumer Discretionary 5.9%					
Department & Chain Stores					
Costco Wholesale Corp.*	30,000	1,198,125			
Kohl's Corp.*	59,500	3,629,500			
Target Corp.	101,000	3,257,250			
Wal-Mart Stores, Inc.	101,800	5,408,125			
		<u>13,493,000</u>			
Consumer Staples 7.4%					
Food & Beverage 5.1%					
Coca-Cola Co.	50,500	3,077,343			
H.J. Heinz Co.	75,500	3,581,531			
PepsiCo, Inc.	100,000	4,956,250			
		<u>11,615,124</u>			
Package Goods/Cosmetics 2.3%					
Colgate-Palmolive Co.	45,000	2,904,750			
Procter & Gamble Co.	30,000	2,353,125			
		<u>5,257,875</u>			
Health 20.3%					
Biotechnology 2.2%					
Biogen, Inc.*	20,000	1,201,250			
Genzyme Corporation (General Division)*	18,800	1,690,825			
Immunex Corp.*	50,000	2,031,250			
		<u>4,923,325</u>			
Hospital Management 1.1%					
Tenet Healthcare Corp.	57,000	2,532,938			
Medical Supply & Specialty 5.3%					
Applera Corp. — Applied Biosystems Group	25,000	2,351,562			
Baxter International, Inc.			52,000	4,592,250	
Becton Dickinson & Co.			93,000	3,220,125	
Guidant Corp.*			37,000	1,995,688	
				<u>12,159,625</u>	
Pharmaceuticals 11.7%					
Abbott Laboratories			79,000	3,826,562	
Allergan, Inc.			22,100	2,139,556	
Alza Corp.*			71,000	3,017,500	
American Home Products Corp.			58,000	3,685,900	
Eli Lilly & Co.			30,000	2,791,875	
Glaxo Wellcome plc (ADR)			29,400	1,646,400	
Merck & Co., Inc.			22,500	2,106,563	
Pfizer, Inc.			160,250	7,371,500	
				<u>26,585,856</u>	
Communications 3.9%					
Cellular Telephone 1.3%					
Nokia Oyj (ADR)			65,500	2,849,250	
Telephone/Communications 2.6%					
BroadWing, Inc.*			80,000	1,825,000	
Qwest Communications International Inc.*			56,000	2,296,000	
SBC Communications, Inc.			40,000	1,910,000	
				<u>6,031,000</u>	
Financial 19.8%					
Banks 3.6%					
Chase Manhattan Corp.			50,000	2,271,875	
Washington Mutual, Inc.			49,000	2,600,063	
Wells Fargo Co.			60,200	3,352,388	
				<u>8,224,326</u>	
Insurance 8.3%					
Allstate Corp.			57,000	2,483,062	
American International Group, Inc.			56,812	5,599,532	
Cigna Corp.			22,200	2,937,060	
Hartford Financial Services Group, Inc. .			50,000	3,531,250	
Jefferson Pilot Corp.			28,350	2,119,163	
St. Paul Companies, Inc.			44,000	2,389,750	
				<u>19,059,817</u>	
Consumer Finance 6.9%					
American Express Co.			57,800	3,175,387	
Capital One Finance Corp.			33,500	2,204,718	
Citigroup, Inc.			100,000	5,106,250	
Household International, Inc.			50,799	2,793,945	
Mellon Financial Corp.			49,000	2,410,188	
				<u>15,690,488</u>	
Other Financial Companies 1.0%					
Marsh & McLennan Companies, Inc. . . .			19,000	2,223,000	

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

	Shares	Value (\$)		Shares	Value (\$)
Media 3.2%					
Broadcasting & Entertainment 2.2%					
Infinity Broadcasting Corp. "A"*	36,900	1,030,894	Motorola Inc.	106,400	2,154,600
Viacom, Inc. "B"*	48,051	2,246,384	Solelectron Corp.*	92,900	3,149,310
Walt Disney Co.	63,000	1,823,063			8,489,597
		5,100,341	EDP Peripherals 1.4%		
Cable Television 1.0%			EMC Corp.*	31,200	2,074,800
AT&T Corp. — Liberty Media			VERITAS Software Corp.*	13,100	1,146,250
Group "A"*	157,000	2,129,312			3,221,050
Service Industries 2.5%			Electronic Components/Distributors 2.8%		
Investment 1.2%			Applied Micro Circuits Corp.*	15,000	1,125,703
Merrill Lynch & Co., Inc.	39,000	2,659,313	Cisco Systems, Inc.*	137,900	5,274,675
					6,400,378
Miscellaneous Commercial Services 1.3%			Electronic Data Processing 2.8%		
Siebel Systems, Inc.*	20,300	1,375,325	International Business Machines Corp.	32,700	2,779,500
United Parcel Service "B"	30,000	1,764,375	Radioshack Corp.	59,000	2,525,938
		3,139,700	Sun Microsystems, Inc.*	41,000	1,142,875
					6,448,313
Durables 3.0%			Semiconductors 3.2%		
Aerospace			Intel Corp.	88,800	2,686,200
Boeing Co.	18,400	1,214,400	Texas Instruments, Inc.	67,000	3,174,125
United Technologies Corp.	70,000	5,503,750	Xilinx, Inc.*	32,250	1,487,531
		6,718,150			7,347,856
Manufacturing 4.9%			Energy 6.9%		
Diversified Manufacturing			Oil & Gas Production 4.7%		
General Electric Co.	161,800	7,756,288	Exxon Mobil Corp.	67,770	5,891,754
Tyco International Ltd.	60,608	3,363,744	Nabors Industries, Inc.*	42,300	2,502,045
		11,120,032	Royal Dutch Petroleum Co. (New York shares)	38,000	2,301,375
					10,695,174
Technology 16.8%			Oilfield Services/Equipment 2.2%		
Computer Software 2.9%			BJ Services Company*	20,000	1,377,500
Intuit, Inc.*	41,000	1,616,938	Schlumberger Ltd.	45,500	3,637,156
Microsoft Corp.*	80,000	3,480,000			5,014,656
Oracle Corp.*	51,000	1,482,188	Transportation 0.7%		
		6,579,126	Railroads		
Diverse Electronic Products 3.7%			Union Pacific Corp.	33,000	1,674,750
Applied Materials, Inc.*	25,000	954,687			
General Motors Corp. "H"	97,000	2,231,000	Total Common Stocks (Cost \$194,000,563)		
					217,383,372
			Total Investment Portfolio — 100.0%		
			(Cost \$204,734,357) (a)		
					228,117,166

Notes to Kemper Blue Chip Portfolio of Investments

* Non-income producing security.

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

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

(a) The cost for federal income tax purposes was \$206,015,268. At December 31, 2000, net unrealized appreciation for all securities based on tax cost was \$22,101,898. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$34,406,296 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$12,304,398.

Financial Statements

Statement of Assets and Liabilities as of December 31, 2000

Assets

Investments in securities, at value (cost \$204,734,357)	\$ 228,117,166
Cash	9
Receivable for investments sold	468,066
Dividends receivable	250,234
Interest receivable	365
Receivable for Portfolio shares sold	15,189
Total assets	228,851,029

Liabilities

Payable for investments purchased	596,384
Payable for Portfolio shares redeemed	4,896
Accrued management fee	125,126
Accrued Trustees' fees and expenses	14,284
Other accrued expenses and payables	52,011
Total liabilities	792,701

Net assets \$ 228,058,328

Net Assets

Net assets consist of:

Undistributed net investment income	751,950
Net unrealized appreciation (depreciation) on investments	23,382,809
Accumulated net realized gain (loss)	(6,477,620)
Paid-in capital	210,401,189

Net assets, at value \$ 228,058,328

Net Asset Value

Net Asset Value and redemption price per share (\$228,058,328 ÷ 158,306,610 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized) \$ 1.441

Statement of Operations for the year ended December 31, 2000

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$11,870)	\$ 1,636,363
Interest	821,221
Total Income	2,457,584
Expenses:	
Management fee	1,395,541
Custodian fees	23,190
Auditing	42,407
Legal	6,004
Trustees' fees and expenses	29,899
Reports to shareholders	19,528
Registration fees	9,529
Other	530
Total expenses, before expense reductions	1,526,628
Expense reductions	(5,518)
Total expenses, after expense reductions	1,521,110
Net investment income (loss)	936,474

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	(4,444,870)
Foreign currency related transactions	64
	(4,444,806)
Net unrealized appreciation (depreciation) during the period on investments	(14,673,131)
Net gain (loss) on investment transactions	(19,117,937)

Net increase (decrease) in net assets resulting from operations \$ (18,181,463)

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

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2000	1999
Operations:		
Net investment income (loss)	\$ 936,474	\$ 825,215
Net realized gain (loss) on investment transactions	(4,444,806)	1,076,081
Net unrealized appreciation (depreciation) on investment transactions during the period	(14,673,131)	28,749,940
Net increase (decrease) in net assets resulting from operations	(18,181,463)	30,651,236
Distributions to shareholders from:		
Net investment income	(776,598)	(587,311)
Portfolio share transactions:		
Proceeds from shares sold	73,308,117	82,946,795
Reinvestment of distributions	776,598	587,311
Cost of shares redeemed	(12,484,482)	(6,495,609)
Net increase (decrease) in net assets from Portfolio share transactions	61,600,233	77,038,497
Increase (decrease) in net assets	42,642,172	107,102,422
Net assets at beginning of period	185,416,156	78,313,734
Net assets at end of period (including undistributed net investment income of \$751,950 and \$593,327, respectively)	\$ 228,058,328	\$ 185,416,156
Other Information		
Shares outstanding at beginning of period	118,171,531	62,167,501
Shares sold	47,871,170	60,341,643
Shares issued to shareholders in reinvestment of distributions	487,472	426,104
Shares redeemed	(8,223,563)	(4,763,717)
Net increase (decrease) in Portfolio shares	40,135,079	56,004,030
Shares outstanding at end of period	158,306,610	118,171,531

Financial Highlights

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

Years Ended December 31,	2000	1999	1998	1997(a)
Net asset value, beginning of period	\$ 1.569	1.260	1.115	1.000
<i>Income (loss) from investment operations:</i>				
Net investment income (loss)	.007(b)	.009(b)	.010	.017
Net realized and unrealized gain (loss) on investment transactions	(.129)	.308	.145	.098
Total from investment operations	(.122)	.317	.155	.115
<i>Less distributions from:</i>				
Net investment income	(.006)	(.008)	(.010)	—
Total distributions	(.006)	(.008)	(.010)	—
Net asset value, end of period	\$ 1.441	1.569	1.260	1.115
Total Return (%)	(7.84)	25.24	13.84	11.54**

Ratios to Average Net Assets and Supplemental Data

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

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

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

* Annualized

** Not annualized

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

Management Summary And Performance Update

December 31, 2000

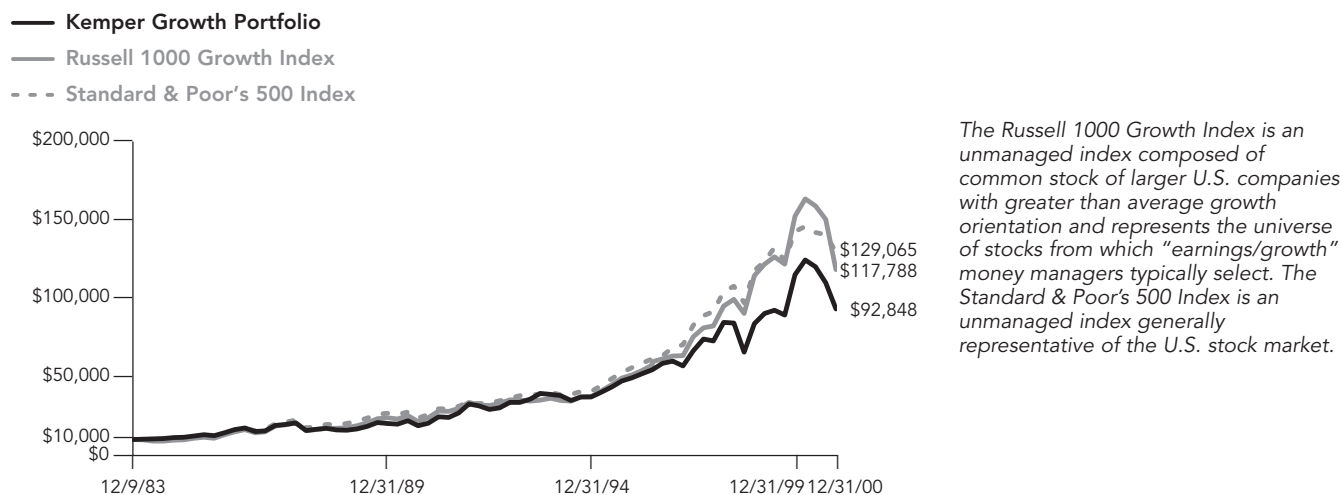
Kemper Growth Portfolio

The market completely shifted direction this year. At the start of 2000, investors focused their interest almost completely in large growth stocks, particularly technology, media and telecommunications (TMT) issues. In March, as TMT stocks reached historic valuation levels, investors became skittish that those values would not last and began moving assets from the market leaders to more staid value stocks and into cash. This retreat continued throughout the remainder of the year, causing large growth stocks — those in which this portfolio invests — to endure losses after several years of outstanding performance. We're gratified that although the Kemper Growth Portfolio lost ground, it still posted stronger performance than its benchmark, the Russell 1000 Growth Index, which is our primary goal.

We believe that the shift in market sentiment is temporary. There have been many very good growth companies that have been knocked down to levels that we believe are completely unwarranted. In the meantime, we're remaining true to our investment style discipline, which helped us outperform our benchmark this year, and which we believe will reward the portfolio further when growth comes back into favor. We are continuing to maintain a portfolio of established large-cap companies with excellent franchises, superior fundamentals and consistent, sustainable, above-average earnings-growth potential. We've eliminated quite a few holdings from the portfolio this year because of deteriorating company fundamentals, but we've also had the opportunity to add names from across the market that have posted gains, despite the downturn in growth stocks. Stocks we've eliminated include JDS Uniphase, Teradyne and Morgan Stanley. We added Eli Lilly, Heineken and United Technologies, among others.

Valerie F. Malter
Lead Portfolio Manager

Growth of an assumed \$10,000 investment in Kemper Growth Portfolio from 12/9/1983 to 12/31/2000



Average Annual Total Returns¹

For the periods ended December 31, 2000	1-year	5-year	10-year	Life of portfolio
Kemper Growth Portfolio	-19.06%	13.52%	16.37%	13.96% (Since 12/9/1983)

¹ Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details. Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

Kemper Growth Portfolio

	Principal Amount (\$)	Value (\$)	Shares	Value (\$)
Repurchase Agreements 0.1%				
State Street Bank and Trust Company, 5.95%, to be repurchased at \$507,335 on 1/2/2001** (Cost \$507,000)	507,000	507,000		
Commercial Paper 4.6%				
AT&T Corp., 6.6%***, 1/4/2001	7,000,000	6,996,150		
Countrywide Home Loans, 6.7%***, 1/2/2001	9,500,000	9,498,237		
FCAR Owner Trust, 6.52%***, 1/3/2001	10,000,000	9,996,383		
Total Commercial Paper (Cost \$26,490,770)		26,490,770		
			Shares	
Common Stocks 95.3%				
Consumer Discretionary 6.4%				
Department & Chain Stores				
Home Depot, Inc.	301,050	13,754,222		
Kohl's Corp.*	143,700	8,765,700		
Wal-Mart Stores, Inc.	268,700	14,274,688		
		36,794,610		
Consumer Staples 8.4%				
Food & Beverage 4.8%				
Coca-Cola Co.	109,200	6,654,375		
Heineken N.V.	122,000	7,392,306		
PepsiCo, Inc.	267,500	13,257,969		
		27,304,650		
Package Goods/Cosmetics 3.6%				
Colgate-Palmolive Co.	168,800	10,896,040		
Estee Lauder Companies, Inc. "A"	220,800	9,673,800		
		20,569,840		
Health 22.9%				
Biotechnology 3.0%				
Genentech, Inc.*	140,300	11,434,450		
ImmuneX Corp.*	148,600	6,036,875		
		17,471,325		
Hospital Management 1.1%				
HCA-The Healthcare Co.	139,900	6,156,999		
Medical Supply & Specialty 4.1%				
Baxter International, Inc.	164,600	14,536,238		
Medtronic, Inc.	149,070	9,000,101		
		23,536,339		
Pharmaceuticals 14.7%				
Allergan, Inc.	102,800	9,952,325		
Alza Corp.*	137,300	5,835,250		
Eli Lilly & Co.	125,800	11,707,263		
Merck & Co., Inc.	219,800	20,578,775		
Pfizer, Inc.	782,650	36,001,900		
		84,075,513		
Communications 6.1%				
Cellular Telephone 4.8%				
American Tower Corp. "A"	170,000	6,438,750		
Nokia Oyj (ADR)	247,000	10,744,500		
Vodafone Group plc	289,556	10,369,724		
		27,552,974		
Telephone/Communications 1.3%				
Nortel Networks Corp.	233,300	7,480,181		
Financial 4.8%				
Banks 1.1%				
State Street Corp.	51,700	6,421,657		
Insurance 2.2%				
American International Group, Inc.	122,812	12,104,658		
Consumer Finance 1.5%				
American Express Co.	159,400	8,757,037		
Media 3.8%				
Advertising 1.1%				
Omnicom Group, Inc.	80,300	6,654,863		
Broadcasting & Entertainment 2.7%				
Clear Channel Communications, Inc.*	185,400	8,980,312		
Viacom, Inc. "B"	135,200	6,320,600		
		15,300,912		
Service Industries 3.7%				
EDP Services 1.6%				
Electronic Data Systems Corp.	160,750	9,283,312		
Investment 1.1%				
Charles Schwab Corp.	209,900	5,955,913		
Miscellaneous Commercial Services 1.0%				
Siebel Systems, Inc.*	80,094	5,426,368		
Durables 1.1%				
Aerospace				
United Technologies Corp.	80,500	6,329,312		

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

	Shares	Value (\$)		Shares	Value (\$)
Manufacturing 5.5%					
Diversified Manufacturing					
General Electric Co.	661,200	31,696,275			
Technology 30.8%					
Computer Software 10.9%					
America Online, Inc.*	320,380	11,149,224	VERITAS Software Corp.*	58,800	5,145,000
BEA Systems, Inc.*	108,100	7,276,481			27,418,580
Brocade Communications Systems, Inc.*	87,400	8,024,412	Electronic Components/Distributors 6.6%		
Check Point Software Technologies, Ltd.*	52,600	7,025,387	Applied Micro Circuits Corp.*	7,300	547,842
i2 Technologies, Inc.*	149,320	8,119,275	Cisco Systems, Inc.*	782,400	29,926,800
Microsoft Corp.*	321,040	13,965,240	Juniper Networks, Inc.*	55,050	6,939,741
Oracle Corp.*	226,440	6,580,912			37,414,383
		62,140,931	Electronic Data Processing 2.5%		
Diverse Electronic Products 1.9%			Sun Microsystems, Inc.*	520,660	14,513,398
Applied Materials, Inc.*	289,110	11,040,388	Semiconductors 4.1%		
EDP Peripherals 4.8%			Intel Corp.	253,680	7,673,820
EMC Corp.*	205,120	13,640,480	Linear Technology Corp.	205,290	9,494,663
Network Appliance, Inc.*	134,400	8,633,100	Vitesse Semiconductor Corp.*	108,780	6,016,894
					23,185,377
			Energy 1.8%		
			Oilfield Services/Equipment		
			Schlumberger Ltd.	130,200	10,407,863
			Total Common Stocks (Cost \$453,243,646)		
			544,993,658		
			Total Investment Portfolio — 100.0%		
			(Cost \$480,241,416) (a)		
			571,991,428		

Notes to Kemper Growth Portfolio of Investments

* Non-income producing security.

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

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

(a) The cost for federal income tax purposes was \$480,680,641. At December 31, 2000, net unrealized appreciation for all securities based on tax cost was \$91,310,787. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$117,742,040 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$26,431,253.

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

Financial Statements

Statement of Assets and Liabilities as of December 31, 2000

Assets

Investments in securities, at value (cost \$480,241,416)	\$ 571,991,428
Receivable for investments sold	14,127,634
Dividends receivable	538,981
Interest receivable	251
Receivable for Portfolio shares sold	81,631
Total assets	586,739,925

Liabilities

Due to custodian bank	42,264
Payable for investments purchased	3,116,841
Payable for Portfolio shares redeemed	488,086
Accrued management fee	309,961
Accrued Trustees' fees and expenses	65,853
Other accrued expenses and payables	166,674
Total liabilities	4,189,679

Net assets, at value \$ 582,550,246

Net Assets

Net assets consist of:	
Net unrealized appreciation (depreciation) on investments	91,750,012
Accumulated net realized gain (loss)	30,881,691
Paid-in capital	459,918,543

Net assets, at value \$ 582,550,246

Net Asset Value

Net Asset Value and redemption price per share (\$582,550,246 ÷ 193,400,099 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized) \$ 3.012

Statement of Operations for the year ended December 31, 2000

Investment Income

Income:	
Dividends	\$ 2,996,662
Interest	1,447,204
Total Income	4,443,866
Expenses:	
Management fee	4,288,087
Custodian fees	25,771
Auditing	120,866
Legal	29,200
Trustees' fees and expenses	88,388
Reports to shareholders	58,076
Registration fees	25,746
Other	33,097
Total expenses, before expense reductions	4,669,231
Expense reductions	(9,063)
Total expenses, after expense reductions	4,660,168
Net investment income (loss)	(216,302)

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	32,558,878
Foreign currency related transactions	2,677
	32,561,555
Net unrealized appreciation (depreciation) during the period on:	
Investments	(171,597,559)
Foreign currency related transactions	87
	(171,597,472)
Net gain (loss) on investment transactions	(139,035,917)
Net increase (decrease) in net assets resulting from operations	\$ (139,252,219)

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

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2000	1999
Operations:		
Net investment income (loss)	\$ (216,302)	\$ (244,056)
Net realized gain (loss) on investment transactions	32,561,555	67,787,225
Net unrealized appreciation (depreciation) on investment transactions during the period	(171,597,472)	138,673,500
Net increase (decrease) in net assets resulting from operations	(139,252,219)	206,216,669
Distributions to shareholders from:		
Net realized gains	(64,685,654)	—
Portfolio share transactions:		
Proceeds from shares sold	76,609,186	51,314,444
Reinvestment of distributions	64,685,654	—
Cost of shares redeemed	(92,497,968)	(148,391,192)
Net increase (decrease) in net assets from Portfolio share transactions	48,796,872	(97,076,748)
Increase (decrease) in net assets	(155,141,001)	109,139,921
Net assets at beginning of period	737,691,247	628,551,326
Net assets at end of period	\$ 582,550,246	\$ 737,691,247
Other Information		
Shares outstanding at beginning of period	181,948,444	212,587,256
Shares sold	20,025,819	15,490,444
Shares issued to shareholders in reinvestment of distributions	16,086,477	—
Shares redeemed	(24,660,641)	(46,129,256)
Net increase (decrease) in Portfolio shares	11,451,655	(30,638,812)
Shares outstanding at end of period	193,400,099	181,948,444

Financial Highlights

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

Years Ended December 31,	2000	1999	1998	1997	1996
Net asset value, beginning of period	\$ 4.054	2.957	3.001	3.371	3.262
<i>Income (loss) from investment operations:</i>					
Net investment income (loss)	(.001)(a)	(.001)(a)	.007	.012	.030
Net realized and unrealized gain (loss) on investment transactions	(.681)	1.098	.459	.448	.589
Total from investment operations	(.682)	1.097	.466	.460	.619
<i>Less distributions from:</i>					
Net investment income	—	—	(.010)	(.020)	(.040)
Net realized gains on investment transactions	(.360)	—	(.500)	(.810)	(.470)
Total distributions	(.360)	—	(.510)	(.830)	(.510)
Net asset value, end of period	\$ 3.012	4.054	2.957	3.001	3.371
Total Return (%)	(19.06)	37.12	15.10	21.34	21.63
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period (\$ millions)	583	738	629	563	487
Ratio of expenses before expense reductions (%)	.65	.66	.66	.65	.64
Ratio of expenses after expense reductions (%)	.65	.66	.66	.65	.64
Ratio of net investment income (loss) (%)	(.03)	(.04)	.28	.42	.94
Portfolio turnover rate (%)	65	87	109	170	175

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

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

Management Summary And Performance Update

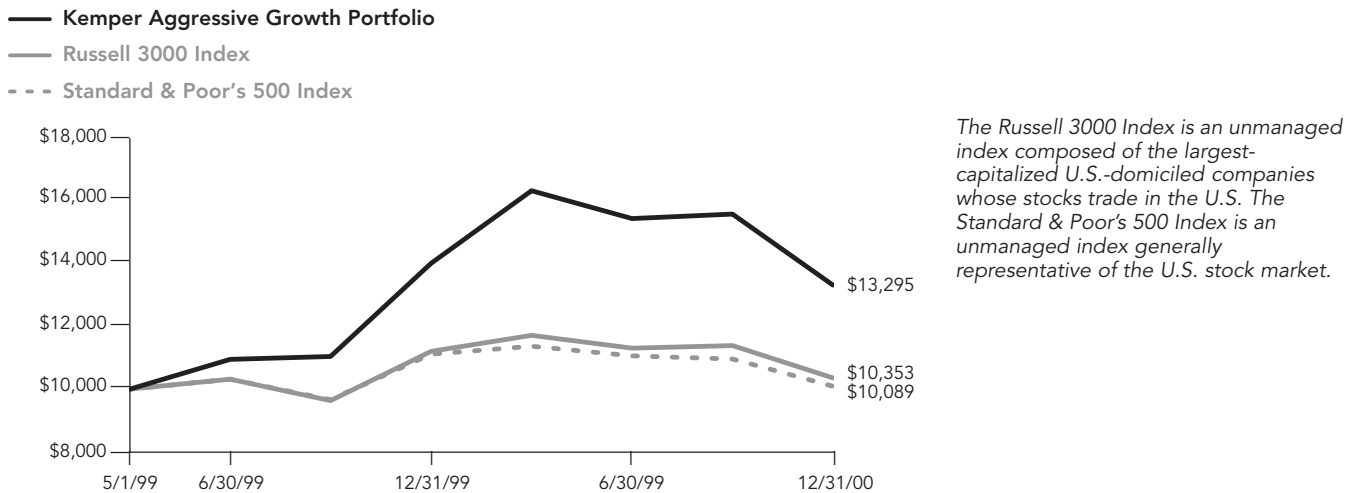
December 31, 2000

Kemper Aggressive Growth Portfolio

Like the vast majority of its peers, the Kemper Aggressive Growth Portfolio ended 2000 on a negative note, but unlike its typical peer, it proved considerably more resilient than its benchmark. There are two central reasons behind this relative outperformance, and they are correlated to what we view as two distinct investment environments in 2000. Throughout the first quarter, we continued to see historic levels of market volatility, with most market indices climbing to new highs, fueled by surging momentum in technology, media and telecommunications stocks. During that time, our tech picks did quite well, which we expected given our analysis. They all have incredibly strong market standings and product line-ups combined with massive revenue and earnings growth. And they all have dominant positions in what they do. After the correction that began in March, many stocks struggled with slowing growth and poor earnings, while others dropped in sympathy with the declining market. During this time, the portfolio's losses were partially mitigated by a solid cash stake. We always prefer to be fully invested, but there are times when it is more prudent to remain defensive. This was one of those times. The icing on the cake to this strategy is that with cash on hand, the portfolio may very well be more nimble than its peers and perhaps better positioned to take advantage of the next market opportunities.

Sewall F. Hodges
Lead Portfolio Manager

Growth of an assumed \$10,000 investment in Kemper Aggressive Growth Portfolio from 5/1/1999 to 12/31/2000



Average Annual Total Return¹

For the periods ended December 31, 2000	1-year	Life of portfolio
Kemper Aggressive Growth Portfolio	-4.96%	18.73% (Since 5/3/1999)

¹ Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details.

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

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

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

Kemper Aggressive Growth Portfolio

	Principal Amount (\$)	Value (\$)		Shares	Value (\$)
Repurchase Agreements 1.1%					
State Street Bank and Trust Company, 5.95%, to be repurchased at \$701,463 on 1/2/2001**					
(Cost \$701,000)	701,000	701,000			
Short-Term Obligations 30.8%					
Federal Home Loan Bank Discount Note:					
6.21%***, 1/2/2001	4,000,000	3,999,310			
6.28%***, 1/3/2001	7,000,000	6,997,558			
5.75%***, 1/5/2001	1,000,000	999,361			
6.16%***, 1/8/2001	8,000,000	7,990,418			
Total Short-Term Obligations (Cost \$19,986,647)		19,986,647			
			Shares		
Common Stocks 68.1%					
Consumer Discretionary 1.7%					
Recreational Products 1.2%					
Harley-Davidson, Inc.	19,000	755,250			
Restaurants 0.5%					
CEC Entertainment, Inc.*	9,300	317,363			
Consumer Staples 1.0%					
Food & Beverage					
Coca-Cola Co.*	10,300	627,656			
Health 7.2%					
Biotechnology 2.0%					
Immune Corp.*	16,400	666,250			
QLT, Inc.*	10,500	294,154			
Waters Corp.*	4,000	334,000			
		1,294,404			
Medical Supply & Specialty 3.8%					
Andrx Group*	24,900	1,441,088			
Medtronic, Inc.	17,298	1,044,367			
		2,485,455			
Pharmaceuticals 1.0%					
Alza Corp.*	14,700	624,745			
Miscellaneous 0.4%					
DaVita, Inc.*	16,200	277,425			
Communications 2.4%					
Telephone/Communications 2.3%					
Time Warner Telecom, Inc. "A"*	23,500	1,490,781			
Miscellaneous 0.1%					
Novatel Wireless, Inc.*	7,600	94,050			
Media 2.5%					
Broadcasting & Entertainment					
Univision Communication, Inc.*	15,500	634,531			
Viacom, Inc. "B"*	7,206	336,881			
Walt Disney Co.	22,100	639,519			
		1,610,931			
Service Industries 4.7%					
EDP Services 2.5%					
Fiserv, Inc.*	21,900	1,038,881			
Micomuse, Inc.*	9,200	555,306			
		1,594,187			
Miscellaneous Commercial Services 2.2%					
Concord EFS, Inc.*	31,900	1,401,606			
Internap Network Services Corp.*	4,300	31,175			
		1,432,781			
Durables 0.4%					
Telecommunications Equipment					
Spectrasite Holdings, Inc.*	17,600	233,200			
Manufacturing 0.8%					
Electrical Products 0.2%					
Nanometrics, Inc.*	9,500	131,219			
Industrial Specialty 0.6%					
Corning, Inc.	7,700	406,656			
Technology 39.6%					
Computer Software 13.2%					
Brocade Communications Systems, Inc.*	9,200	844,675			
Check Point Software Technologies, Ltd.*	13,500	1,803,094			
Comverse Technology, Inc.*	9,500	1,031,938			
Intuit, Inc.*	25,100	989,881			
Microsoft Corp.*	11,300	490,138			
PeopleSoft, Inc.*	48,500	1,803,594			
RSA Security, Inc.*	7,500	396,563			
SAP AG (Sponsored ADR)	7,900	266,131			
Verity, Inc.*	38,700	931,219			
		8,557,233			
Diverse Electronic Products 0.5%					
Applied Materials, Inc.*	7,800	297,863			

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

	Shares	Value (\$)		Shares	Value (\$)
EDP Peripherals 7.2%					
EMC Corp.*	10,900	724,850	Sanmina Corp.*	12,500	957,813
Mercury Interactive Corp.*	16,000	1,444,000	Silicon Storage Technology, Inc.*	60,700	717,019
Network Appliance, Inc.*	6,100	391,544	Siliconix, Inc.*	2,000	45,000
Symbol Technologies, Inc.	58,050	2,089,800	Vitesse Semiconductor Corp.*	19,800	1,095,188
		<u>4,650,194</u>			<u>7,250,539</u>
Electronic Components/Distributors 5.4%			Miscellaneous 0.2%		
Analog Devices, Inc.*	14,900	762,694	Cirrus Logic, Inc.*	8,300	155,625
Applied Micro Circuits Corp.*	20,800	1,560,975			
Cisco Systems, Inc.*	16,400	627,300	Energy 7.4%		
Sandisk Corp.*	13,000	360,750	Oil & Gas Production 6.2%		
Vishay Intertechnology, Inc.*	12,250	185,281	Anadarko Petroleum Corp.*	12,100	860,068
		<u>3,497,000</u>	EOG Resources, Inc.	24,900	1,361,719
Precision Instruments 1.9%			Nabors Industries, Inc.*	15,200	899,080
Credence Systems Corp.*	31,100	715,300	Talisman Energy, Inc.*	24,300	900,929
Molecular Devices Corp.*	4,400	301,125			<u>4,021,796</u>
Photon Dynamics, Inc.*	9,900	222,750	Oilfield Services/Equipment 1.2%		
		<u>1,239,175</u>	Precision Drilling Corp. "A"*	21,800	818,863
Semiconductors 11.2%			Utilities 0.4%		
Elantec Semiconductor, Inc.*	9,100	252,525	Electric Utilities		
Intel Corp.	27,300	820,706	Orion Power Holdings, Inc.*	11,400	280,725
Linear Technology Corp.*	17,900	827,875			
Microchip Technology, Inc.*	11,300	247,894	Total Common Stocks (Cost \$47,713,316)		
Pericom Semiconductor Corp.*	35,900	664,150			44,145,116
QLogic Corp.*	10,100	777,700	Total Investment Portfolio — 100.0%		
SDL, Inc.*	5,700	844,669			(Cost \$68,400,963) (a)
					64,832,763

Notes to Kemper Aggressive Growth Portfolio of Investments

* Non-income producing security.

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

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

(a) The cost for federal income tax purposes was \$68,538,712. At December 31, 2000, net unrealized depreciation for all securities based on tax cost was \$3,705,949. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$4,824,203 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$8,530,152.

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

Financial Statements

Statement of Assets and Liabilities as of December 31, 2000

Assets

Investments in securities, at value (cost \$68,400,963)	\$ 64,832,763
Cash	31
Receivable for investments sold	1,041,455
Interest receivable	348
Receivable for Portfolio shares sold	67,326
Total assets	65,941,923

Liabilities

Payable for Portfolio shares redeemed	23
Accrued management fee	54,794
Accrued Trustees' fees and expenses	5,955
Other accrued expenses and payables	13,250
Total liabilities	74,022

Net assets, at value \$ 65,867,901

Net Assets

Net assets consist of:

Undistributed net investment income	497,066
Net unrealized appreciation (depreciation) on investments	(3,568,200)
Accumulated net realized gain (loss)	(4,297,640)
Paid-in capital	73,236,675

Net assets, at value \$ 65,867,901

Net Asset Value

Net Asset Value and redemption price per share (\$65,867,901 ÷ 49,909,598 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized) \$ 1.320

Statement of Operations for the year ended December 31, 2000

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$194)	\$ 9,213
Interest	923,263
Total Income	932,476
Expenses:	
Management fee	323,018
Custodian and accounting fees	53,398
Auditing	4,636
Legal	2,914
Trustees' fees and expenses	9,698
Reports to shareholders	9,048
Registration fees	3,430
Other	2,965
Total expenses, before expense reductions	409,107
Expense reductions	(3,241)
Total expenses, after expense reductions	405,866
Net investment income (loss)	526,610

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	(4,288,611)
Foreign currency related transactions	(33)
	<u>(4,288,644)</u>
Net unrealized appreciation (depreciation) during the period on investments	(5,179,723)
Net gain (loss) on investment transactions	(9,468,367)

Net increase (decrease) in net assets resulting from operations \$ (8,941,757)

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

Statements of Changes in Net Assets

	Year Ended December 31, 2000	For the Period from May 1, 1999 (commencement of operations) to December 31, 1999
Increase (Decrease) in Net Assets		
Operations:		
Net investment income (loss)	\$ 526,610	\$ 18,653
Net realized gain (loss) on investment transactions	(4,288,644)	138,859
Net unrealized appreciation (depreciation) on investment transactions during the period	(5,179,723)	1,611,499
Net increase (decrease) in net assets resulting from operations	(8,941,757)	1,769,011
Distribution to shareholders from:		
Net realized gains	(196,026)	—
Portfolio share transactions:		
Proceeds from shares sold	66,329,439	8,842,615
Reinvestment of distributions	196,026	—
Cost of shares redeemed	(3,189,803)	(441,604)
Net increase (decrease) in net assets from Portfolio share transactions	63,335,662	8,401,011
Increase (decrease) in net assets	54,197,879	10,170,022
Net assets at beginning of period	11,670,022	1,500,000
Net assets at end of period (including undistributed net investment income of \$497,066 and \$18,650, respectively)	\$ 65,867,901	\$ 11,670,022
Other Information		
Shares outstanding at beginning of period	8,342,278	1,500,000
Shares sold	43,574,048	7,189,499
Shares issued to shareholders in reinvestment of distributions	121,102	—
Shares redeemed	(2,127,830)	(347,221)
Net increase (decrease) in Portfolio shares	41,567,320	6,842,278
Shares outstanding at end of period	49,909,598	8,342,278

Financial Highlights

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

Periods Ended December 31,	2000	1999(a)
Net asset value, beginning of period	\$ 1.399	1.000
<i>Income (loss) from investment operations:</i>		
Net investment income (loss) (b)	.018	.006
Net realized and unrealized gain (loss) on investment transactions	(.087)	.393
Total from investment operations	(.069)	.399
<i>Less distributions from:</i>		
Net realized gains on investment transactions	(.010)	—
Total distributions	(.010)	—
Net asset value, end of period	\$ 1.320	1.399
Total Return (%)	(4.96)	39.89**
Ratios to Average Net Assets and Supplemental Data		
Net assets, end of period (\$ millions)	66	12
Ratio of expenses before expense reductions (%)	.95	2.66*
Ratio of expenses after expense reductions (%)	.94	.50*
Ratio of net investment income (loss) (%)	1.22	.80*
Portfolio turnover rate (%)	103	90*

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

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

* Annualized

** Not annualized

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

Management Summary And Performance Update

December 31, 2000

Kemper Horizon 20+ Portfolio

Calendar year 2000 was an exceptionally challenging period for the Kemper Horizon 20+ Portfolio. While value stocks outpaced growth stocks across the globe, returns were generally negative, especially in the United States. Selected, relatively defensive markets such as Switzerland provided positive returns. Overall, it was clearly a time that illustrated the benefits of maintaining a diverse global portfolio.

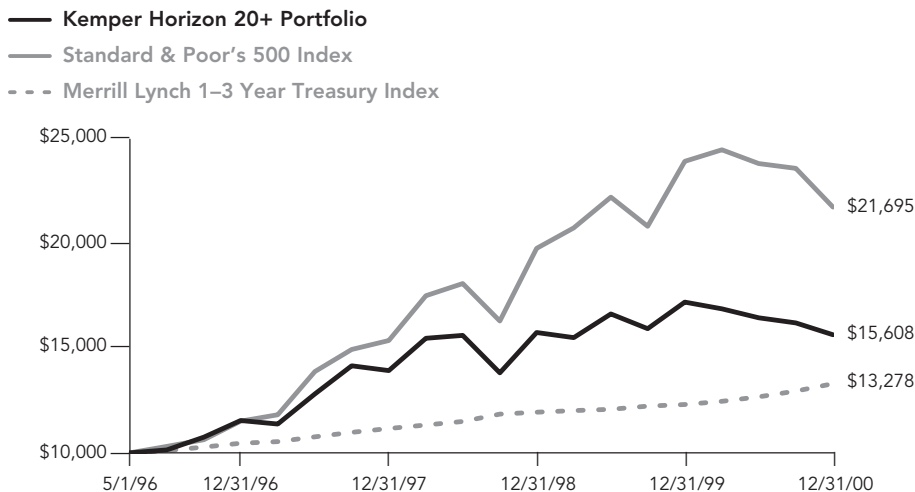
In the first quarter, we attempted to reduce the effects of short-term stock price volatility on equity returns by realigning assets to more closely match a diverse, unmanaged blend of domestic and international stocks. In the fixed-income area, we stuck by our mandate to focus on high-quality, shorter-term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

Throughout the year, the portfolio was underweight in technology companies relative to its composite benchmark because we believed many stocks in this sector were overpriced. This positioning helped preserve capital as the tech-heavy Nasdaq Composite Index plummeted 39.29% in 2000, its worst year ever.

Overall, the portfolio's stock sector positioning had a modestly negative effect on performance. We were underweight in energy, an area that surged as global oil and natural gas prices ballooned. However, we were overweighted in electric utilities (with no exposure to California) and this helped our results.

Robert D. Tymoczko
Lead Portfolio Manager

Growth of an assumed \$10,000 investment in Kemper Horizon 20+ Portfolio from 5/1/1996 to 12/31/2000



The Standard & Poor's 500 Index is an unmanaged index generally representative of the U.S. stock market. The Merrill Lynch 1-3 Year Treasury Index is an index consisting of short-term U.S. Treasury securities maturing in 1 to 3 years with coupons higher than 4.25%. Timely payment of principal and interest on U.S. Treasury securities is guaranteed by the full faith and credit of the U.S. Government. If sold prior to maturity however, these securities do involve the risk of principal loss.

Average Annual Total Return¹

For the periods ended December 31, 2000	1-year	Life of portfolio
Kemper Horizon 20+ Portfolio	-9.07%	10.02% (Since 5/1/1996)

¹ Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details. Special risk considerations are associated with investments in non-U.S. companies, including fluctuating foreign exchange rates, foreign governmental regulations and differing degrees of liquidity that may adversely affect the portfolio. Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

	Shares	Value (\$)		Shares	Value (\$)
Farming 0.0%			Pharmaceuticals 6.9%		
Syngenta AG*	100	5,381	Advance Paradigm, Inc.*	800	36,400
Food & Beverage 1.8%			Alpharma, Inc.	500	21,938
Coca-Cola Co.	2,800	170,625	American Home Products Corp.	2,200	139,805
Farmer Brothers Co.	400	83,000	AmeriSource Health Corp.*	1,200	60,600
Michael Foods, Inc.	4,200	126,525	Bristol-Myers Squibb Co.	2,400	177,445
SUPERVALU, Inc.	2,100	29,138	CV Therapeutics, Inc.*	600	42,450
Seaboard Corp.	200	31,200	Caremark Rx, Inc.*	1,200	16,275
Smithfield Foods, Inc.*	1,700	51,680	Cubist Pharmaceuticals, Inc.*	700	20,300
Suiza Foods Corp.*	600	28,800	Eli Lilly & Co.	1,400	130,288
		520,968	GlaxoSmithKline plc	4,404	124,359
Package Goods/Cosmetics 0.3%			Johnson & Johnson	1,400	147,088
Procter & Gamble Co.	1,100	86,281	Maxim Pharmaceuticals, Inc.*	400	2,550
Textiles 0.2%			Medicis Pharmaceutical Corp.*	500	29,563
VF Corp.	1,500	54,360	Merck & Co., Inc.	3,400	318,320
Health 10.4%			Novartis AG (Registered)	100	177,213
Biotechnology 1.3%			Pfizer, Inc.	5,550	255,300
Amgen, Inc.*	1,300	83,119	Sankyo Co., Ltd.	1,000	23,930
Bio-Rad Laboratories, Inc. "A"*	1,400	44,520	Santen Pharmaceutical Co.	1,000	19,738
Biogen, Inc.*	700	42,044	Schering-Plough Corp.	1,500	85,125
CYTOGEN Corp.*	3,100	7,266	Suzuken Co., Ltd.	900	23,581
Cell Genesys, Inc.*	1,400	31,938	Taisho Pharmaceutical Co., Ltd.	3,000	80,961
Curagen Corp.*	1,000	27,313			1,933,229
Enzo Biochem, Inc.*	300	7,463	Miscellaneous 0.1%		
Enzon, Inc.*	600	37,238	Trimeris, Inc.*	400	21,950
Gene Logic, Inc.*	900	16,538	United Therapeutics Corp.*	400	5,900
Myraid Genetics, Inc.*	600	49,650			27,850
Nanogen, Inc.*	700	6,300	Communications 5.8%		
Pharmacia Corp.	300	18,300	Cellular Telephone 0.3%		
Triangle Pharmaceuticals, Inc.*	1,000	4,938	Leap Wireless International, Inc.*	400	10,000
		376,627	Sprint Corp. (PCS Group)*	500	10,219
Health Industry Services 0.6%			Telecom Italia Mobile SpA	6,400	51,144
Aegon NV	500	20,712			71,363
Aurora Biosciences Corp.*	400	12,575	Telephone/Communications 5.3%		
Cardinal Health, Inc.	1,200	119,550	ADC Telecommunications, Inc.*	746	13,521
Hanger Orthopedic Group, Inc.*	6,000	7,875	AT&T Corp.	4,226	73,163
		160,712	BCE, Inc.	900	25,963
Hospital Management 0.5%			BellSouth Corp.	1,400	57,313
Coventry Health Care, Inc.*	3,000	80,063	British Telecom plc	7,600	64,956
Universal Health Services, Inc.*	500	55,875	Deutsche Telekom AG (Registered)	2,600	78,465
		135,938	Ericsson LM "B"	7,200	82,000
Medical Supply & Specialty 1.0%			France Telecom S.A.	900	77,802
ArthroCare Corp.*	900	17,550	IDT Corp.*	600	12,225
C.R. Bard, Inc.	2,200	102,438	ITC DeltaCom, Inc.*	3,200	17,250
Cytoc Corp.*	200	12,513	InterDigital Communication Corp.*	1,100	5,947
Laboratory Corp. of America Holdings*	300	52,800	Intermedia Communications, Inc.*	700	5,031
Medtronic, Inc.	900	54,338	JDS Uniphase Corp.*	800	33,350
NBTY, Inc.*	3,300	15,675	Koninklijke Kpn NV	1,309	15,089
VISX, Inc.*	1,300	13,569	Level 3 Communications, Inc.*	300	9,844
		268,883	MRV Communications, Inc.*	800	10,700
			MasTec, Inc.*	600	12,000
			Nokia Oyj	4,400	196,491
			Nortel Networks Corp.	513	16,448
			Oki Electric Industry Co.*	6,000	26,725

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

	Shares	Value (\$)		Shares	Value (\$)
SBC Communicatons, Inc.	2,810	134,178	Muenchener Rueckversicherungs-		
Sirius Satellite Radio, Inc.*	600	17,963	Gesellschaft AG (Registered)	250	89,314
Tekelec*	300	9,000	Protective Life Corp.	1,700	54,825
Telecom Italia SpA	7,200	79,740	Skandia Forsakrings AB	3,400	55,292
Telefonica S.A.*	2,600	43,021	Stewart Information Services Corp.	1,400	31,063
Verizon Communications, Inc.	1,900	95,238	XL Capital Ltd. "A"	1,451	126,781
Vodafone Group plc	63,000	231,101			<u>1,149,205</u>
WorldCom, Inc.*	3,100	43,400	Business Finance 0.6%		
Xircom, Inc.*	700	10,850	Heller Financial, Inc.	4,100	125,819
		<u>1,498,774</u>	Mizuho Holdings, Inc.	5	30,917
					<u>156,736</u>
Miscellaneous 0.2%			Consumer Finance 1.3%		
Avaya, Inc.	275	2,836	AmeriCredit Corp.*	1,800	49,050
C-Cube Microsystems Inc.*	600	7,388	Citigroup, Inc.	5,433	277,423
Emmis Communications "A"*	700	20,081	Promise Co., Ltd.	400	28,297
Metricom, Inc.*	500	5,031	Takefuji Corp.	300	18,865
Tollgrade Communications Inc.*	400	14,600			<u>373,635</u>
VoiceStream Wireless Corp.*	105	10,566	Other Financial Companies 4.5%		
		<u>60,502</u>	ACOM Co., Ltd.	300	22,087
Financial 16.0%			Edwards (A.G.), Inc.	2,300	109,106
Banks 5.3%			Federal Home Loan Mortgage Corp. ...	2,300	158,413
ABN AMRO Holding NV	4,500	102,467	Federal National Mortgage		
Banque Nationale de Paris	1,000	87,904	Association	2,900	251,575
Bank of America Corp.	1,914	87,805	GreenPoint Financial Corp.	2,900	118,719
Bank of Nova Scotia	3,000	86,342	HSBC Holdings plc	5,500	80,948
Bank of Tokyo-Mitsubishi, Ltd.	4,000	39,721	Halifax Group plc	5,000	49,570
Bank United Corp.	300	20,456	Legg Mason, Inc.	2,400	130,800
Barclays plc	1,900	58,824	Man (ED&F) Group plc	10,600	97,724
Chase Manhattan Corp.	2,400	109,050	Morgan Stanley Dean Witter & Co.	800	63,400
Christiania Bank og Kreditkasse	15,200	85,603	Nomura Securities Co., Ltd.	4,000	71,790
Credit Suisse Group (Registered)	300	57,153	USA Education, Inc.	1,500	102,000
Dresdner Bank AG	1,800	78,352			<u>1,256,132</u>
FleetBoston Financial Corp.	4,000	150,250	Real Estate 0.2%		
Lloyds TSB Group plc	6,000	63,474	Cheung Kong Holdings Ltd.	3,000	38,367
PNC Financial Services Group	800	58,450	Sun Hung Kai Properties Ltd.	2,000	19,937
Royal Bank of Scotland Group plc	1,500	35,457			<u>58,304</u>
Sakura Bank Ltd.	6,000	36,157	Media 1.0%		
San Paolo — IMI SpA	2,200	35,617	Broadcasting & Entertainment 0.4%		
Societe Generale "A"	800	49,790	British Sky Broadcasting Group plc*	2,300	38,525
Sumitomo Bank Ltd.	3,000	30,734	Viacom, Inc. "B"*	300	14,025
UBS AG	315	51,471	Walt Disney Co.	2,400	69,450
UBS AG (Registered)	400	65,442			<u>122,000</u>
Wells Fargo & Co.	2,000	111,375	Cable Television 0.4%		
		<u>1,501,894</u>	ACTV, Inc.*	800	3,400
Insurance 4.1%			AT&T Corp. — Liberty Media		
AMBAC Financial Group, Inc.	3,750	218,672	Group "A"*	3,600	48,825
AXA S.A.	700	101,348	Canal Plus S.A.	200	718
Allianz AG	100	37,672	Comcast Corp. "A"*	1,600	66,800
American General Corp.	1,000	81,500			<u>119,743</u>
Atena, Inc.	500	20,531	Print Media 0.0%		
Fidelity National Financial, Inc.	1,900	70,181	Softbank Corp.	400	13,869
First American Financial Co.	400	13,150			
Hartford Financial Services Group, Inc. .	400	28,250	Miscellaneous 0.2%		
ING Groep NV	1,520	121,582	Granada Compass plc	5,282	57,496
Jefferson Pilot Corp.	1,325	99,044			

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

	Shares	Value (\$)		Shares	Value (\$)
Service Industries 3.8%			Construction/Agricultural Equipment 0.1%		
EDP Services 0.8%			Terex Corp.*		
Affiliated Computer Services*	1,200	72,825	2,200	35,613	
First Data Corp.	2,600	136,988	Telecommunications Equipment 0.4%		
VeriSign, Inc.*	200	14,838	Alcatel S.A.	1,000	56,879
		<u>224,651</u>	Antec Corp.*	800	6,325
Investment 0.9%			Lucent Technologies, Inc.	3,300	44,550
Bear Stearns Companies, Inc.	1,911	96,864	Scientific-Atlanta, Inc.	500	16,281
Charles Schwab Corp.	1,200	34,050			<u>124,035</u>
Raymond James Financial, Inc.	3,000	104,625	Manufacturing 7.9%		
Southwest Securities Group, Inc.	300	7,763	Chemicals 1.2%		
		<u>243,302</u>	Akzo Nobel NV	1,600	86,043
Miscellaneous Commercial 0.5%			Aventis S.A.	100	8,790
Cap Gemini S.A.	300	48,455	BASF AG	2,300	104,766
Itochu Corp.*	7,000	32,524	BOC Group plc	3,900	59,264
Pacific Century CyberWorks Ltd.*	26,000	16,667	Praxair, Inc.	1,600	71,000
Personnel Group of America, Inc.*	3,200	5,400			<u>329,863</u>
Siebel Systems, Inc.*	400	27,100	Containers & Paper 0.7%		
		<u>130,146</u>	FPB Holding AG*	966	142,585
Miscellaneous Consumer 1.0%			UPM-Kymmene Oyj	1,800	61,852
DiamondCluster International, Inc.*	600	18,300			<u>204,437</u>
Navigant Consulting, Inc.*	3,000	11,438	Diversified Manufacturing 3.8%		
Profit Recovery Group International, Inc.*	1,300	8,288	Briggs & Stratton Corp.	1,700	75,438
TXU Corp.	2,100	93,056	Cooper Industries, Inc.	1,100	50,531
United Utilities plc	7,100	70,549	General Electric Co.	9,400	450,613
Vivendi Universal S.A.	1,000	65,905	Hillenbrand Industries, Inc.	2,100	108,150
Yahoo!, Inc.*	200	6,034	Honeywell International, Inc.	2,400	113,550
		<u>273,570</u>	Hutchison Whampoa Ltd.	10,180	126,929
Printing/Publishing 0.2%			Man AG	900	22,846
Mail-Well, Inc.*	3,700	15,956	Siemens AG	500	65,458
Reuters Group plc	2,000	33,859	Sulzer Brothers Ltd. (Registered)	100	72,308
		<u>49,815</u>	Tyco International Ltd.	1	56
Miscellaneous 0.4%					<u>1,085,879</u>
Adecco S.A.	100	63,091	Electrical Products 0.3%		
Metris Companies, Inc.	1,200	31,575	ABB Ltd.	300	32,056
Startek, Inc.*	400	6,150	Anadigics, Inc.*	450	7,369
		<u>100,816</u>	Taiyo Yuden Co., Ltd.	1,000	33,362
Durables 3.1%					<u>72,787</u>
Aerospace 1.4%			Industrial Specialty 0.8%		
Alliant Techsystems, Inc.*	750	50,063	Carlisle Companies, Inc.	1,700	72,994
Boeing Co.	1,300	85,800	Corning, Inc.	1,200	63,375
Primex Technologies, Inc.	2,000	63,750	Kulicke & Soffa Industries, Inc.*	800	9,000
United Technologies Corp.	2,400	188,700	QUALCOMM, Inc.*	700	57,531
		<u>388,313</u>	Sherwin-Williams Co.	1,000	26,313
Automobiles 1.2%					<u>229,213</u>
Borg-Warner Automotive, Inc.	550	22,000	Machinery/Components/Controls 0.9%		
DaimlerChrysler AG	2,200	93,489	Asyst Technologies, Inc.*	400	5,375
Honda Motor Co., Ltd.	2,000	74,410	Illinois Tool Works, Inc.	1,297	77,253
Monaco Coach Corp.*	1,200	21,225	Ingersoll-Rand Co.	2,100	87,938
Renault S.A.	400	20,871	Okuma Corp.	10,000	31,528
Toyota Motor Corp.	3,000	95,633	Reliance Steel & Aluminum Co.	1,750	43,313
		<u>327,628</u>			<u>245,407</u>
			Office Equipment/Supplies 0.1%		
			Olivetti SpA	6,200	14,835

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

	Shares	Value (\$)		Shares	Value (\$)
United Stationers, Inc.*	900	21,600	Electronic Components/Distributors 1.8%	Altera Corp.*	600 15,788
		36,435		Analog Devices, Inc.*	400 20,475
Wholesale Distributors 0.1%			Anaren Microwave, Inc.*	600 40,313	
Insight Enterprises, Inc.*	900	16,144	Broadcom Corp. "A"	100 8,450	
Miscellaneous 0.0%			Cisco Systems, Inc.*	7,400 283,050	
Cementir SpA Cementerie del Tirreno	5,700	8,119	Imation Corp.*	500 7,750	
Technology 11.3%			Juniper Networks, Inc.*	200 25,213	
Computer Software 3.0%			Kyocera Corp.	300 32,672	
Actuate Corp.*	1,200	22,950	PMC-Sierra, Inc.*	200 15,725	
Advanced Digital Information Corp.*	1,800	41,400	Pioneer-Standard Electronics, Inc.	1,000 11,000	
Advent Software, Inc.*	600	24,038	SCI Systems, Inc.*	300 7,913	
America Online, Inc.*	2,000	69,600	Sawtek, Inc.*	400 18,475	
Avant! Corp.*	1,900	34,794	Technitrol, Inc.	400 16,450	
Brocade Communications Systems, Inc.*	400	36,725			503,274
Clarent Corp.*	800	9,050	Electronic Data Processing 1.7%		
Computer Associates International, Inc.	900	17,550	Apple Computer, Inc.*	600 8,925	
Digital Island Inc.*	1,000	4,063	Compaq Computer Corp.	2,700 40,635	
Documentum, Inc.*	800	39,750	Fujitsu Ltd.	2,000 29,415	
Hyperion Solutions Corp.*	1,000	15,438	Hewlett-Packard Co.	2,800 88,375	
i2 Technologies, Inc.	240	13,050	International Business Machines Corp.	2,100 178,500	
Informatica Corp.*	600	23,738	MIPS Technologies, Inc. "A"	1,200 32,025	
Micrel, Inc.*	200	6,738	Sun Microsystems, Inc.	3,000 83,625	
Microsoft Corp.*	3,100	134,850	Webtrends Corp.*	800 23,150	
NetIQ Corp.*	500	43,688			484,650
Netegrity, Inc.*	750	40,781	Military Electronics 0.8%		
Oracle Corp.	4,000	116,250	Computer Sciences Corp.*	700 42,088	
Remedy Corp.*	400	6,625	General Dynamics Corp.	2,300 179,400	
Retek, Inc.*	497	12,114	Titan Corp.*	700 11,375	
Reynolds and Reynolds Co.	1,200	24,300			232,863
SAP AG — Vorzug	100	14,177	Office/Plant Automation 0.1%		
Synopsys Ltd.*	300	14,231	3Com Corp.	500 4,250	
THQ, Inc.*	1,000	24,375	Cognex Corp.*	400 8,850	
Verity, Inc.*	500	12,031	Palm, Inc.*	741 20,980	
WatchGuard Technologies, Inc.	1,200	37,950			34,080
		840,256	Precision Instruments 0.1%		
Diverse Electronic Products 0.5%			ADTRAN, Inc.*	400 8,500	
Applied Materials, Inc.*	1,200	45,825	Coherent, Inc.*	600 19,500	
DSP Group, Inc.*	700	14,733			28,000
Dell Computer Corp.*	2,500	43,594	Semiconductors 2.1%		
Motorola, Inc.	1,500	30,375	Alpha Industries, Inc.*	300 11,100	
		134,527	Cymer, Inc.*	500 12,867	
EDP Peripherals 0.9%			Cypress Semiconductor Corp.*	1,100 21,656	
Ariba, Inc.*	300	16,125	Emcore Corp.*	600 28,200	
EMC Corp.*	2,000	133,000	Integrated Silicon Solution	1,200 17,250	
Iomega Corp.*	2,800	9,436	Intel Corp.	7,400 223,850	
Network Appliance, Inc.*	400	25,694	International Rectifier Corp.*	400 12,000	
SCM Microsystems, Inc.*	400	13,200	KEMET Corp.*	1,400 21,175	
SONICblue, Inc.*	3,800	15,675	Kopin Corp.*	800 8,850	
VERITAS Software Corp.*	450	39,375	Lattice Semiconductor Corp.*	1,400 25,725	
		252,505	Linear Technology Corp.	300 13,875	
			Micron Technology, Inc.*	500 17,750	
			Rohm Company Ltd.	200 37,904	
			STMicroelectronics NV	1,000 43,717	

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

	Shares	Value (\$)		Shares	Value (\$)
Texas Instruments, Inc.	1,600	75,800	Elcor Corp.	1,050	17,719
Triquint Semiconductor, Inc.*	400	17,475	Fletcher Challenge Building Corp.	33,000	28,660
Xilinx, Inc.*	100	4,613	Florida Rock Industries, Inc.	1,100	43,038
		<u>593,807</u>	Grupo Dragados, S.A.	2,100	22,902
Miscellaneous 0.3%			LaFarge Corp.	3,400	80,325
Agilent Technologies, Inc.*	343	18,779	Nippon Sheet Glass Co., Ltd.	2,000	24,349
Entrada Networks, Inc.*	25	44	Sumitomo Osaka Cement Co., Ltd.	6,000	20,017
Osicom Technologies, Inc.	100	1,606	Taiheiyo Cement Corp.	27,000	46,218
Puma Technology, Inc.*	900	3,741			<u>321,466</u>
Wabtec	3,762	44,204	Building Products 0.3%		
XO Communications, Inc.*	586	10,438	Genlyte Group, Inc.*	1,800	42,750
		<u>78,812</u>	Nortek, Inc.*	1,800	42,638
					<u>85,388</u>
Energy 3.9%			Homebuilding 0.1%		
Oil & Gas Production 1.5%			Standard Pacific Corp.	1,600	37,400
Cabot Oil & Gas Corp. "A"	3,700	115,394			
Exxon Mobil Corp.	1,200	104,325	Miscellaneous 0.1%		
Marine Drilling Companies, Inc.*	1,000	26,750	Quanta Services, Inc.*	600	19,313
Repsol S.A.	4,460	71,366	TODA Corp.	3,000	13,703
Swift Energy Co.*	900	33,863			<u>33,016</u>
Tosco Corp.	2,300	78,056	Transportation 0.5%		
		<u>429,754</u>	Marine Transportation 0.1%		
Oil Companies 0.9%			Newport News Shipbuilding, Inc.	800	41,600
ENI SpA	19,000	121,467			
Total Fina ELF S.A. "B"	937	139,538	Railroads 0.3%		
		<u>261,005</u>	Trinity Industries, Inc.	3,470	86,750
Oil/Gas Transmission 0.6%					
Enron Corp.	700	58,188	Trucking 0.1%		
Questar Corp.	3,500	105,219	Roadway Express, Inc.	1,800	38,138
		<u>163,407</u>			
Oilfield Services/Equipment 0.9%			Utilities 2.9%		
BP Amoco plc	22,800	183,966	Electric Utilities		
Key Energy Group, Inc.*	2,400	25,050	AES Corp.*	800	44,300
Patterson Energy, Inc.*	1,300	48,425	Avista Corp.	1,400	28,700
		<u>257,441</u>	Black Hills Corp.	2,600	116,350
Metals & Minerals 0.4%			Calpine Corp.*	600	27,038
Precious Metals 0.2%			Chugoku Electric Power Co., Inc.	14,400	201,847
Stillwater Mining Co.*	1,100	43,285	Electrabel NPV	300	67,916
Sumitomo Metal Mining Co., Ltd.	3,000	15,668	Scottish Power plc	12,300	97,223
		<u>58,953</u>	Shikoku Electric Power Co., Inc.	11,900	160,151
Steel & Metals 0.2%			Tokyo Electric Power Co.	2,500	61,900
Nucor Corp.	1,500	59,531			<u>805,425</u>
			Total Common Stocks (Cost \$24,709,892)		22,329,363
Construction 1.6%			Total Investment Portfolio — 100.0%		
Building Materials 1.1%			(Cost \$30,563,183) (a)		28,205,863
Centex Construction Products, Inc.	1,400	38,238			

Notes to Kemper Horizon 20+ Portfolio of Investments

* Non-income producing security.

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

(a) The cost for federal income tax purposes was \$30,589,067. At December 31, 2000, net unrealized depreciation for all securities based on tax cost was \$2,383,204. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$3,039,412 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$5,422,616.

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

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

Financial Statements

Statement of Assets and Liabilities as of December 31, 2000

Assets

Investments in securities, at value (cost \$30,563,183)	\$ 28,205,863
Cash	82
Foreign currency, at value (cost \$36)	36
Dividends receivable	19,578
Interest receivable	110,581
Foreign taxes recoverable	7,124
Receivable for Portfolio shares sold	1,390
Total assets	28,344,654

Liabilities

Payable for Portfolio shares redeemed	43,392
Accrued management fee	14,638
Accrued Trustees' fees and expenses	3,371
Other accrued expenses and payables	12,517
Total liabilities	73,918

Net assets, at value	\$ 28,270,736
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Net Assets

Net assets consist of:	
Undistributed net investment income	586,539
Net unrealized appreciation (depreciation) on:	
Investments	(2,357,320)
Foreign currency related transactions	207
Accumulated net realized gain (loss)	1,101,751
Paid-in capital	28,939,559
Net assets, at value	\$ 28,270,736

Net Asset Value

Net Asset Value and redemption price per share (\$28,270,736 ÷ 21,805,436 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 1.296
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The accompanying notes are an integral part of the financial statements.

Statement of Operations for the year ended December 31, 2000

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$20,148)	\$ 389,693
Interest	441,887
Total Income	<u>831,580</u>
Expenses:	
Management fee	191,931
Custodian fees	25,419
Auditing	6,119
Legal	1,916
Trustees' fees and expenses	3,125
Reports to shareholders	5,589
Registration fees	1,029
Other	4,071
Total expenses, before expense reductions	<u>239,199</u>
Expense reductions	(234)
Total expenses, after expense reductions	<u>238,965</u>
Net investment income (loss)	592,615

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	1,226,488
Foreign currency related transactions	(5,695)
	<u>1,220,793</u>
Net unrealized appreciation (depreciation) during the period on:	
Investments	(4,938,340)
Foreign currency related transactions	975
	<u>(4,937,365)</u>
Net gain (loss) on investment transactions	(3,716,572)

Net increase (decrease) in net assets resulting from operations	\$ (3,123,957)
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The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2000	1999
Operations:		
Net investment income (loss)	\$ 592,615	\$ 674,626
Net realized gain (loss) on investment transactions	1,220,793	3,353,823
Net unrealized appreciation (depreciation) on investment transactions during the period	(4,937,365)	(790,431)
Net increase (decrease) in net assets resulting from operations	(3,123,957)	3,238,018
Distributions to shareholders from:		
Net investment income	(649,435)	(491,192)
Net realized gains	(3,355,318)	(245,596)
Portfolio share transactions:		
Proceeds from shares sold	3,263,716	8,126,926
Reinvestment of distributions	4,004,753	736,788
Cost of shares redeemed	(9,277,678)	(12,221,092)
Net increase (decrease) in net assets from Portfolio share transactions	(2,009,209)	(3,357,378)
Increase (decrease) in net assets	(9,137,919)	(856,148)
Net assets at beginning of period	37,408,655	38,264,803
Net assets at end of period (including undistributed net investment income of \$586,539 and \$651,347, respectively)	\$ 28,270,736	\$ 37,408,655
Other Information		
Shares outstanding at beginning of period	23,172,830	25,393,872
Shares sold	2,342,071	5,363,764
Shares issued to shareholders in reinvestment of distributions	2,861,833	485,960
Shares redeemed	(6,571,298)	(8,070,766)
Net increase (decrease) in Portfolio shares	(1,367,394)	(2,221,042)
Shares outstanding at end of period	21,805,436	23,172,830

Financial Highlights

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

Years Ended December 31,	2000	1999	1998	1997	1996(a)
Net asset value, beginning of period	\$ 1.614	1.507	1.378	1.154	1.000
<i>Income (loss) from investment operations:</i>					
Net investment income (loss)	.026(b)	.027(b)	.019	.020	.012
Net realized and unrealized gain (loss) on investment transactions	(.159)	.110	.160	.214	.142
Total from investment operations	(.133)	.137	.179	.234	.154
<i>Less distributions from:</i>					
Net investment income	(.030)	(.020)	(.010)	(.010)	—
Net realized gains on investment transactions	(.155)	(.010)	(.040)	—	—
Total distributions	(.185)	(.030)	(.050)	(.010)	—
Net asset value, end of period	\$ 1.296	1.614	1.507	1.378	1.154
Total Return (%)	(9.07)	9.26	13.01	20.48	15.37**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period (\$ millions)	28	37	38	17	4
Ratio of expenses before expense reductions (%)	.75	.78	.67	.93	1.13*
Ratio of expenses after expense reductions (%)	.75	.78	.67	.93	.81*
Ratio of net investment income (loss) (%)	1.85	1.78	1.84	1.58	1.71*
Portfolio turnover rate (%)	77	62	55	75	60*

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

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

* Annualized

** Not annualized

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

Management Summary And Performance Update

December 31, 2000

Kemper Horizon 10+ Portfolio

The Kemper Horizon 10+ Portfolio maintained a 60% weighting in domestic and international stocks during calendar year 2000, an exceptionally difficult period for growth stocks around the globe.

The portfolio was underweight in technology companies relative to its composite benchmark because we believed many stocks in this sector were overpriced. This positioning helped reduce volatility and preserve capital as the tech-heavy Nasdaq Composite Index plummeted 39.29% in 2000, its worst year ever.

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

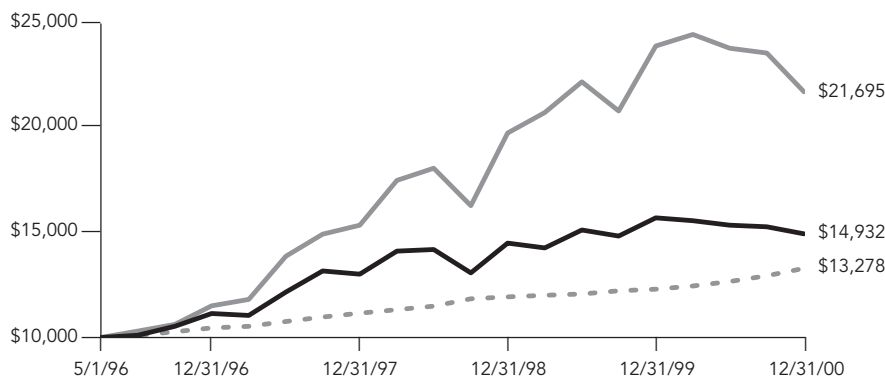
The portfolio's 40% weighting in bonds throughout the year helped preserve principal, as government securities provided outstanding returns despite rising short-term interest rates. U.S. Treasuries outperformed most categories of stocks as well as most non-U.S. bonds in fiscal year 2000. Central banks around the world were generally raising rates except for Japan, where economic growth remained anemic.

By focusing on high-quality, shorter-term securities, we enhanced income potential as the Federal Reserve Board raised the federal rate by 100 basis points to 6.50%. Most of the portfolio's bond holdings were U.S. government securities maturing in three years or less. Because the U.S. yield curve inverted during the period, we were able to provide all of the yield of the longest-term domestic bonds with a lower risk profile.

Robert D. Tymoczko
Lead Portfolio Manager

Growth of an assumed \$10,000 investment in Kemper Horizon 10+ Portfolio from 5/1/1996 to 12/31/2000

— Kemper Horizon 10+ Portfolio
— Standard & Poor's 500 Index
- - - Merrill Lynch 1-3 Year Treasury Index



The Standard & Poor's 500 Index is an unmanaged index generally representative of the U.S. stock market. The Merrill Lynch 1-3 Year Treasury Index is an index consisting of short-term U.S. Treasury securities maturing in 1 to 3 years with coupons higher than 4.25%. Timely payment of principal and interest on U.S. Treasury securities is guaranteed by the full faith and credit of the U.S. Government. If sold prior to maturity however, these securities do involve the risk of principal loss.

Average Annual Total Return¹

For the periods ended December 31, 2000	1-year	Life of portfolio
Kemper Horizon 10+ Portfolio	-4.84%	8.98% (Since 5/1/1996)

¹ Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details. Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

Kemper Horizon 10+ Portfolio

	Principal Amount (\$)	Value (\$)		Shares	Value (\$)
Repurchase Agreements 1.5%					
State Street Bank and Trust Company, 5.95%, to be repurchased at \$818,541 on 1/2/2001** (Cost \$818,000)	818,000	818,000			
U.S. Government & Agency Obligations 39.5%					
Federal Home Loan Mortgage Corp.:					
6% with various maturities to 4/15/2006	18,975	18,928			
6.5% with various maturities to 10/17/2014	44,673	44,576			
Federal National Mortgage Association, 7%, 7/15/2005	2,780,000	2,917,693			
U.S. Treasury Bond, 5.625%, 11/30/2002	770,000	776,252			
U.S. Treasury Notes:					
6.5%, 5/31/2001	1,940,000	1,945,452			
6.25%, 2/28/2002	10,010,000	10,097,588			
6.25%, 2/15/2003	2,470,000	2,522,092			
7.875%, 11/15/2004	2,380,000	2,605,719			
Total U.S. Government & Agency Obligations (Cost \$20,862,837)		20,928,300			
			Shares		
Common Stocks 59.0%					
Consumer Discretionary 4.4%					
Apparel & Shoes 0.3%					
Abercrombie & Fitch Co., "A"*	1,000	20,000			
Jones Apparel Group, Inc.*	1,604	51,629			
Reebok International, Ltd.*	3,300	90,222			
The Children's Place Retail Stores, Inc.* ..	1,000	20,250			
		182,101			
Department & Chain Stores 2.2%					
AnnTaylor Stores Corp.*	1,800	44,888			
Best Buy Co., Inc.*	500	14,781			
Burlington Coat Factory Warehouse Corp.	4,100	77,644			
Charming Shoppes, Inc.	7,700	46,200			
Dillard's, Inc.	5,500	64,969			
Home Depot, Inc.	4,950	226,153			
Kingfisher plc				9,100	67,680
Longs Drug Stores, Inc.				4,000	96,500
May Department Stores				100	3,275
Neiman Marcus Group, Inc.*				2,000	71,125
Pacific Sunwear of California, Inc.*				2,000	51,250
W.H. Smith Group plc				11,200	71,249
Wal-Mart Stores, Inc.				6,500	345,312
					1,181,026
Home Furnishings 0.3%					
Furniture Brands International, Inc.*				4,300	90,569
Linens 'n Things, Inc.*				1,500	41,437
					132,006
Recreational Products 0.3%					
Fairfield Communities, Inc.*				8,000	112,500
Nintendo Co., Ltd.				400	62,847
					175,347
Restaurants 0.2%					
Applebee's International, Inc.				1,100	34,581
Ryan's Family Steak Houses, Inc.*				6,100	57,569
					92,150
Specialty Retail 0.8%					
AutoZone, Inc.*				3,500	99,750
Avis Rent A Car, Inc.*				900	29,306
Central Garden & Pet Co.*				5,000	34,375
Family Dollar Stores, Inc.				2,800	60,025
Michael Stores, Inc.*				1,600	42,400
New England Business Service, Inc.				4,200	76,650
Pier 1 Imports, Inc.				3,000	30,938
The Finish Line, Inc. "A"*				2,600	15,356
Trans World Entertainment Corp.*				2,100	18,769
					407,569
Miscellaneous 0.3%					
Amer Group, Ltd.				1,600	42,119
Kanebo, Ltd.*				19,000	46,961
Koninklijke (Royal) Philips Electronics NV				1,552	56,935
					146,015
Consumer Staples 3.0%					
Alcohol & Tobacco 1.0%					
Imperial Tobacco Group plc				12,200	126,967
Philip Morris Companies, Inc.				1,800	79,200
SEITA*				1,400	57,018
UST, Inc.				3,500	98,219
Universal Corp.				4,500	157,500
					518,904
Consumer Electronic & Photographic 0.3%					
Sanyo Electric Co., Ltd.				5,000	41,485
Sony Corp.				1,400	96,594
					138,079

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

	Shares	Value (\$)		Shares	Value (\$)
Consumer Specialties 0.2%					
American Greeting Corp., "A"	3,300	31,144			
Duane Reade, Inc.*	2,700	82,519			
		<u>113,663</u>			
Farming 0.0%					
Syngenta AG*	109	5,866			
Food & Beverage 1.0%					
Coca-Cola Co.	3,500	213,281			
Farmer Brothers Co.	300	62,250			
Michael Foods, Inc.	1,700	51,212			
SUPERVALU, Inc.	2,800	38,850			
Seaboard Corp.	400	62,400			
Smithfield Foods, Inc.*	1,900	57,760			
Suiza Foods Corp.*	1,200	57,600			
		<u>543,353</u>			
Package Goods/Cosmetics 0.2%					
Procter & Gamble Co.	1,400	109,812			
Textiles 0.3%					
VF Corp.	4,000	144,960			
Health 7.3%					
Biotechnology 0.9%					
Amgen, Inc.*	1,700	108,694			
Bio-Rad Laboratories, Inc. "A"*	1,700	54,060			
Biogen, Inc.*	900	54,056			
CYTOGEN Corp.*	4,100	9,609			
Cell Genesys, Inc.*	1,900	43,344			
Curagen Corp.*	1,200	32,775			
Enzo Biochem, Inc.*	500	12,438			
Enzon, Inc.*	900	55,856			
Gene Logic, Inc.*	1,300	23,888			
Myraid Genetics, Inc.*	600	49,650			
Nanogen, Inc.*	1,200	10,800			
Pharmacia Corp.	400	24,400			
Triangle Pharmaceuticals, Inc.*	1,400	6,912			
		<u>486,482</u>			
Health Industry Services 0.5%					
Aegon NV	2,000	82,846			
Aurora Biosciences Corp.*	700	22,006			
Cardinal Health, Inc.	1,440	143,460			
Hanger Orthopedic Group, Inc.*	8,700	11,419			
		<u>259,731</u>			
Hospital Management 0.4%					
Coventry Health Care, Inc.*	3,900	104,081			
Universal Health Services, Inc.*	900	100,575			
		<u>204,656</u>			
Medical Supply & Specialty 0.8%					
ArthroCare Corp.*	1,500	29,250			
C.R. Bard, Inc.	2,700	125,719			
Cytoc Corp.*	400	25,025			
Laboratory Corp. of America Holdings* ..	500	88,000			
Medtronic, Inc.	1,700	102,637			
NBTY, Inc.*	4,400	20,900			
		<u>413,450</u>			
VISX, Inc.*	2,100	21,919			
		<u>413,450</u>			
Pharmaceuticals 4.7%					
Advance Paradigm, Inc.*	1,100	50,050			
Alpharma, Inc.	800	35,100			
American Home Products Corp.	2,700	171,585			
AmeriSource Health Corp.*	1,500	75,750			
Bristol-Myers Squibb Co.	1,300	96,119			
CV Therapeutics, Inc.*	900	63,675			
Caremark Rx, Inc.*	2,500	33,906			
Cubist Pharmaceuticals, Inc.*	1,100	31,900			
Eli Lilly & Co.	1,800	167,513			
GlaxoSmithKline plc	5,695	160,819			
Johnson & Johnson	1,200	126,075			
Maxim Pharmaceuticals, Inc.*	600	3,825			
Medicis Pharmaceutical Corp.*	600	35,475			
Merck & Co., Inc.	5,200	486,850			
Novartis AG (Registered)	100	177,213			
Pfizer, Inc.	9,500	437,000			
Sankyo Co., Ltd.	3,000	71,790			
Santen Pharmaceutical Co.	1,000	19,738			
Schering-Plough Corp.	1,900	107,825			
Suzuken Co., Ltd.	1,900	49,782			
Takeda Chemical Industries, Ltd.	1,000	59,039			
Zeneca Group plc	400	20,172			
		<u>2,481,201</u>			
Miscellaneous 0.0%					
Trimeris, Inc.*	600	32,925			
United Therapeutics Corp.*	500	7,375			
		<u>40,300</u>			
Communications 4.2%					
Cellular Telephone 0.2%					
Leap Wireless International, Inc.*	500	12,500			
Sprint Corp. (PCS Group)*	600	12,262			
Telecom Italia Mobile SpA	9,400	75,118			
		<u>99,880</u>			
Telephone/Communications 3.8%					
ADC Telecommunications, Inc.*	1,806	32,734			
AT&T Corp.	5,616	97,227			
BCE, Inc.	1,200	34,617			
BellSouth Corp.	2,200	90,063			
British Telecom plc	10,100	86,323			
Deutsche Telekom AG (Registered)	3,800	114,679			
Ericsson LM "B"	9,600	109,334			
France Telecom S.A.	1,400	121,026			
IDT Corp.*	1,000	20,375			
ITC DeltaCom, Inc.*	4,000	21,563			
InterDigital Communication Corp.*	1,500	8,109			
Intermedia Communications, Inc.*	1,100	7,906			
JDS Uniphase Corp.	900	37,519			
Koninklijke Kpn NV	1,460	16,830			
Level 3 Communications, Inc.*	400	13,125			
MasTec, Inc.*	600	12,000			
MRV Communications, Inc.*	1,000	13,375			

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

	Shares	Value (\$)		Shares	Value (\$)
Nokia Oyj	5,500	245,614	First American Financial Co.	400	13,150
Nortel Networks Corp.	1,184	37,962	Hartford Financial Services Group, Inc.	1,200	84,750
Oki Electric Industry Co.*	6,000	26,725	ING Groep NV	3,187	254,922
SBC Communications, Inc.	4,259	203,367	Jefferson Pilot Corp.	2,150	160,712
Sirius Satellite Radio Inc.*	500	14,969	Muenchener Rueckversicherungs-Gesellschaft AG (Registered)	350	125,040
Swisscom AG	200	52,143	Protective Life Corp.	2,400	77,400
Tekelec*	500	15,000	Skandia Forsakrings AB	4,400	71,554
Telecom Italia SpA	8,300	91,922	Stewart Information Services Corp.	2,000	44,375
Telefonica S.A.*	2,600	43,021	XL Capital Ltd. "A"	1,200	104,850
Verizon Communications, Inc.	2,600	130,325			1,765,679
Vodafone Group plc	65,300	239,538	Business Finance 0.4%		
WorldCom, Inc.*	4,400	61,875	Heller Financial, Inc.	5,200	159,575
Xircom, Inc.*	900	13,950	Mizuho Holdings, Inc.	5	30,917
		2,013,216			190,492
Miscellaneous 0.2%			Consumer Finance 1.2%		
Avaya, Inc.	408	4,207	AmeriCredit Corp.*	2,100	57,225
C-Cube Microsystems, Inc.	700	8,619	Citigroup, Inc.	10,066	513,995
Emmis Communications "A"*	1,200	34,425	Promise Co., Ltd.	600	42,445
Metricom, Inc.*	900	9,056	Takefuji Corp.	400	25,153
Tollgrade Communications, Inc.*	700	25,550			638,818
VoiceStream Wireless Corp.*	157	15,798	Other Financial Companies 3.2%		
		97,655	ACOM Co., Ltd.	300	22,087
Financial 12.3%			Edwards (A.G.), Inc.	3,400	161,287
Banks 4.0%			Federal Home Loan Mortgage Corp.	3,000	206,625
ABN AMRO Holding N.V.	8,100	184,441	Federal National Mortgage Association	3,800	329,650
Bank United Corp.	300	20,456	GreenPoint Financial Corp.	2,300	94,156
Bank of America Corp.	2,764	126,798	HSBC Holdings plc	10,300	151,594
Bank of Nova Scotia	2,000	57,562	Halifax Group plc	7,700	76,338
Bank of Tokyo-Mitsubishi, Ltd.	6,000	59,581	Legg Mason, Inc.	2,900	158,050
Banque Nationale de Paris	1,250	109,880	Man (ED&F) Group plc	14,300	131,835
Barclays plc	3,600	111,455	Morgan Stanley Dean Witter & Co.	1,300	103,025
Chase Manhattan Corp.	3,750	170,391	Nomura Securities Co., Ltd.	6,000	107,686
Christiania Bank og Kreditkasse	19,200	108,130	USA Education, Inc.	1,900	129,200
Credit Suisse Group (Registered)	300	57,153			1,671,533
Dresdner Bank AG	1,900	82,705	Real Estate 0.2%		
FleetBoston Financial Corp.	5,800	217,863	Cheung Kong Holdings, Ltd.	5,100	65,224
Lloyds TSB Group plc	10,300	108,963	Sun Hung Kai Properties, Ltd.	3,000	29,905
PNC Financial Services Group	900	65,756			95,129
Royal Bank of Scotland Group plc	1,800	42,549	Media 0.8%		
Sakura Bank, Ltd.	7,000	42,183	Broadcasting & Entertainment 0.4%		
San Paolo — IMI SpA	5,500	89,042	British Sky Broadcasting Group plc*	3,600	60,300
Societe Generale "A"	2,000	124,476	Viacom, Inc. "B"*	1,085	50,724
Sumitomo Bank, Ltd.	3,000	30,734	Walt Disney Co.	3,900	112,856
UBS AG	585	95,589			223,880
UBS AG (Registered)	600	98,163	Cable Television 0.3%		
Wells Fargo Co.	2,300	128,081	ACTV, Inc.*	1,900	8,075
		2,131,951	AT&T Corp. — Liberty Media Group*	4,800	65,100
Insurance 3.3%			Canal Plus S.A.	300	1,077
AMBAC Financial Group, Inc.	5,850	341,128	Comcast Corp.*	2,100	87,675
AXA S.A.	900	130,305			161,927
Allianz AG	200	75,344	Print Media 0.1%		
American General Corp.	1,800	146,700	Softbank Corp.	500	17,336
Atena, Inc.	600	24,637			
Fidelity National Financial, Inc.	3,000	110,812			

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

	Shares	Value (\$)		Shares	Value (\$)
Service Industries 2.6%			Construction/Agricultural Equipment 0.1%		
EDP Services 0.6%			Terex Corp.*		
Affiliated Computer Services*	2,200	133,513	3,000	48,562	
First Data Corp.	3,500	184,406	Telecommunications Equipment 0.3%		
VeriSign, Inc.*	300	22,256	Alcatel S.A.	1,600	91,007
		<u>340,175</u>	Antec Corp.*	800	6,325
Investment 0.5%			Lucent Technologies, Inc.	4,900	66,150
Bear Stearns Companies, Inc.	2,212	112,121	Scientific-Atlanta, Inc.	600	19,538
Charles Schwab Corp.	1,500	42,563			<u>183,020</u>
Raymond James Financial, Inc.	2,700	94,163	Manufacturing 6.4%		
Southwest Securities Group, Inc.	400	10,350	Chemicals 1.4%		
		<u>259,197</u>	Akzo Nobel NV	3,900	209,729
Miscellaneous Commercial Services 0.3%			Aventis S.A.	2,000	175,808
Cap Gemini S.A.	200	32,304	BASF AG	2,500	113,876
Itochu Corp.*	15,000	69,694	BOC Group plc	6,100	92,696
Pacific Century CyberWorks, Ltd.*	30,000	19,232	Praxair, Inc.	3,300	146,438
Personnel Group of America, Inc.*	4,800	8,100			<u>738,547</u>
Siebel Systems, Inc.*	600	40,575	Containers & Paper 0.6%		
		<u>169,905</u>	FPB Holding AG*	1,671	246,646
Miscellaneous Consumer Services 0.8%			UPM-Kymmene Oyj	2,300	79,034
DiamondCluster International, Inc.*	800	24,400			<u>325,680</u>
Navigant Consulting, Inc.*	4,500	17,156	Diversified Manufacturing 2.5%		
Profit Recovery Group International, Inc.*	1,800	11,475	Briggs & Stratton Corp.	2,500	110,937
TXU Corp.	4,000	177,250	Cooper Industries, Inc.	1,600	73,500
United Utilities plc	7,300	72,536	General Electric Co.	13,300	637,569
Vivendi Universal S.A.	1,300	85,676	Hillenbrand Industries, Inc.	2,200	113,300
Yahoo!, Inc.*	300	9,052	Honeywell International, Inc.	3,400	160,863
		<u>397,545</u>	Hutchison Whampoa, Ltd.	7,730	96,381
Printing/Publishing 0.2%			Man AG	500	12,692
Mail-Well, Inc.*	6,000	25,875	Siemens AG	600	78,550
News Corp., Ltd.	7,100	50,697	Sulzer Brothers, Ltd. (Registered)	100	72,308
Reuters Group plc	2,900	49,095			<u>1,356,100</u>
		<u>125,667</u>	Electrical Products 0.2%		
Miscellaneous 0.2%			ABB, Ltd.	400	42,741
Adecco S.A.	100	63,091	Anadigics, Inc.*	1,000	16,375
Metris Companies, Inc.	2,100	55,256	Taiyo Yuden Co., Ltd.	1,000	33,362
Startek, Inc.*	700	10,762			<u>92,478</u>
		<u>129,109</u>	Industrial Specialty 0.7%		
Durables 2.3%			Carlisle Companies, Inc.	2,500	107,344
Aerospace 1.0%			Corning, Inc.	1,500	79,219
Alliant Techsystems, Inc.*	1,500	100,125	Kulicke & Soffa Industries, Inc.*	1,400	15,750
Boeing Co.	1,400	92,400	QUALCOMM, Inc.*	1,000	82,188
Primex Technologies, Inc.	1,700	54,188	Sherwin-Williams Co.	2,700	71,044
United Technologies Corp.	3,800	298,775			<u>355,545</u>
		<u>545,488</u>	Machinery/Components/Controls 0.8%		
Automobiles 0.9%			Asyst Technologies, Inc.*	800	10,750
Borg-Warner Automotive, Inc.	2,240	89,600	Illinois Tool Works, Inc.	2,403	143,129
DaimlerChrysler AG	1,700	72,241	Ingersoll-Rand Co.	2,700	113,063
Honda Motor Co., Ltd.	3,000	111,616	Okuma Corp.	18,000	56,751
Monaco Coach Corp.*	1,400	24,762	Reliance Steel & Aluminum Co.	4,200	103,950
Renault S.A.	700	36,525			<u>427,643</u>
Toyota Motor Corp.	4,000	127,511	Office Equipment/Supplies 0.1%		
		<u>462,255</u>	Olivetti SpA	9,200	22,013

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

	Shares	Value (\$)		Shares	Value (\$)
United Stationers, Inc.*	1,000	24,000	VERITAS Software Corp.*	550	48,125
		46,013			334,565
Wholesale Distributors 0.1%			Electronic Components/Distributors 1.4%		
Insight Enterprises, Inc.*	1,050	18,834	Altera Corp.*	1,000	26,313
Owens & Minor, Inc.	1,600	28,400	Analog Devices, Inc.*	700	35,831
		47,234	Anaren Microwave, Inc.*	1,000	67,187
Miscellaneous 0.0%			Broadcom Corp. "A"*	200	16,800
Cementir SpA Cementerie del Tirreno	5,400	7,691	Cisco Systems, Inc.*	10,000	382,500
			Imation Corp.*	300	4,650
Technology 8.5%			Juniper Networks, Inc.*	300	37,819
Computer Software 2.3%			Kyocera Corp.	400	43,563
Actuate Corp.*	1,900	36,337	PMC-Sierra, Inc.*	300	23,587
Advanced Digital Information Corp.*	1,900	43,700	Pioneer-Standard Electronics, Inc.	1,300	14,300
Advent Software, Inc.*	900	36,056	SCI Systems, Inc.*	700	18,463
America Online, Inc.*	2,900	100,920	Sawtek, Inc.*	600	27,712
Avant! Corp.*	3,000	54,937	Technitrol, Inc.	1,200	49,350
Brocade Communications Systems, Inc.*	600	55,088			748,075
Clarent Corp.*	1,400	15,837	Electronic Data Processing 1.2%		
Computer Associates International, Inc.	1,200	23,400	Apple Computer, Inc.*	800	11,900
Digital Island, Inc.*	1,500	6,094	Compaq Computer Corp.	3,100	46,655
Documentum, Inc.*	800	39,750	Fujitsu, Ltd.	3,000	44,122
Hyperion Solutions Corp.*	800	12,350	Hewlett-Packard Co.	3,000	94,687
i2 Technologies, Inc.*	550	29,906	International Business Machines Corp.	2,900	246,500
Informatica Corp.*	1,000	39,562	MIPS Technologies, Inc. "A"*	1,700	45,369
Micrel, Inc.*	800	26,950	Sun Microsystems, Inc.*	4,000	111,500
Microsoft Corp.*	4,600	199,525	Webtrends Corp.*	1,100	31,831
NetIQ Corp.*	800	69,900			632,564
Netegrity, Inc.*	1,050	57,094	Military Electronics 0.7%		
Oracle Corp.	5,600	162,750	Computer Sciences Corp.*	1,140	68,542
Remedy Corp.*	600	9,938	General Dynamics Corp.	3,500	273,000
Retek, Inc.*	745	18,159	Titan Corp.*	900	14,625
Reynolds and Reynolds Co.	1,200	24,300			356,167
SAP AG — Vorzug	300	42,532	Office/Plant Automation 0.1%		
Synopsys, Ltd.*	400	18,975	3Com Corp.	600	5,100
THQ, Inc.*	800	19,500	Cognex Corp.*	400	8,850
Verity, Inc.*	500	12,031	Palm, Inc.*	889	25,170
WatchGuard Technologies, Inc.*	1,500	47,437			39,120
		1,203,028	Precision Instruments 0.1%		
Diverse Electronic Products 0.3%			ADTRAN, Inc.*	600	12,750
Applied Materials, Inc.*	1,600	61,100	Coherent, Inc.*	900	29,250
DSP Group, Inc.*	1,200	25,256			42,000
Dell Computer Corp.*	3,100	54,056	Semiconductors 1.6%		
Motorola, Inc.	1,800	36,450	Alpha Industries, Inc.*	400	14,800
		176,862	Cymer, Inc.*	800	20,587
EDP Peripherals 0.6%			Cypress Semiconductor Corp.*	1,100	21,656
Ariba, Inc.*	400	21,450	Emcore Corp.*	800	37,600
EMC Corp.*	2,600	172,900	Integrated Silicon Solution*	2,100	30,188
lomega Corp.*	7,100	23,927	Intel Corp.	10,400	312,650
Network Appliance, Inc.*	400	25,675	International Rectifier Corp.*	700	21,000
SCM Microsystems, Inc.*	600	19,800	KEMET Corp.*	1,400	21,175
SONICblue, Inc.*	5,500	22,688	Kopin Corp.*	1,200	13,275
			Lattice Semiconductor Corp.*	2,000	36,750
			Linear Technology Corp.	1,200	55,500
			Micron Technology, Inc.*	800	28,400
			Rohm Company Ltd.	200	37,904

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

	Shares	Value (\$)		Shares	Value (\$)
STMicroelectronics NV	1,700	74,319	Elcor Corp.	1,500	25,313
Texas Instruments, Inc.	2,200	104,225	Fletcher Challenge Building Corp.	49,700	43,163
Triquint Semiconductor, Inc.*	600	26,212	Florida Rock Industries, Inc.	1,400	54,775
Xilinx, Inc.*	200	9,225	LaFarge Corp.	6,300	148,837
		865,466	Nippon Sheet Glass Co., Ltd.	2,000	24,349
Miscellaneous 0.2%			Sumitomo Osaka Cement Co., Ltd.	8,000	26,690
Agilent Technologies, Inc.*	572	31,317	Taiheiyo Cement Corp.	57,000	97,572
Entrada Networks, Inc.*	75	131			472,593
Osicom Technologies, Inc.	300	4,819	Building Products 0.2%		
Puma Technology Inc.*	1,200	4,988	Genlyte Group, Inc.*	2,600	61,750
Wabtec*	4,092	48,081	Nortek, Inc.*	3,000	71,062
XO Communications, Inc.	714	12,718			132,812
		102,054	Homebuilding 0.1%		
Energy 3.0%			Standard Pacific Corp.	1,700	39,738
Oil & Gas Production 1.2%			Miscellaneous 0.1%		
Cabot Oil & Gas Corp. "A"	6,100	190,244	Quanta Services, Inc.*	550	17,703
Exxon Mobil Corp.	1,500	130,406	TODA Corp.	11,000	50,245
Marine Drilling Companies, Inc.*	1,700	45,475			67,948
Repsol S.A.	5,580	89,288	Transportation 0.5%		
Swift Energy Co.	1,600	60,200	Marine Transportation 0.2%		
Tosco Corp.	4,000	135,750	Newport News Shipbuilding, Inc.	2,000	104,000
		651,363	Railroads 0.2%		
Oil Companies 0.6%			Trinity Industries, Inc.	4,530	113,250
ENI SpA	21,800	139,368	Trucking 0.1%		
Total Fina ELF S.A. "B"	1,300	193,596	Roadway Express, Inc.	2,400	50,850
		332,964	Utilities 2.0%		
Oil/Gas Transmission 0.5%			Electric Utilitie		
Enron Corp.	900	74,813	AES Corp.*	1,300	71,987
Questar Corp.	5,800	174,362	Avista Corp.	1,800	36,900
		249,175	Black Hills Corp.	2,200	98,450
Oilfield Services/Equipment 0.7%			Calpine Corp.*	1,600	72,100
BP Amoco plc	32,900	265,460	Chugoku Electric Power Co., Inc.	20,200	283,153
Key Energy Group, Inc.*	2,900	30,269	Electrabel NPV	300	67,916
Patterson Energy, Inc.*	2,100	78,225	Kyushu Electric Power Co.	14,400	201,474
		373,954	Scottish Power plc	8,400	66,396
Metals & Minerals 0.4%			Tokyo Electric Power Co.	6,200	153,511
Precious Metals 0.2%					1,051,887
Stillwater Mining Co.*	1,400	55,090	Total Common Stocks (Cost \$34,599,023)		31,279,800
Sumitomo Metal Mining Co., Ltd.	9,000	47,004	Total Investment Portfolio — 100.0%		
		102,094	(Cost \$56,279,860) (a)		53,026,100
Steel & Metals 0.2%					
Nucor Corp.	2,400	95,250			
Construction 1.3%					
Building Materials 0.9%					
Centex Construction Products, Inc.	1,900	51,894			

Notes to Kemper Horizon 10+ Portfolio of Investments

* Non-income producing security.

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

(a) The cost for federal income tax purposes was \$56,314,564. At December 31, 2000, net unrealized depreciation for all securities based on tax cost was \$3,288,464. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$4,222,140 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$7,510,604.

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

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

Financial Statements

Statement of Assets and Liabilities as of December 31, 2000

Assets

Investments in securities, at value (cost \$56,279,860)	\$ 53,026,100
Cash	383
Foreign currency, at value (cost \$94)	97
Dividends receivable	27,163
Interest receivable	402,762
Receivable for Portfolio shares sold	7,313
Foreign taxes recoverable	20,843
Total assets	53,484,661

Liabilities

Payable for Portfolio shares redeemed	7,470
Accrued management fee	28,612
Accrued Trustees' fees and expenses	2,301
Other accrued expenses and payables	19,446
Total liabilities	57,829

Net assets, at value	\$ 53,426,832
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Net Assets

Net assets consist of:	
Undistributed net investment income	1,533,854
Net unrealized appreciation (depreciation) on:	
Investments	(3,253,760)
Foreign currency related transactions	(455)
Accumulated net realized gain (loss)	1,896,442
Paid-in capital	53,250,751
Net assets, at value	\$ 53,426,832

Net Asset Value

Net Asset Value and redemption price per share (\$53,426,832 ÷ 41,973,538 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 1.273
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The accompanying notes are an integral part of the financial statements.

Statement of Operations for the year ended December 31, 2000

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$18,910)	\$ 555,921
Interest	1,572,720
Total Income	<u>2,128,641</u>
Expenses:	
Management fee	356,157
Custodian fees	32,244
Auditing	12,760
Legal	3,183
Trustees' fees and expenses	4,095
Reports to shareholders	12,225
Registration fees	2,523
Other	7,686
Total expenses, before expense reductions	<u>430,873</u>
Expense reductions	(346)
Total expenses, after expense reductions	<u>430,527</u>
Net investment income (loss)	1,698,114

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	1,929,533
Foreign currency related transactions	(5,406)
	<u>1,924,127</u>
Net unrealized appreciation (depreciation) during the period on:	
Investments	(6,661,569)
Foreign currency related transactions	318
	<u>(6,661,251)</u>
Net gain (loss) on investment transactions	(4,737,124)

Net increase (decrease) in net assets resulting from operations	\$ (3,039,010)
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The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2000	1999
Operations:		
Net investment income (loss)	\$ 1,698,114	\$ 1,816,318
Net realized gain (loss) on investment transactions	1,924,127	4,273,902
Net unrealized appreciation (depreciation) on investment transactions during the period	(6,661,251)	(841,874)
Net increase (decrease) in net assets resulting from operations	(3,039,010)	5,248,346
Distributions to shareholders from:		
Net investment income	(1,719,539)	(1,329,005)
Net realized gains	(4,298,847)	—
Portfolio share transactions:		
Proceeds from shares sold	3,641,873	16,490,075
Reinvestment of distributions	6,018,386	1,329,005
Cost of shares redeemed	(14,139,304)	(12,185,621)
Net increase (decrease) in net assets from Portfolio share transactions	(4,479,045)	5,633,459
Increase (decrease) in net assets	(13,536,441)	9,552,800
Net assets at beginning of period	66,963,273	57,410,473
Net assets at end of period (including undistributed net investment income of \$1,533,854 and \$1,551,797, respectively)	\$ 53,426,832	\$ 66,963,273
Other Information		
Shares outstanding at beginning of period	45,281,650	41,183,869
Shares sold	2,683,700	11,782,300
Shares issued to shareholders in reinvestment of distributions	4,537,692	956,610
Shares redeemed	(10,529,504)	(8,641,129)
Net increase (decrease) in Portfolio shares	(3,308,112)	4,097,781
Shares outstanding at end of period	41,973,538	45,281,650

Financial Highlights

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

Years Ended December 31,	2000	1999	1998	1997	1996(a)
Net asset value, beginning of period	\$ 1.479	1.394	1.289	1.114	1.000
<i>Income (loss) from investment operations:</i>					
Net investment income (loss)	.037(b)	.040(b)	.020	.034	.018
Net realized and unrealized gain (loss) on investment transactions	(.103)	.075	.125	.151	.096
Total from investment operations	(.066)	.115	.145	.185	.114
<i>Less distributions from:</i>					
Net investment income	(.040)	(.030)	(.010)	(.010)	—
Net realized gains on investment transactions	(.100)	—	(.030)	—	—
Total distributions	(.140)	(.030)	(.040)	(.010)	—
Net asset value, end of period	\$ 1.273	1.479	1.394	1.289	1.114
Total Return (%)	(4.84)	8.38	11.30	16.77	11.37**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period (\$ millions)	53	67	57	23	6
Ratio of expenses before expense reductions (%)	.73	.72	.64	.83	1.01*
Ratio of expenses after expense reductions (%)	.73	.72	.64	.83	.78*
Ratio of net investment income (loss) (%)	2.81	2.83	2.84	2.77	2.69*
Portfolio turnover rate (%)	68	50	35	67	76*

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

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

* Annualized

** Not annualized

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

Management Summary And Performance Update

December 31, 2000

Kemper Horizon 5 Portfolio

With a 60% weighting in shorter-term fixed-income securities during calendar year 2000, the Kemper Horizon 5 Portfolio was in a good position to benefit from the Federal Reserve Board's interest rate hikes. High single digit returns in this area helped mitigate losses from volatile domestic and overseas equity markets.

We focused on high-quality securities and enhanced income potential as the interest rate banks charge each other for overnight loans rose 100 basis points to 6.50%, the highest level in nine years. Most of the portfolio's bond holdings were U.S. government securities maturing in three years or less. The yield curve inverted during the first half, enabling us to provide the entire yield of the longest-term bonds with a lower risk profile. Yields for securities maturing in two to three years fell sharply during the fourth quarter, boosting bond prices.

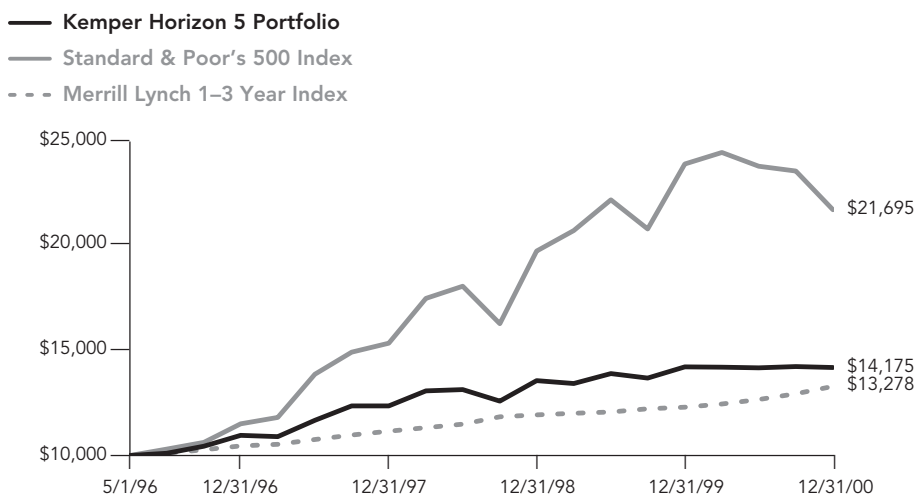
In fiscal year 2000, we maintained a 40% weighting in domestic and international stocks. In the first quarter, we attempted to reduce the effects of short-term stock price volatility on equity returns by realigning assets to more closely match a diverse, unmanaged blend of domestic and international stocks.

During the year, the portfolio was underweight in technology companies relative to its composite benchmark because we believed many stocks in this sector were overpriced. This positioning helped reduce volatility and preserve capital as the Nasdaq Composite Index plummeted 39.29% in 2000, its worst year ever.

Value stocks began to outpace growth stocks beginning in the spring, both in the U.S. and abroad. As the year progressed, recovery prospects for Japan dimmed but the outlook for Western Europe remained positive.

Robert D. Tymoczko
Lead Portfolio Manager

Growth of an assumed \$10,000 investment in Kemper Horizon 5 Portfolio from 5/1/1996 to 12/31/2000



The Standard & Poor's 500 Index is an unmanaged index generally representative of the U.S. stock market. The Merrill Lynch 1-3 Year Treasury Index is an index consisting of short-term U.S. Treasury securities maturing in 1 to 3 years with coupons higher than 4.25%. Timely payment of principal and interest on U.S. Treasury securities is guaranteed by the full faith and credit of the U.S. Government. If sold prior to maturity however, these securities do involve the risk of principal loss.

Average Annual Total Return¹

For the periods ended December 31, 2000	1-year	Life of portfolio
Kemper Horizon 5 Portfolio	-0.28%	7.77% (Since 5/1/1996)

¹ Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details. Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

Kemper Horizon 5 Portfolio

	Principal Amount (\$)	Value (\$)		Shares	Value (\$)
Repurchase Agreements 0.6%					
State Street Bank and Trust Company, 5.95%, to be repurchased at \$191,126 on 1/2/2001** (Cost \$191,000)	191,000	191,000			
U.S. Government & Agency Obligations 60.4%					
Federal Home Loan Mortgage Corp.:					
6% with various maturities to 4/15/2006	12,075	12,045			
6.5% with various maturities to 10/17/2014	27,387	27,327			
Federal National Mortgage Association:					
7%, 7/15/2005	2,750,000	2,886,208			
U.S. Treasury Bonds:					
5.625%, 11/30/2002	575,000	579,669			
U.S. Treasury Notes:					
6.5%, 5/31/2001	1,910,000	1,915,367			
6.625%, 7/31/2001	3,840,000	3,859,814			
6.25%, 2/28/2002	7,055,000	7,116,731			
7.875%, 11/15/2004	4,185,000	4,581,905			
Total U.S. Government & Agency Obligations (Cost \$20,944,343)		20,979,066			
			Shares		
Preferred Stocks 0.0%					
Service Industries					
Printing/Publishing					
News Corp., Ltd. (Cost \$17,956)	1,400	9,997			
Common Stocks 39.0%					
Consumer Discretionary 3.1%					
Apparel & Shoes 0.3%					
Abercrombie & Fitch Co. "A"*	600	12,000			
Jones Apparel Group, Inc.*	1,002	32,252			
Reebok International, Ltd.*	1,400	38,276			
The Children's Place Retail Stores, Inc.*	500	10,125			
		92,653			
Department & Chain Stores 1.5%					
AnnTaylor Stores Corp.*	1,000	24,937			
Best Buy Co., Inc.*	100	2,956			
Burlington Coat Factory Warehouse Corp.	2,200	41,663			
Charming Shoppes, Inc.*	6,900	41,400			
Dillard's, Inc.	2,500	29,531			
Home Depot, Inc.			2,100		95,944
Kingfisher plc			2,900		21,568
Longs Drug Stores, Inc.			1,800		43,425
Neiman Marcus Group, Inc.*			900		32,006
Pacific Sunwear of California, Inc.*			500		12,813
W.H. Smith Group plc			3,400		21,629
Wal-Mart Stores, Inc.			2,800		148,750
					516,622
Home Furnishings 0.2%					
Furniture Brands International, Inc.*			2,900		61,081
Linens 'n Things, Inc.*			500		13,813
					74,894
Recreational Products 0.2%					
Fairfield Communities, Inc.*			3,200		45,000
Nintendo Co., Ltd.			100		15,712
					60,712
Restaurants 0.1%					
Applebee's International, Inc.			800		25,150
Ryan's Family Steak Houses, Inc.*			1,800		16,988
					42,138
Specialty Retail 0.5%					
AutoZone, Inc.*			1,700		48,450
Avis Rent A Car, Inc.*			700		22,794
Central Garden & Pet Co.*			1,800		12,375
Family Dollar Stores, Inc.			1,100		23,581
Michael Stores, Inc.*			600		15,900
New England Business Service, Inc.			1,300		23,725
Pier 1 Imports, Inc.			1,300		13,406
The Finish Line, Inc. "A"*			1,000		5,906
Trans World Entertainment Corp.*			700		6,256
					172,393
Miscellaneous 0.3%					
Amer Group, Ltd.			1,200		31,589
Kanebo, Ltd.*			9,000		22,245
Koninklijke (Royal) Philips Electronics N.V.			1,552		56,935
					110,769
Consumer Staples 1.9%					
Alcohol & Tobacco 0.4%					
Imperial Tobacco Group plc			1,700		17,692
Philip Morris Companies, Inc.			700		30,800
UST, Inc.			1,900		53,319
Universal Corp.			1,300		45,500
					147,311
Consumer Electronic & Photographic 0.2%					
Sanyo Electric Co., Ltd.			2,000		16,594
Sony Corp.			600		41,397
					57,991
Consumer Specialties 0.2%					
American Greeting Corp. "A"			2,000		18,875

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

	Shares	Value (\$)		Shares	Value (\$)
Duane Reade, Inc.*	1,300	39,731	VISX, Inc.*	700	7,306
		58,606			174,255
Farming 0.0%			Pharmaceuticals 2.9%		
Syngenta AG*	17	915	Advance Paradigm, Inc.*	500	22,750
			Alpharma, Inc.	300	13,162
Food & Beverage 0.7%			American Home Products Corp.	1,200	76,260
Coca-Cola Co.	1,400	85,313	AmeriSource Health Corp.*	700	35,350
Farmer Brothers Co.	200	41,500	Bristol-Myers Squibb Co.	500	36,969
Michael Foods, Inc.	900	27,112	CV Therapeutics, Inc.*	400	28,300
SUPERVALU, Inc.	1,000	13,875	Caremark Rx, Inc.*	1,700	23,056
Seaboard Corp.	100	15,600	Cubist Pharmaceuticals, Inc.*	400	11,600
Smithfield Foods, Inc.*	900	27,360	Eli Lilly & Co.	1,000	93,063
Suiza Foods Corp.*	300	14,400	GlaxoSmithKline plc	2,147	60,631
		225,160	Johnson & Johnson	700	73,544
Package Goods/Cosmetics 0.1%			Maxim Pharmaceuticals, Inc.*	400	2,550
Procter & Gamble Co.	600	47,063	Medicis Pharmaceutical Corp.*	300	17,737
			Merck & Co., Inc.	2,200	205,975
Textiles 0.3%			Pfizer, Inc.	3,175	146,050
VF Corp.	3,200	115,968	Sankyo Co., Ltd.	1,000	23,930
			Santen Pharmaceutical Co.	1,000	19,738
Health 4.8%			Schering-Plough Corp.	800	45,400
Biotechnology 0.7%			Suzuken Co., Ltd.	900	23,581
Amgen, Inc.*	1,000	63,938	Zeneca Group plc	700	35,301
Bio-Rad Laboratories, Inc. "A"*	1,000	31,800			994,947
Biogen, Inc.*	300	18,019	Miscellaneous 0.1%		
CYTOGEN Corp.*	1,700	3,984	Trimeris, Inc.*	300	16,463
Cell Genesys, Inc.*	1,000	22,812	United Therapeutics Corp.*	200	2,950
Curagen Corp.*	500	13,656			19,413
Enzo Biochem, Inc.*	200	4,975	Communications 2.7%		
Enzon, Inc.*	400	24,825	Cellular Telephone 0.1%		
Gene Logic, Inc.*	500	9,187	Leap Wireless International, Inc.*	200	5,000
Myraid Genetics, Inc.*	300	24,825	Sprint Corp. (PCS Group)*	200	4,088
Nanogen, Inc.*	500	4,500	Telecom Italia Mobile SpA	4,400	35,162
Pharmacia Corp.	100	6,100			44,250
Triangle Pharmaceuticals, Inc.*	600	2,963	Telephone/Communications 2.5%		
		231,584	ADC Telecommunications, Inc.*	946	17,147
Health Industry Services 0.4%			AT&T Corp.	2,268	39,264
Aegon N.V.	400	16,569	BCE, Inc.	500	14,424
Aurora Biosciences Corp.*	300	9,431	BellSouth Corp.	1,000	40,937
Cardinal Health, Inc.	1,100	109,587	British Telecom plc	4,700	40,170
Hanger Orthopedic Group, Inc.*	3,800	4,987	Deutsche Telekom AG (Registered)	1,600	48,286
		140,574	Ericsson LM "B"	4,000	45,556
Hospital Management 0.2%			France Telecom S.A.	500	43,223
Coventry Health Care, Inc.*	1,700	45,368	IDT Corp.*	400	8,150
Universal Health Services, Inc.*	300	33,525	ITC DeltaCom, Inc.*	2,000	10,781
		78,893	InterDigital Communication Corp.*	300	1,622
Medical Supply & Specialty 0.5%			Intermedia Communications, Inc.*	500	3,594
ArthroCare Corp.*	500	9,750	JDS Uniphase Corp.*	400	16,675
C.R. Bard, Inc.	1,400	65,187	Koninklijke Kpn N.V.	403	4,643
Cytac Corp.*	200	12,512	Level 3 Communications, Inc.*	200	6,562
Laboratory Corp. of America Holdings*	200	35,200	MRV Communications, Inc.*	300	4,012
Medtronic, Inc.	600	36,225	MasTec, Inc.*	150	3,000
NBTY, Inc.*	1,700	8,075	Nokia Oyj	2,000	89,314

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

	Shares	Value (\$)		Shares	Value (\$)
Nortel Networks Corp.	485	15,550	ING Groep N.V.	1,551	124,061
Oki Electric Industry Co.*	4,000	17,817	Jefferson Pilot Corp.	775	57,931
SBC Communications, Inc.	1,800	85,950	Muenchener Rueckversicherungs-		
Sirius Satellite Radio, Inc.*	200	5,988	Gesellschaft (Registered)	125	44,657
Tekelec*	200	6,000	Protective Life Corp.	1,200	38,700
Telecom Italia SpA	4,000	44,300	Skandia Forsakrings AB	1,600	26,020
Telefonica S.A.*	1,100	18,201	XL Capital Ltd. "A"	600	52,425
Verizon Communications, Inc.	1,100	55,138			815,928
Vodafone Group plc	39,600	145,263	Business Finance 0.2%		
WorldCom, Inc.*	1,700	23,800	Heller Financial, Inc.	1,800	55,237
Xircom, Inc.*	400	6,200	Mizuho Holdings, Inc.	2	12,367
		861,567			67,604
Miscellaneous 0.1%			Consumer Finance 0.8%		
Avaya, Inc.*	166	1,711	AmeriCredit Corp.*	1,100	29,975
C-Cube Microsystems, Inc.	300	3,693	Citigroup, Inc.	4,000	204,250
Emmis Communications "A"*	600	17,212	Promise Co., Ltd.	200	14,148
Metricom, Inc.*	200	2,012	Takefuji Corp.	200	12,576
Tollgrade Communications, Inc.*	300	10,950			260,949
VoiceStream Wireless Corp.*	52	5,233	Other Financial Companies 2.1%		
		40,811	ACOM Co., Ltd.	100	7,362
Financial 8.7%			Edwards (A.G.), Inc.	1,700	80,644
Banks 3.1%			Federal Home Loan Mortgage		
ABN AMRO Holding N.V.	10,800	245,921	Corp.	1,200	82,650
Bank United Corp.	200	13,638	Federal National Mortgage		
Bank of America Corp.	1,100	50,462	Association	1,600	138,800
Bank of Nova Scotia	2,500	71,952	GreenPoint Financial Corp.	1,600	65,500
Bank of Tokyo-Mitsubishi, Ltd.	3,000	29,790	HSBC Holdings plc	4,200	61,815
Banque Nationale de Paris	500	43,952	Halifax Group plc	1,700	16,854
Barclays plc	1,600	49,536	Legg Mason, Inc.	1,500	81,750
Chase Manhattan Corp.	1,500	68,156	Man (ED&F) Group plc	7,100	65,456
Christiania Bank og Kreditkasse	7,500	42,238	Morgan Stanley Dean Witter & Co.	900	71,325
Credit Suisse Group (Registered)	100	19,051	Nomura Securities Co., Ltd.	2,000	35,895
Dresdner Bank AG	900	39,176	USA Education, Inc.	800	54,400
FleetBoston Financial Corp.	2,000	75,125			762,451
Lloyds TSB Group plc	3,000	31,737	Real Estate 0.1%		
PNC Financial Services Group	500	36,531	Cheung Kong Holdings, Ltd.	2,000	25,578
Royal Bank of Scotland Group plc	900	21,274	Sun Hung Kai Properties, Ltd.	1,000	9,968
Sakura Bank, Ltd.	6,000	36,157			35,546
San Paolo — IMI SpA	1,900	30,760	Media 0.5%		
Societe Generale "A"	400	24,895	Broadcasting & Entertainment 0.2%		
Sumitomo Bank, Ltd.	1,000	10,245	British Sky Broadcasting Group plc*	1,200	20,100
UBS AG	225	36,765	Viacom, Inc. "B"*	434	20,290
UBS AG (Registered)	200	32,721	Walt Disney Co.	1,400	40,512
Wells Fargo & Co.	1,200	66,825			80,902
		1,076,907	Cable Television 0.2%		
Insurance 2.4%			ACTV, Inc.*	1,100	4,675
AMBAC Financial Group, Inc.	2,700	157,444	AT&T Corp. — Liberty Media Group* ..	2,200	29,838
AXA S.A.	315	45,607	Canal Plus S.A.	100	359
Allianz AG	300	113,015	Comcast Corp. "A"*	700	29,225
American General Corp.	600	48,900			64,097
Atena, Inc.	800	32,850	Print Media 0.0%		
Fidelity National Financial, Inc.	700	25,856	Softbank Corp.	300	10,402
First American Financial Co.	400	13,150			
Hartford Financial Services Group, Inc. .	500	35,312			

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

	Shares	Value (\$)		Shares	Value (\$)
Miscellaneous 0.1%					
Granada Compass plc	2,415	26,288	Toyota Motor Corp.	2,000	63,755
					191,541
Service Industries 1.5%			Construction/Agricultural Equipment 0.0%		
EDP Services 0.3%			Terex Corp.*	1,200	19,425
Affiliated Computer Services*	800	48,550	Telecommunications Equipment 0.2%		
First Data Corp.	1,400	73,762	Alcatel S.A.	500	28,440
VeriSign, Inc.*	100	7,419	Antec Corp.*	400	3,163
		129,731	Lucent Technologies, Inc.	2,000	27,000
Investment 0.3%			Scientific-Atlanta, Inc.	400	13,025
Bear Stearns Companies, Inc.	725	36,748			71,628
Charles Schwab Corp.	300	8,513	Manufacturing 3.9%		
Raymond James Financial, Inc.	1,500	52,313	Chemicals 0.6%		
Southwest Securities Group, Inc.	100	2,588	Akzo Nobel N.V.	1,000	53,777
		100,162	BASF AG	1,300	59,216
Miscellaneous Commercial Services 0.3%			BOC Group plc	2,600	39,510
Cap Gemini S.A.	200	32,304	Praxair, Inc.	1,300	57,688
Itochu Corp.*	8,000	37,170			210,191
Pacific Century CyberWorks, Ltd.*	14,000	8,975	Containers & Paper 0.4%		
Personnel Group of America, Inc.*	2,200	3,713	FPB Holding AG*	595	87,824
Siebel Systems, Inc.*	200	13,550	UPM-Kymmene Oyj	1,000	34,362
		95,712			122,186
Miscellaneous Consumer Services 0.4%			Diversified Manufacturing 1.9%		
DiamondCluster International, Inc.*	400	12,200	Briggs & Stratton Corp.	700	31,062
Navigant Consulting, Inc.*	3,100	11,819	Cooper Industries, Inc.	800	36,750
Profit Recovery Group International, Inc.*	700	4,463	General Electric Co.	5,700	273,244
TXU Corp.	1,000	44,313	Hillenbrand Industries, Inc.	1,200	61,800
United Utilities plc	3,200	31,797	Honeywell International, Inc.	1,500	70,969
Vivendi Universal S.A.	500	32,952	Hutchison Whampoa	5,200	64,836
Yahoo!, Inc.*	200	6,034	Man AG	400	10,154
		143,578	Siemens AG	250	32,729
Printing/Publishing 0.1%			Sulzer Brothers, Ltd. (Registered)	100	72,308
Mail-Well, Inc.*	3,100	13,369			653,852
Reuters Group plc	1,400	23,701	Electrical Products 0.0%		
		37,070	Anadigics, Inc.*	300	4,912
Miscellaneous 0.1%			Industrial Specialty 0.4%		
Metris Companies, Inc.	750	19,734	Carlisle Companies, Inc.	500	21,469
Startek, Inc.*	200	3,075	Corning, Inc.	600	31,688
		22,809	Kulicke & Soffa Industries, Inc.*	600	6,750
Durables 1.5%			QUALCOMM, Inc.*	500	41,094
Aerospace 0.7%			Sherwin-Williams Co.	1,200	31,575
Alliant Techsystems, Inc.*	1,050	70,087			132,576
Boeing Co.	700	46,200	Machinery/Components/Controls 0.5%		
Primex Technologies, Inc.	1,500	47,813	Asyst Technologies, Inc.*	200	2,688
United Technologies Corp.	1,100	86,488	Illinois Tool Works, Inc.	1,035	61,647
		250,588	Ingersoll-Rand Co.	1,200	50,250
Automobiles 0.6%			Okuma Corp.	6,000	18,917
Borg-Warner Automotive Inc.	840	33,600	Reliance Steel & Aluminum Co.	2,050	50,738
DaimlerChrysler AG	600	25,497			184,240
Honda Motor Co., Ltd.	1,000	37,205	Office Equipment/Supplies 0.1%		
Monaco Coach Corp.*	600	10,613	Olivetti SpA	3,800	9,092
Renault S.A.	400	20,871			

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

	Shares	Value (\$)		Shares	Value (\$)
United Stationers, Inc.*	500	12,000			
		<u>21,092</u>			
Wholesale Distributors 0.0%					
Insight Enterprises, Inc.*	450	8,072			
Miscellaneous 0.0%					
Cementir SpA Cementerie del Tirreno	2,600	3,703			
Technology 5.7%					
Computer Software 1.6%					
Actuate Corp.*	600	11,475			
Advanced Digital Information Corp.*	1,000	23,000			
Advent Software, Inc.*	500	20,031			
America Online, Inc.*	1,200	41,760			
Avant! Corp.*	1,500	27,469			
Brocade Communications Systems, Inc.*	200	18,363			
Clarent Corp.*	700	7,918			
Computer Associates International, Inc.	500	9,750			
Digital Island, Inc.*	700	2,844			
Documentum, Inc.*	400	19,875			
Hyperion Solutions Corp.*	200	3,087			
i2 Technologies, Inc.*	130	7,069			
Informatica Corp.*	400	15,825			
Micrel, Inc.*	300	10,106			
Microsoft Corp.*	1,900	82,650			
NetIQ Corp.*	400	34,950			
Netegrity, Inc.*	450	24,469			
Oracle Corp.*	2,600	75,563			
Remedy Corp.*	300	4,969			
Retek, Inc.*	248	6,045			
Reynolds and Reynolds Co.	500	10,125			
SAP AG — Vorzug	200	28,355			
Synopsys, Ltd.*	500	23,719			
THQ, Inc.*	350	8,531			
Verity, Inc.*	300	7,219			
WatchGuard Technologies, Inc.*	800	25,300			
		<u>550,467</u>			
Diverse Electronic Products 0.2%					
Applied Materials, Inc.*	600	22,913			
DSP Group, Inc.*	300	6,314			
Dell Computer Corp.*	1,300	22,668			
Motorola, Inc.	600	12,150			
		<u>64,045</u>			
EDP Peripherals 0.4%					
Ariba, Inc.*	200	10,750			
EMC Corp./MASS*	1,200	79,800			
Iomega Corp.*	1,800	6,066			
Network Appliance, Inc.*	200	12,847			
SCM Microsystems, Inc.*	100	3,300			
SONICblue Inc.*	2,400	9,900			
VERITAS Software Corp.*	250	21,875			
		<u>144,538</u>			
Electronic Components/Distributors 0.9%					
Altera Corp.*	400	10,525			
Analog Devices, Inc.*	200	10,237			
Anaren Microwave Inc.*	400	26,875			
Broadcom Corp. "A"*	100	8,450			
Cisco Systems, Inc.*	4,200	160,650			
Juniper Networks, Inc.*	200	25,212			
Kyocera Corp.	100	10,891			
PMC-Sierra, Inc.*	200	15,725			
Pioneer-Standard Electronics, Inc.	300	3,300			
SCI Systems, Inc.*	400	10,550			
Sawtek, Inc.*	300	13,856			
Technitrol, Inc.	400	16,450			
		<u>312,721</u>			
Electronic Data Processing 0.8%					
Apple Computer, Inc.*	400	5,950			
Compaq Computer Corp.	1,600	24,080			
Fujitsu, Ltd.	1,000	14,707			
Hewlett-Packard Co.	1,000	31,562			
International Business Machines Corp.	1,300	110,500			
MIPS Technologies, Inc. "A"*	600	16,013			
Sun Microsystems, Inc.*	2,000	55,750			
Webtrends Corp.*	600	17,363			
		<u>275,925</u>			
Military Electronics 0.5%					
Computer Sciences Corp.*	500	30,062			
General Dynamics Corp.	1,500	117,000			
Titan Corp.*	500	8,125			
		<u>155,187</u>			
Office/Plant Automation 0.0%					
3Com Corp.	300	2,550			
Cognex Corp.*	200	4,425			
Palm, Inc.*	444	12,571			
		<u>19,546</u>			
Precision Instruments 0.0%					
ADTRAN, Inc.*	300	6,375			
Coherent, Inc.*	300	9,750			
		<u>16,125</u>			
Semiconductors 1.2%					
Alpha Industries, Inc.*	100	3,700			
Cymer, Inc.*	300	7,720			
Cypress Semiconductor Corp.*	800	15,750			
Emcore Corp.*	400	18,800			
Integrated Silicon Solution*	1,400	20,125			
Intel Corp.	4,400	133,100			
International Rectifier Corp.*	200	6,000			
KEMET Corp.*	600	9,075			
Kopin Corp.*	400	4,425			
Lattice Semiconductor Corp.*	600	11,025			
Linear Technology Corp.	600	27,750			
Micron Technology, Inc.*	300	10,650			
Rohm Company Ltd.	100	18,952			
STMicroelectronics N.V.	1,200	52,460			
Texas Instruments, Inc.	1,000	47,375			

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

	Shares	Value (\$)		Shares	Value (\$)
Triquant Semiconductor, Inc.*	200	8,738	Fletcher Challenge Building Corp.	19,800	17,196
Xilinx, Inc.*	300	13,838	Florida Rock Industries, Inc.	600	23,475
		409,483	LaFarge Corp.	1,800	42,525
Miscellaneous 0.1%			Nippon Sheet Glass Co., Ltd.	1,000	12,175
Agilent Technologies, Inc.*	190	10,402	Sumitomo Osaka Cement Co., Ltd.	3,000	10,009
Entrada Networks, Inc.*	25	44	Taiheiyo Cement Corp.	20,000	34,236
Osicom Technologies, Inc.	100	1,606			178,096
Puma Technology, Inc.*	500	2,078	Building Products 0.1%		
Wabtec	1,782	20,939	Genlyte Group, Inc.*	700	16,625
XO Communications, Inc.*	257	4,578	Nortek, Inc.*	900	21,319
		39,647			37,944
Energy 1.9%			Homebuilding 0.1%		
Oil & Gas Production 0.7%			Standard Pacific Corp.	1,100	25,713
Cabot Oil & Gas Corp. "A"	1,700	53,019	Miscellaneous 0.1%		
Exxon Mobil Corp.	600	52,162	Quanta Services, Inc.*	200	6,438
Marine Drilling Companies, Inc.*	1,000	26,750	TODA Corp.	6,000	27,406
Repsol S.A.	2,470	39,523			33,844
Swift Energy Co.*	800	30,100	Transportation 0.3%		
Tosco Corp.	1,600	54,300	Marine Transportation 0.1%		
		255,854	Newport News Shipbuilding, Inc.	400	20,800
Oil Companies 0.4%			Railroads 0.1%		
ENI SpA	10,100	64,570	Trinity Industries, Inc.	1,990	49,750
Total Fina ELF S.A. "B"	500	74,460	Trucking 0.1%		
		139,030	Roadway Express, Inc.	1,300	27,544
Oil/Gas Transmission 0.3%			Utilities 1.5%		
Enron Corp.	400	33,250	Electric Utilities		
Questar Corp.	1,900	57,119	AES Corp.*	600	33,225
		90,369	Avista Corp.	1,000	20,500
Oilfield Services/Equipment 0.5%			Black Hills Corp.	700	31,325
BP Amoco plc	16,100	129,906	Calpine Corp.*	600	27,037
Key Energy Group, Inc.*	2,400	25,050	Chugoku Electric Power Co., Inc.	11,100	155,594
Patterson Energy, Inc.*	700	26,075	Electrabel NPV	200	45,278
		181,031	Endesa S.A.	900	15,357
Metals & Minerals 0.2%			Kyushu Electric Power Co.	6,400	89,544
Precious Metals 0.1%			OGE Energy Corp.	700	17,106
Stillwater Mining Co.*	400	15,740	Scottish Power plc	3,500	27,665
Sumitomo Metal Mining Co., Ltd.	4,000	20,891	Tokyo Electric Power Co.	1,700	42,092
		36,631			504,723
Steel & Metals 0.1%			Total Common Stocks (Cost \$14,816,587)		13,522,332
Nucor Corp.	1,000	39,688	Total Investment Portfolio — 100.0%		34,702,395
Construction 0.8%			(Cost \$35,969,886) (a)		
Building Materials 0.5%					
Centex Construction Products, Inc.	1,100	30,043			
Elcor Corp.	500	8,437			

Notes to Kemper Horizon 5 Portfolio of Investments

* Non-income producing security.

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

(a) The cost for federal income tax purposes was \$35,987,498. At December 31, 2000, net unrealized depreciation for all securities based on tax cost was \$1,285,103. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$2,049,378 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$3,334,481.

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

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

Financial Statements

Statement of Assets and Liabilities as of December 31, 2000

Assets

Investments in securities, at value (cost \$35,969,886)	\$ 34,702,395
Cash	999
Foreign currency, at value (cost \$31)	32
Dividends receivable	11,208
Interest receivable	403,583
Receivable for Portfolio shares sold	8,659
Foreign taxes recoverable	4,451
Total assets	35,131,327

Liabilities

Payable for Portfolio shares redeemed	14,240
Accrued management fee	18,830
Accrued Trustees' fees and expenses	1,972
Other accrued expenses and payables	13,763
Total liabilities	48,805

Net assets, at value	\$ 35,082,522
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Net Assets

Net assets consist of:	
Undistributed net investment income	1,358,904
Net unrealized appreciation (depreciation) on:	
Investments	(1,267,491)
Foreign currency related transactions	114
Accumulated net realized gain (loss)	8,099
Paid-in capital	34,982,896
Net assets, at value	\$ 35,082,522

Net Asset Value

Net Asset Value and redemption price per share ($\$35,082,522 \div 28,749,630$ outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 1.220
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The accompanying notes are an integral part of the financial statements.

Statement of Operations for the year ended December 31, 2000

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$14,137)	\$ 230,221
Interest	1,552,829
Total Income	<u>1,783,050</u>
Expenses:	
Management fee	232,138
Custodian fees	24,874
Auditing	8,433
Legal	2,252
Trustees' fees and expenses	1,935
Reports to shareholders	8,162
Registration fees	1,404
Other	4,006
Total expenses, before expense reductions	<u>283,204</u>
Expense reductions	(316)
Total expenses, after expense reductions	<u>282,888</u>
Net investment income (loss)	1,500,162

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	318,881
Foreign currency related transactions	(3,346)
	<u>315,535</u>
Net unrealized appreciation (depreciation) during the period on:	
Investments	(1,966,491)
Foreign currency related transactions	180
	<u>(1,966,311)</u>
Net gain (loss) on investment transactions	1,650,776
Net increase (decrease) in net assets resulting from operations	\$ (150,614)

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

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2000	1999
Operations:		
Net investment income (loss)	\$ 1,500,162	\$ 1,487,057
Net realized gain (loss) on investment transactions	315,535	1,507,499
Net unrealized appreciation (depreciation) on investment transactions during the period	(1,966,311)	(1,020,199)
Net increase (decrease) in net assets resulting from operations	(150,614)	1,974,357
Distributions to shareholders from:		
Net investment income	(1,519,440)	(861,073)
Net realized gains	(1,823,283)	—
Portfolio share transactions:		
Proceeds from shares sold	2,772,274	13,924,699
Reinvestment of distributions	3,342,723	861,073
Cost of shares redeemed	(10,169,289)	(6,010,248)
Net increase (decrease) in net assets from Portfolio share transactions	(4,054,292)	8,775,524
Increase (decrease) in net assets	(7,547,629)	9,888,808
Net assets at beginning of period	42,630,151	32,741,343
Net assets at end of period (including undistributed net investment income of \$1,358,904 and \$1,382,000, respectively)	\$ 35,082,522	\$ 42,630,151
Other Information		
Shares outstanding at beginning of period	31,962,639	25,088,000
Shares sold	2,215,247	10,839,923
Shares issued to shareholders in reinvestment of distributions	2,735,915	669,101
Shares redeemed	(8,164,171)	(4,634,385)
Net increase (decrease) in Portfolio shares	(3,213,009)	6,874,639
Shares outstanding at end of period	28,749,630	31,962,639

Financial Highlights

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

Years Ended December 31,	2000	1999	1998	1997	1996(a)
Net asset value, beginning of period	\$ 1.334	1.305	1.224	1.096	1.000
<i>Income (loss) from investment operations:</i>					
Net investment income (loss)	.048(b)	.050(b)	.028	.043	.023
Net realized and unrealized gain (loss) on investment transactions	(.052)	.009	.093	.095	.073
Total from investment operations	(.004)	.059	.121	.138	.096
<i>Less distributions from:</i>					
Net investment income	(.050)	(.030)	(.010)	(.010)	—
Net realized gains on investment transactions	(.060)	—	(.030)	—	—
Total distributions	(.110)	(.030)	(.040)	(.010)	—
Net asset value, end of period	\$ 1.220	1.334	1.305	1.224	1.096
Total Return (%)	(.28)	4.86	10.00	12.70	9.59**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	35	43	33	14	3
Ratio of expenses before expense reductions (%)	.73	.76	.66	.97	1.01*
Ratio of expenses after expense reductions (%)	.73	.76	.66	.97	.83*
Ratio of net investment income (loss) (%)	3.88	3.81	3.85	3.63	3.60*
Portfolio turnover rate (%)	60	33	42	89	13*

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

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

* Annualized

** Not annualized

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

Management Summary And Performance Update

December 31, 2000

Kemper Small Cap Growth Portfolio

After a spectacular 1999, fiscal 2000 was a letdown for small-cap growth investors. Beginning in mid-March, many small-cap technology stocks, particularly those tied to the Internet, began to struggle. As perceptions about U.S. interest rates and inflation shifted, unprofitable technology firms with lofty ideas but weak business plans lost support among investors. For many consumer-oriented dot-coms, their hour upon the market stage was over.

More damage occurred in the autumn, when high-profile technology firms reported earnings shortfalls, the U.S. economy's growth rate weakened and a credit crunch deepened in the telecom sector. The unmanaged Russell 2000 Growth Index fell 22.43% for the year while the unmanaged, large-cap dominated Nasdaq Composite Index plummeted 39.29%.

During fiscal year 2000, we tightened our focus on well-run companies with well-defined business plans, organizations that we believe can generate significant earnings. To meet the Kemper Small Cap Growth Portfolio's investment criteria, we insist that a company have sustainable and consistent earnings-growth potential for a two- to three-year horizon. We favor firms with dominant or increasing market positions, niche players and those with innovative products, services or distribution strategies.

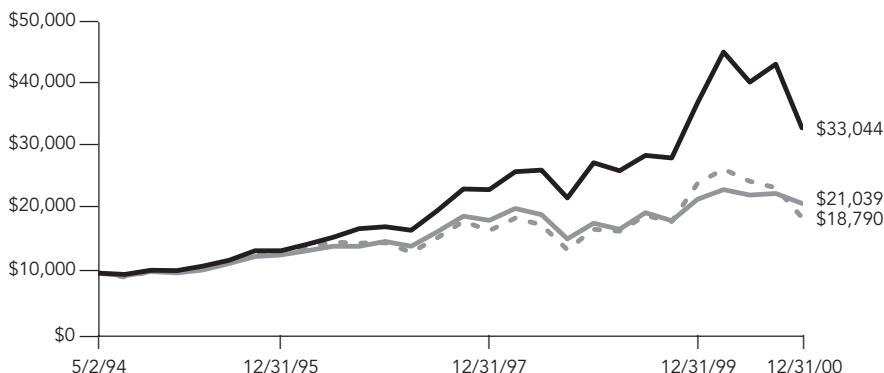
Fortunately, the cycle of Federal Reserve short-term interest-rate increases ended in May, and we believe a substantial cut in rates is likely in 2001. That may create a positive framework for small-company growth stocks even as the U.S. economy's expansion rate slows.

In the midst of an exceptionally weak market for small growth stocks, we preserved capital to a greater extent than similarly managed, growth-oriented portfolios. We achieved this by focusing on firms with proven business models, strong product profile and a visionary management team.

J.C. Cabrera
Lead Portfolio Manager

Growth of an assumed \$10,000 investment in Kemper Small Cap Growth Portfolio from 5/2/1994 to 12/31/2000

— Kemper Small Cap Growth Portfolio
— Russell 2000 Index
- - - Russell 2000 Growth Index



The Russell 2000 Index is a capitalization weighted price-only index which is composed of 2,000 of the smallest stocks (on the basis of capitalization) in the Russell 3000 Index. The largest company in the index has an approximate market capitalization of \$591 million. The Russell 2000 Growth Index is an unmanaged index (with no defined investment objective) of those securities in the Russell 2000 Growth Index with a greater-than-average growth orientation. It includes reinvestment of dividends and is compiled by the Frank Russell Company.

Average Annual Total Returns¹

For the periods ended December 31, 2000	1-year	5-year	Life of portfolio
Kemper Small Cap Growth Portfolio	-10.71%	19.57%	19.65% (Since 5/2/1994)

¹ Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details. Investments by the portfolio in small-cap companies present greater risk of loss than investments in larger, more established companies. Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

Kemper Small Cap Growth Portfolio

	Principal Amount (\$)	Value (\$)		Shares	Value (\$)
Repurchase Agreements 1.3%					
State Street Bank and Trust Company, 5.95%, to be repurchased at \$3,824,527 on 1/2/2001** (Cost \$3,822,000)	3,822,000	3,822,000			
Commercial Paper 6.5%					
Countrywide Home Loans, 6.7%***, 1/2/2001	13,000,000	12,997,617			
Goldman Sachs & Co., 6.55%***, 1/9/2001	7,000,000	6,989,811			
Total Commercial Paper (Cost \$19,987,428)		19,987,428			
Corporate Bonds 0.2%					
Cyras Systems, Inc., 4.5%, 8/15/2005 (Cost \$523,400)	500,000	585,000			
			Shares		
Preferred Stocks 2.4%					
Health 0.9%					
Pharmaceuticals					
Biovail Corp.	40,000	2,860,000			
Communications 0.6%					
Miscellaneous					
Convergent Networks, Inc.	113,149	1,849,986			
Technology 0.7%					
Computer Software					
fusionOne	230,203	1,250,002			
Planetweb	137,868	750,002			
		2,000,004			
Miscellaneous 0.2%					
Miscellaneous					
Applianceware L.P.	218,659	750,000			
Total Preferred Stocks (Cost \$6,599,990)		7,459,990			
Common Stocks 89.6%					
Consumer Discretionary 1.2%					
Apparel & Shoes 0.7%					
Jones Apparel Group, Inc.*	31,700	1,020,344			
Tommy Hilfiger Corp.*	107,400	1,053,863			
		2,074,207			
Recreational Products 0.1%					
The 3DO Co.*			143,700		377,213
Specialty Retail 0.4%					
Cost Plus, Inc.*			43,750		1,285,156
Consumer Staples 0.2%					
Consumer Specialties					
Valence Technology, Inc.*			62,000		577,375
Health 16.0%					
Biotechnology 4.7%					
BioChem Pharma, Inc.*			93,800		3,001,600
Enzon, Inc.*			22,300		1,383,994
IDEC Pharmaceuticals Corp.*			6,600		1,251,112
Invitrogen Corp.*			99,500		8,594,312
					14,231,018
Medical Supply & Specialty 0.5%					
Novoste Corp.*			54,700		1,504,250
Pharmaceuticals 10.3%					
Biovail Corp.*			261,400		10,152,776
COR Therapeutics, Inc.*			67,500		2,375,156
CV Therapeutics, Inc.*			70,900		5,016,175
Cubist Pharmaceuticals, Inc.*			66,200		1,919,800
Intermune Pharmaceuticals Inc.*			57,100		2,548,087
Medicines Co.*			76,500		1,568,250
NPS Pharmaceuticals, Inc.*			123,374		5,921,952
Praecis Pharmaceutical Inc.*			65,700		1,921,725
					31,423,921
Miscellaneous 0.5%					
Genecor International, Inc.*			92,700		1,668,600
Communications 1.5%					
Cellular Telephone 0.7%					
Research in Motion Ltd.*			25,500		2,047,135
Telephone/Communications 0.8%					
Time Warner Telecom, Inc. "A"*			39,900		2,531,156
Financial 2.0%					
Banks 1.2%					
Bank United Corp.			31,200		2,127,450
Texas Regional Bancshares, Inc.			43,120		1,401,400
					3,528,850
Business Finance 0.8%					
Heller Financial, Inc.			84,900		2,605,369
Media 1.2%					
Broadcasting & Entertainment 0.5%					
Regent Communications, Inc.*			268,400		1,593,625

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

	Shares	Value (\$)		Shares	Value (\$)
Miscellaneous 0.7%					
Entravision Communications Corp. "A"*	116,700	2,144,362	SynQuest, Inc.*	130,200	960,225
Service Industries 3.8%					
EDP Services 2.4%					
ChoicePoint, Inc.*	40,100	2,629,056	Tumbleweed Communications*	143,600	2,456,906
Micromuse, Inc.*	79,800	4,816,678	Verity, Inc.*	163,800	3,941,438
		7,445,734	Vignette Corp.*	116,800	2,102,400
Miscellaneous Commercial Services 0.1%					
AnswerThink, Inc.*	61,400	222,575	WatchGuard Technologies, Inc.*	175,600	5,553,350
Miscellaneous Consumer Services 0.6%					83,559,223
Exult, Inc.*	135,700	1,798,025	Diverse Electronic Products 0.4%		
Miscellaneous 0.7%					
Ogden Corp.*	139,600	2,146,350	Foundry Networks, Inc.*	74,400	1,116,000
Manufacturing 1.3%					
Electrical Products 0.2%					
Nanometrics, Inc.*	49,600	685,100	EDP Peripherals 2.4%		
Industrial Specialty 0.5%					
Electro Scientific Industries, Inc.*	51,800	1,450,400	Mercury Interactive Corp.*	61,400	5,541,350
Machinery/Components/Controls 0.6%					
Brooks Automation, Inc.*	66,300	1,860,544	Symbol Technologies, Inc.	49,900	1,796,400
Technology 45.0%					7,337,750
Computer Software 27.3%					
BEA Systems, Inc.*	169,200	11,389,275	Electronic Components/Distributors 3.2%		
Blue Martini Software, Inc.*	81,900	1,085,175	Applied Micro Circuits Corp.*	104,100	7,812,380
Business Objects, S.A. (ADR)*	51,400	2,910,525	Bookham Technology plc (ADR)*	50,100	657,562
Centillum Communications, Inc.*	75,700	1,684,325	Jabil Circuit, Inc.*	14,600	370,475
Comverse Technology, Inc.*	29,400	3,193,575	Luminent, Inc.*	137,200	825,344
Corillian Corp.*	117,700	1,412,400			9,665,761
Descartes Systems Group, Inc.*	136,100	3,266,400	Electronic Data Processing 0.9%		
Entrust Technologies, Inc.*	89,600	1,164,800	Webtrends Corp.*	98,400	2,847,450
Extreme Networks, Inc.*	74,700	2,922,637	Office/Plant Automation 0.3%		
Globix Corp.*	157,900	434,225	3Com Corp.	95,200	809,200
Hyperion Solutions Corp.*	99,900	1,542,206	Precision Instruments 4.0%		
IONA Technologies plc (ADR)*	57,500	3,852,500	Coherent, Inc.*	89,400	2,905,500
IntraNet Solutions, Inc.*	118,200	6,028,200	Finisar Corp.*	212,400	6,159,600
MatrixOne, Inc.*	159,100	2,893,631	Molecular Devices Corp.*	45,400	3,107,062
McData Corp.*	76,500	4,188,375			12,172,162
NetIQ Corp.*	54,900	4,796,888	Semiconductors 6.1%		
Netegrity, Inc.*	109,450	5,951,344	Conexant Systems, Inc.*	45,000	691,875
Openwave Systems Inc.*	21,097	1,011,337	DuPont Photomasks, Inc.*	38,600	2,039,769
Packeteer, Inc.*	185,271	2,292,729	Emcore Corp.*	66,800	3,139,600
Parametric Technology Corp.*	269,700	3,624,094	Emulex Corp.*	44,900	3,589,194
Precise Software Solutions Ltd.*	60,600	1,499,850	Fairchild Semiconductor Corp.*	74,100	1,069,819
Preview Systems, Inc.*	162,100	506,563	Mattson Technology, Inc.*	108,700	1,120,969
Resonate, Inc.*	49,800	473,100	QLogic Corp.*	72,700	5,597,900
Sanchez Computer Associates, Inc.*	51,000	420,750	Transwitch Corp.*	36,400	1,424,150
					18,673,276
Miscellaneous 0.4%					
			DMC Stratex Networks, Inc.*	82,265	1,233,975
Energy 15.2%					
Oil & Gas Production 8.1%					
			3TEC Energy Corp.*	120,300	2,135,325
			Cabot Oil & Gas Corp. "A"	101,800	3,174,887
			Chieftain International, Inc.*	46,600	1,287,325
			Cross Timbers Oil Co.	166,650	4,624,537
			Devon Energy Corp.	29,400	1,792,518
			Ocean Energy, Inc.	163,500	2,840,813
			Patina Oil & Gas Corp.	134,800	3,235,200
			Plains Resources, Inc.*	139,300	2,942,713
			Talisman Energy, Inc.*	68,500	2,539,657
					24,572,975

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

	Shares	Value (\$)		Shares	Value (\$)
Oil Companies 1.2%			Utilities 0.5%		
Louis Dreyfus Natural Gas Corp.*	77,100	3,532,144	Electric Utilities		
Oil/Gas Transmission 1.6%			Orion Power Holdings, Inc.*		
Western Gas Resources, Inc.	147,500	4,968,906	58,100	1,430,713	
Oilfield Services/Equipment 4.3%			Miscellaneous 0.8%		
Miscellaneous			RenaissanceRe Holdings Ltd.		
BJ Services Co.*	19,500	1,343,062	31,200	2,443,350	
Cal Dive International, Inc.*	98,800	2,630,550	Total Common Stocks (Cost \$257,414,542)		
ENSCO International, Inc.	64,100	2,183,406	273,471,412		
National-Oilwell, Inc.*	48,900	1,891,819	Total Investment Portfolio — 100.0%		
Newpark Resources, Inc.*	305,300	2,919,431	(Cost \$288,347,360) (a)		
Precision Drilling Corp. "A"*	60,500	2,272,531	305,325,830		
		13,240,799			
Metals & Minerals 0.9%					
Steel & Metals					
Precision Castparts Corp.	63,400	2,666,763			

Notes to Kemper Small Cap Growth Portfolio of Investments

* Non-income producing security.

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

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

(a) The cost for federal income tax purposes was \$289,841,411. At December 31, 2000, net unrealized appreciation for all securities based on tax cost was \$15,484,419. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$76,480,198 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$60,995,779.

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

Financial Statements

Statement of Assets and Liabilities as of December 31, 2000

Assets

Investments in securities, at value (cost \$288,347,360)	\$ 305,325,830
Receivable for investments sold	20,453
Dividends receivable	16,823
Interest receivable	10,208
Receivable for Portfolio shares sold	117,780
Other assets	1,000
Total assets	305,492,094

Liabilities

Due to custodian bank	2,337
Payable for Portfolio shares redeemed	4,171,890
Accrued management fee	174,747
Accrued Trustees' fees and expenses	30,333
Other accrued expenses and payables	86,548
Total liabilities	4,465,855

Net assets, at value **\$ 301,026,239**

Net Assets

Net assets consist of:	
Net unrealized appreciation (depreciation) on investments	16,978,470
Accumulated net realized gain (loss)	15,863,272
Paid-in capital	268,184,497

Net assets, at value **\$ 301,026,239**

Net Asset Value

Net Asset Value and redemption price per share ($\$301,026,239 \div 139,081,779$ outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized) **\$ 2.164**

Statement of Operations for the year ended December 31, 2000

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$5,063)	\$ 359,569
Interest	882,344
Total Income	1,241,913
Expenses:	
Management fee	2,124,015
Custodian fees	15,510
Auditing	72,815
Legal	18,184
Trustees' fees and expenses	44,765
Reports to shareholders	49,242
Registration fees	16,010
Other	18,199
Total expenses, before expense reductions	2,358,740
Expense reductions	(14,360)
Total expenses, after expense reductions	2,344,380
Net investment income (loss)	(1,102,467)

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from	
Investments	17,861,810
Foreign currency related transactions	(76,396)
	17,785,414
Net unrealized appreciation (depreciation) during the period on investments	(61,612,670)
Net gain (loss) on investment transactions	(43,827,256)

Net increase (decrease) in net assets resulting from operations **\$ (44,929,723)**

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

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2000	1999
Operations:		
Net investment income (loss)	\$ (1,102,467)	\$ (602,400)
Net realized gain (loss) on investment transactions	17,785,414	31,366,734
Net unrealized appreciation (depreciation) on investment transactions during the period	(61,612,670)	36,188,607
Net increase (decrease) in net assets resulting from operations	(44,929,723)	66,952,941
Distributions to shareholders from:		
Net realized gains	(30,002,611)	—
Portfolio share transactions:		
Proceeds from shares sold	245,915,262	38,056,731
Reinvestment of distributions	30,002,611	—
Cost of shares redeemed	(164,561,314)	(48,742,329)
Net increase (decrease) in net assets from Portfolio share transactions	111,356,559	(10,685,598)
Increase (decrease) in net assets	36,424,225	56,267,343
Net assets at beginning of period	264,602,014	208,334,671
Net assets at end of period	\$ 301,026,239	\$ 264,602,014
Other Information		
Shares outstanding at beginning of period	99,700,599	105,692,352
Shares sold	93,861,324	18,715,517
Shares issued to shareholders in reinvestment of distributions	10,164,156	—
Shares redeemed	(64,644,300)	(24,707,270)
Net increase (decrease) in Portfolio shares	39,381,180	(5,991,753)
Shares outstanding at end of period	139,081,779	99,700,599

Financial Highlights

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

Years Ended December 31,	2000	1999	1998	1997	1996
Net asset value, beginning of period	\$ 2.654	1.971	1.969	1.677	1.346
<i>Income (loss) from investment operations:</i>					
Net investment income (loss)	(.009)(a)	(.006)(a)	—	.004	.002
Net realized and unrealized gain (loss) on investment transactions	(.201)	.689	.342	.488	.369
Total from investment operations	(.210)	.683	.342	.492	.371
<i>Less distributions from:</i>					
Net investment income	—	—	—	(.010)	—
Net realized gains on investment transactions	(.280)	—	(.340)	(.190)	(.040)
Total distributions	(.280)	—	(.340)	(.200)	(.040)
Net asset value, end of period	\$ 2.164	2.654	1.971	1.969	1.677
Total Return (%)	(10.71)	34.56	18.37	34.20	28.04
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period (\$ millions)	301	264	208	137	69
Ratio of expenses before expense reductions (%)	.72	.71	.70	.71	.75
Ratio of expenses after expense reductions (%)	.72	.71	.70	.71	.75
Ratio of net investment income (loss) (%)	(.34)	(.30)	(.01)	.20	.15
Portfolio turnover rate (%)	124	208	276	330	156

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

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

Management Summary And Performance Update

December 31, 2000

Kemper Technology Growth Portfolio

Beginning in March, the Kemper Technology Growth Portfolio faced a period of exceptional volatility as the technology stock-heavy Nasdaq Composite Index finished its worst calendar year ever, dropping 39.29%. Weak earnings reports from many large-cap companies and a realization that the U.S. was slowing down at a faster pace than expected generated a selling frenzy that sharply reduced projected growth rates and price/earnings ratios.

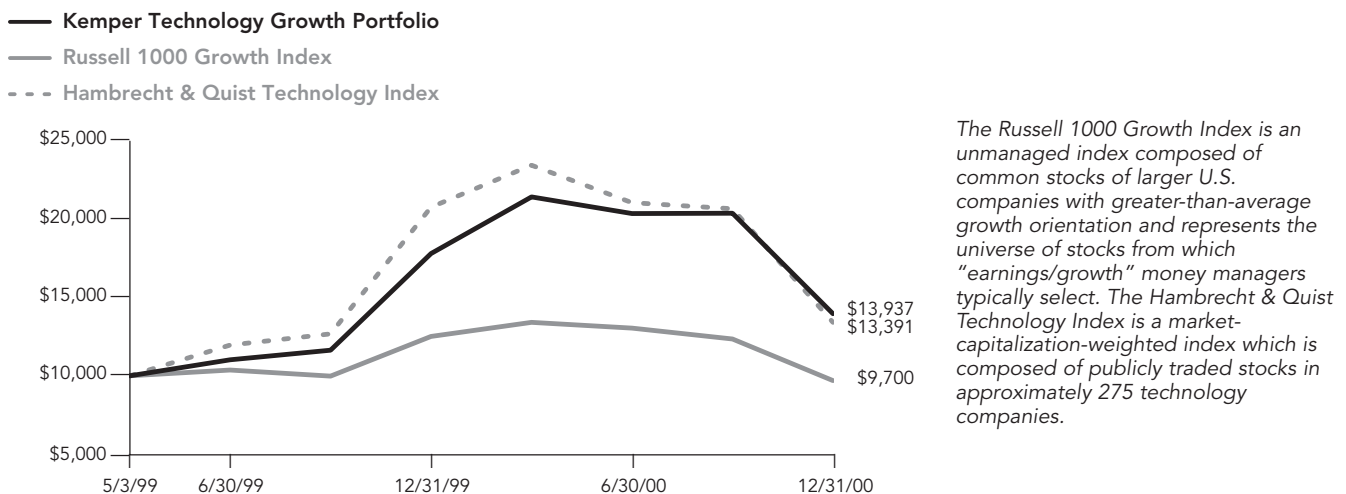
The fourth quarter was especially nasty. Most computer networking, software and semiconductor stocks were down more than 30% in November, leaving little room for technology sector investors to hide. December was only marginally better, with computer hardware and peripherals taking the heaviest negative hits.

One measure of how far technology fell during the past year is that between June 30 and December 31, technology stocks as a proportion of all stocks in the unmanaged S&P 500 Index fell from 34% to 22%. Still, technology represents the largest sector within the index and an area where many companies still offer exciting long-term domestic and global growth prospects.

We intend to focus on large market cap companies and businesses exhibiting consistent earnings growth until we see a clear change in the earnings environment. Longer term, we remain positive on selected technology stocks with good business models and an ability to execute their growth plans.

Robert L. Horton
Lead Portfolio Manager

Growth of an assumed \$10,000 investment in Kemper Technology Growth Portfolio from 5/3/1999 to 12/31/2000



Average Annual Total Return¹

For the periods ended December 31, 2000	1-year	Life of portfolio	
Kemper Technology Growth Portfolio	-21.57%	22.15%	(Since 5/3/1999)

¹ Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details. Concentration of the portfolio's investment in technology stocks may present a greater risk than investments in a more diversified fund. Investments by the portfolio in emerging technology companies presents greater risk than investments in more established companies. Investments by the portfolio in small companies present greater risk of loss than investments in larger, more established companies. Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

Kemper Technology Growth Portfolio

	Principal Amount (\$)	Value (\$)	Shares	Value (\$)
Repurchase Agreements 0.5%				
State Street Bank and Trust Company, 5.95%, to be repurchased at \$1,220,807 on 1/2/2001** (Cost \$1,220,000)	1,220,000	1,220,000		
Short-Term Obligations 17.4%				
Federal Home Loan Bank:				
6.21%***, 1/2/2001	1,500,000	1,499,741		
6.28%***, 1/3/2001	6,000,000	5,997,907		
6.16%***, 1/8/2001	13,000,000	12,984,429		
6.21%***, 1/22/2001	15,000,000	14,945,663		
Federal Home Loan Mortgage Corp., 5.75% with various maturities to 1/5/2001	7,000,000	6,995,528		
Federal National Mortgage Association, 6.41% with various maturities to 1/12/2001	4,000,000	3,992,398		
Total Short-Term Obligations (Cost \$46,415,666)		46,415,666		
			Shares	
Common Stocks 82.1%				
Health 0.1%				
Biotechnology				
Diversa Corp.*	7,600	136,325		
Communications 3.3%				
Cellular Telephone 2.5%				
Nokia Oyj (ADR)	153,600	6,681,600		
Telephone/Communications 0.8%				
JDS Uniphase Corp.*	42,000	1,750,875		
Nortel Networks Corp.	10,000	320,625		
		2,071,500		
Service Industries 6.1%				
EDP Services 2.7%				
Automatic Data Processing, Inc.	58,900	3,729,106		
Electronic Data Systems Corp.	15,100	872,025		
First Data Corp.	49,400	2,602,762		
		7,203,893		
Miscellaneous Commercial Services 2.5%				
Internap Network Services Corp.*	8,200	59,450		
Paychex, Inc.	33,600	1,633,800		
Redback Networks, Inc.*	22,300	914,300		
Siebel Systems, Inc.*	62,000	4,192,750		
		6,800,300		
Miscellaneous Consumer Services 0.9%				
eBay, Inc.*	55,200	1,821,600		
Yahoo!, Inc.*	18,000	543,094		
		2,364,694		
Durables 5.1%				
Telecommunications Equipment				
Ciena Corp.*	38,800	3,150,075		
Lucent Technologies, Inc.	244,900	3,306,150		
Tellabs, Inc.*	124,800	7,051,200		
		13,507,425		
Manufacturing 2.7%				
Electrical Products 0.3%				
Amphenol Corp. "A"	20,900	819,019		
Industrial Specialty 2.4%				
Corning, Inc.	60,600	3,200,437		
QUALCOMM Inc.*	40,000	3,287,500		
		6,487,937		
Technology 64.8%				
Computer Software 19.4%				
Adobe Systems, Inc.	30,500	1,774,719		
America Online, Inc.*	150,200	5,226,960		
BEA Systems, Inc.*	73,300	4,934,006		
Brocade Communications Systems, Inc.*	59,800	5,490,387		
Check Point Software Technologies, Ltd.*	30,000	4,006,875		
Computer Associates International, Inc.	82,000	1,599,000		
Comverse Technology, Inc.*	38,300	4,160,337		
Electronic Arts, Inc.*	45,500	1,939,437		
i2 Technologies, Inc.*	44,000	2,392,500		
Intuit, Inc.*	92,025	3,629,236		
Microsoft Corp.*	172,660	7,489,127		
Oracle Corp.*	123,000	3,574,688		
PeopleSoft, Inc.*	50,000	1,859,375		
Rational Software Corp.*	64,100	2,495,894		
Sycamore Networks, Inc.*	30,100	1,121,225		
		51,693,766		
Diverse Electronic Products 5.1%				
Applied Materials, Inc.*	10,178	3,886,647		
Dell Computer Corp.*	212,675	3,708,520		
Motorola, Inc.	177,420	3,592,755		
Teradyne, Inc.*	62,000	2,309,500		
		13,497,422		
EDP Peripherals 5.1%				
EMC Corp.*	99,600	6,623,400		
Mercury Interactive Corp.*	34,400	3,104,600		
VERITAS Software Corp.*	42,915	3,755,063		
		13,483,063		
Electronic Components/Distributors 10.0%				
Analog Devices, Inc.*	65,000	3,327,188		
Applied Micro Circuits Corp.*	26,700	2,003,752		

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

	Shares	Value (\$)		Shares	Value (\$)
Cisco Systems, Inc.*	229,000	8,759,250	Semiconductors 14.9%		
Gateway, Inc.*	136,900	2,462,831	Intel Corp.	269,200	8,092,825
Juniper Networks, Inc.*	54,000	6,807,375	KLA Tencor Corp.*	131,700	4,436,644
Molex Inc. "A"	68,237	1,735,779	Linear Technology Corp.	68,300	3,158,875
PMC-Sierra, Inc.*	19,000	1,493,875	Maxim Integrated Products Inc.*	49,700	2,376,281
		<u>26,590,050</u>	Micron Technology, Inc.*	18,000	639,000
Electronic Data Processing 8.4%			SDL, Inc.*	10,000	1,481,875
Compaq Computer Corp.	236,700	3,562,335	STMicroelectronics N.V.	186,800	7,997,375
Hewlett-Packard Co.	147,600	4,658,625	Sanmina Corp.*	22,700	1,739,388
International Business Machines Corp.	99,400	8,449,000	Texas Instruments, Inc.	106,744	5,056,997
Sun Microsystems, Inc.*	205,048	5,715,713	Vitesse Semiconductor Corp.*	33,300	1,841,906
		<u>22,385,673</u>	Xilinx, Inc.*	62,000	2,859,750
Military Electronics 0.5%					<u>39,680,916</u>
Computer Sciences Corp.*	23,400	1,406,925	Miscellaneous 0.9%		
Office/Plant Automation 0.5%			Quantum Corp. — DLT & Storage		
Palm, Inc.*	51,700	1,463,756	Systems*	173,300	2,307,056
			Total Common Stocks (Cost \$255,001,928)		218,581,320
			Total Investment Portfolio — 100.0%		
			(Cost \$302,637,594) (a)		266,216,986

Notes to Kemper Technology Growth Portfolio of Investments

* Non-income producing security.

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

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

(a) The cost for federal income tax purposes was \$303,679,495. At December 31, 2000, net unrealized depreciation for all securities based on tax cost was \$37,462,509. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$15,081,510 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$52,544,019.

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

Financial Statements

Statement of Assets and Liabilities as of December 31, 2000

Assets

Investments in securities, at value (cost \$302,637,594)	\$ 266,216,986
Cash	774
Receivable for investments sold	6,778,936
Dividends receivable	29,458
Interest receivable	605
Receivable for Portfolio shares sold	401,286
Total assets	273,428,045

Liabilities

Payable for investments purchased	3,501,619
Payable for Portfolio shares redeemed	76
Accrued management fee	168,855
Accrued Trustees' fees and expenses	12,970
Other accrued expenses and payables	69,283
Total liabilities	3,752,803

Net assets, at value \$ 269,675,242

Net Assets

Net assets consist of:	
Undistributed net investment income	382,103
Net unrealized appreciation (depreciation) on investments	(36,420,608)
Accumulated net realized gain (loss)	(42,846,863)
Paid-in capital	348,560,610

Net assets, at value \$ 269,675,242

Net Asset Value

Net Asset Value and redemption price per share (\$269,675,242 ÷ 194,420,698 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized) \$ 1.387

Statement of Operations for the year ended December 31, 2000

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$1,158)	\$ 124,964
Interest	2,230,483
Total Income	2,355,447
Expenses:	
Management fee	1,713,634
Custodian and accounting fees	60,977
Auditing	27,990
Legal	10,126
Trustees' fees and expenses	33,005
Reports to shareholders	30,889
Other	11,375
Total expenses, before expense reductions	1,887,996
Expense reductions	(10,715)
Total expenses, after expense reductions	1,877,281
Net investment income (loss)	478,166

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from investments	(42,846,863)
Net unrealized appreciation (depreciation) during the period on investments	(56,318,845)
Net gain (loss) on investment transactions	(99,165,708)

Net increase (decrease) in net assets resulting from operations \$ (98,687,542)

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

Statements of Changes in Net Assets

	Year Ended December 31, 2000	For the Period May 1, 1999 (commencement of operations) to December 31, 1999
Increase (Decrease) in Net Assets		
Operations:		
Net investment income (loss)	\$ 478,166	\$ 83,898
Net realized gain (loss) on investment transactions	(42,846,863)	693,828
Net unrealized appreciation (depreciation) on investment transactions during the period	(56,318,845)	19,898,237
Net increase (decrease) in net assets resulting from operations	(98,687,542)	20,675,963
Distributions to shareholders from net realized gains	(873,790)	—
Portfolio share transactions:		
Proceeds from shares sold	296,670,353	63,796,809
Reinvestment of distributions	873,790	—
Cost of shares redeemed	(12,516,859)	(1,763,482)
Net increase (decrease) in net assets from Portfolio share transactions	285,027,284	62,033,327
Increase (decrease) in net assets	185,465,952	82,709,290
Net assets at beginning of period	84,209,290	1,500,000
Net assets at end of period (including undistributed net investment income of \$382,103 and \$82,898, respectively)	\$ 269,675,242	\$ 84,209,290
Other Information		
Shares outstanding at beginning of period	47,388,450	1,500,000
Shares sold	153,972,681	47,160,499
Shares issued to shareholders in reinvestment of distributions	411,089	—
Shares redeemed	(7,351,522)	(1,272,049)
Net increase (decrease) in Portfolio shares	147,032,248	45,888,450
Shares outstanding at end of period	194,420,698	47,388,450

Financial Highlights

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

Periods Ended December 31,	2000	1999(a)
Net asset value, beginning of period	\$ 1.777	1.000
<i>Income (loss) from investment operations:</i>		
Net investment income (loss) (b)	.004	.005
Net realized and unrealized gain (loss) on investment transactions	(.384)	.772
Total from investment operations	(.380)	.777
<i>Less distributions from:</i>		
Net realized gains on investment transactions	(.010)	—
Total distributions	(.010)	—
Net asset value, end of period	\$ 1.387	1.777
Total Return (%)	(21.57)	77.70**
Ratios to Average Net Assets and Supplemental Data		
Net assets, end of period (\$ millions)	270	84
Ratio of expenses before expense reductions (%)	.82	1.19*
Ratio of expenses after expense reductions (%)	.82	.94*
Ratio of net investment income (loss) (%)	.21	.60*
Portfolio turnover rate (%)	107	34*

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

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

* Annualized

** Not annualized

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

Management Summary And Performance Update

December 31, 2000

Kemper Value+Growth Portfolio

Although the Kemper Value+Growth Portfolio lost some ground, it weathered the volatile market much better than its benchmark, the Standard & Poor's 500 Stock Index. Growth stocks (specifically technology stocks) posted phenomenal returns in late 1999 and early 2000. The tide shifted in mid-2000 and growth took a backseat to value stocks. When growth outperformed we emphasized those stocks a bit more, but didn't dramatically reduce our value holdings. As value came back into favor, the portfolio was poised to benefit and we gradually shifted our emphasis to value, while still maintaining a meaningful commitment to growth stocks. This balance helped us manage risk and kept the portfolio from falling behind when one style gripped the market.

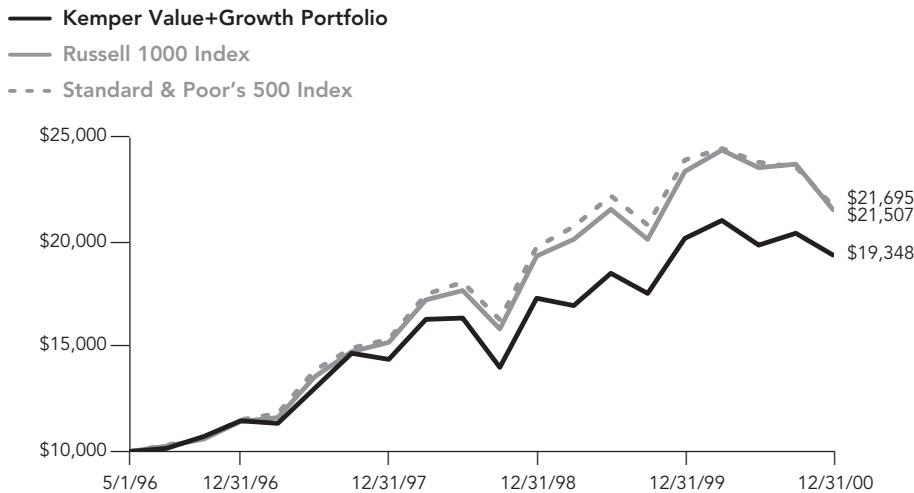
Despite their recent pullbacks, many of the biggest contributors were technology stocks. Leading the way were a group of data storage and software stocks including EMC, Oracle, Seagate and Network Appliance. Other non-technology contributors included Boeing, Peco Energy (now Exelon) and Cigna.

Technology names were also some of the biggest disappointments. Every technology stock was hurt when the sector stumbled last spring. However, several holdings — Microsoft, Computer Associates and Dell Computer — declined further due to more specific issues. Select stocks in the portfolio's telecommunications and financial sectors also hindered performance.

We expect that market volatility will continue. Although growth stocks have come down in price, there is still a great discrepancy in their valuations versus growth stocks. We will maintain the portfolio's value emphasis until we see more appreciation in the lower P/E stocks.

Donald E. Hall
Lead Portfolio Manager

Growth of an assumed \$10,000 investment in Kemper Value+Growth Portfolio from 5/1/1996 to 12/31/2000



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 U.S. This larger capitalization, market-oriented index is highly correlated with the S&P 500 Stock Index. The Standard & Poor's 500 Stock Index is an unmanaged index generally representative of the U.S. stock market.

Average Annual Total Return¹

For the periods ended December 31, 2000	1-year	Life of portfolio
Kemper Value+Growth Portfolio	-3.90%	15.21% (Since 5/1/1996)

¹ Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details. Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

KVS Value+Growth Portfolio

	Principal Amount (\$)	Value (\$)		Shares	Value (\$)
Repurchase Agreements 0.1%					
State Street Bank and Trust Company, 5.95%, to be repurchased at \$218,144 on 1/2/2001** (Cost \$218,000)	218,000	218,000			
Commercial Paper 9.8%					
Countrywide Home Loans, 6.7%***, 1/2/2001	1,700,000	1,699,684			
FCAR Owner Trust: 6.52%***, 1/3/2001	1,400,000	1,399,493			
6.52%***, 1/9/2001	2,000,000	1,997,102			
Ford Motor Credit Corp., 6.5%***, 1/4/2001	2,500,000	2,498,646			
General Electric Capital Corp., 6.54%***, 1/10/2001	2,000,000	1,996,730			
General Motors Corp., 6.5%***, 1/5/2001	2,500,000	2,498,194			
Salomon Smith Barney Holdings, 6.54%***, 1/8/2001	1,500,000	1,498,093			
UBS Finance, Inc., 6%***, 1/2/2001	1,500,000	1,499,750			
Total Commercial Paper (Cost \$15,087,692)		15,087,692			
			Shares		
Common Stocks 90.1%					
Consumer Discretionary 2.2%					
Department & Chain Stores					
Home Depot, Inc.	24,950	1,139,903			
Lowe's Companies, Inc.	7,500	333,750			
Wal-Mart Stores, Inc.	35,400	1,880,625			
		3,354,278			
Consumer Staples 2.9%					
Alcohol & Tobacco 0.6%					
Anheuser-Busch Companies, Inc.	11,800	536,900			
UST, Inc.	15,400	432,163			
		969,063			
Food & Beverage 1.2%					
Coca-Cola Co.	8,900	542,344			
Kroger Co.*	20,700	560,194			
PepsiCo, Inc.	15,000	743,438			
		1,845,976			
Package Goods/Cosmetics 1.1%					
Kimberly-Clark Corp.	15,000	1,060,350			
Procter & Gamble Co.	8,100	635,344			
		1,695,694			
Health 9.4%					
Biotechnology 0.6%					
Amgen Inc.*	14,400	920,700			
Hospital Management 2.1%					
HCA-The Healthcare Corporation	18,100	796,581			
Tenet Healthcare Corp.	29,300	1,302,019			
UnitedHealth Group Inc.	17,600	1,080,200			
		3,178,800			
Medical Supply & Specialty 0.7%					
Applera Corp. — Applied Biosystems Group	4,100	385,656			
Baxter International, Inc.	8,200	724,163			
		1,109,819			
Pharmaceuticals 6.0%					
Abbott Laboratories	23,300	1,128,594			
American Home Products Corp.	13,800	876,990			
Bristol-Myers Squibb Co.	28,100	2,077,644			
Johnson & Johnson	9,200	966,575			
Merck & Co., Inc.	17,300	1,619,713			
Pfizer, Inc.	45,750	2,104,500			
Schering-Plough Corp.	8,200	465,350			
		9,239,366			
Communications 6.7%					
Cellular Telephone 1.0%					
Nokia Oyj (ADR)	27,200	1,183,200			
Vodafone Group plc	9,250	331,266			
		1,514,466			
Telephone/Communications 5.7%					
AT&T Corp.	39,400	682,113			
BellSouth Corp.	24,300	994,781			
Efficient Networks, Inc.*	10,300	137,763			
Nortel Networks Corp.	29,800	955,463			
SBC Communications, Inc.	28,200	1,346,550			
Verizon Communications	71,586	3,588,248			
WorldCom, Inc.*	68,200	959,063			
		8,663,981			
Financial 21.9%					
Banks 4.8%					
Bank of America Corp.	26,600	1,220,275			
Chase Manhattan Corp.	44,250	2,010,609			
FleetBoston Financial Corp.	41,500	1,558,844			
J.P. Morgan & Co., Inc.	4,300	711,650			
Washington Mutual, Inc.	33,600	1,782,900			
		7,284,278			
Insurance 7.7%					
AFLAC, Inc.	3,700	267,094			
AMBAC Financial Group, Inc.	22,950	1,338,272			
American General Corp.	13,500	1,100,250			
American International Group, Inc.	15,525	1,530,183			
Cigna Corp.	6,500	859,950			
Hartford Financial Services Group, Inc. .	9,600	678,000			
Lincoln National Corp.	5,700	269,681			
MBIA, Inc.	8,400	622,650			
MGIC Investment Corp.	14,100	950,869			
MetLife, Inc.	29,000	1,015,000			

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

	Shares	Value (\$)		Shares	Value (\$)
Nationwide Financial Services, Inc. "A"	22,000	1,045,000	Rockwell International Corp.	16,700	795,338
PMI Group, Inc.	4,700	318,131	United Technologies Corp.	13,542	1,064,740
Providian Financial Corp.	19,800	1,138,500			4,419,878
XL Capital Ltd. "A"	7,889	689,301	Automobiles 0.7%		
		11,822,881	Eaton Corp.	5,600	421,050
Consumer Finance 4.3%			Ford Motor Co.	24,800	581,250
Citigroup, Inc.	105,262	5,374,924			1,002,300
Household International, Inc.	20,900	1,149,500	Construction/Agricultural Equipment 0.6%		
		6,524,424	PACCAR, Inc.	18,400	906,200
Other Financial Companies 5.1%			Telecommunications Equipment 0.6%		
CIT Group, Inc.	18,200	366,275	Lucent Technologies, Inc.	23,365	315,428
Federal Home Loan Mortgage Corp. ...	13,700	943,588	Tellabs, Inc.*	11,800	666,700
Federal National Mortgage Association	14,100	1,223,175			982,128
Lehman Brothers Holdings, Inc.	20,600	1,393,075	Manufacturing 5.8%		
Marsh & McLennan Companies, Inc. ...	8,500	994,500	Diversified Manufacturing 3.8%		
Morgan Stanley Dean Witter & Co.	29,800	2,361,650	Canadian Pacific Ltd. (Ord.)	56,500	1,609,177
USA Education Inc.	8,600	584,800	Cooper Industries, Inc.	21,600	992,250
		7,867,063	General Electric Co.	42,700	2,046,931
Media 3.2%			Tyco International Ltd.	20,560	1,141,080
Advertising 2.5%					5,789,438
Interpublic Group of Companies, Inc. ...	37,500	1,596,094	Electrical Products 0.2%		
Omnicom Group, Inc.	13,800	1,143,675	Emerson Electric Co.	4,700	370,419
True North Communications, Inc.	24,600	1,045,500	Industrial Specialty 1.1%		
		3,785,269	Corning, Inc.	12,900	681,281
Broadcasting & Entertainment 0.1%			QUALCOMM Inc.*	8,000	657,500
Time Warner, Inc.	2,700	141,048	Teleflex, Inc.	8,500	375,594
Print Media 0.2%					1,714,375
Gannett Co., Inc.	5,200	327,925	Machinery/Components/Controls 0.5%		
Miscellaneous 0.4%			Parker-Hannifin Corp.	17,000	750,125
Gemstar-TV Guide International Inc.* ...	14,756	680,621	Visteon Corp.	6,441	74,072
Service Industries 4.0%					824,197
EDP Services 1.8%			Miscellaneous 0.2%		
Automatic Data Processing, Inc.	7,800	493,838	Koninklijke (Royal) Philips Electronics N.V.	8,245	298,881
Electronic Data Systems Corp.	22,200	1,282,050	Technology 15.6%		
First Data Corp.	19,100	1,006,331	Computer Software 5.2%		
		2,782,219	America Online, Inc.*	12,700	441,960
Investment 1.5%			Computer Associates International, Inc.	16,600	323,700
Bear Stearns Companies, Inc.	8,900	451,119	Jack Henry & Associates, Inc.	14,600	907,025
Charles Schwab Corp.	8,700	246,863	Microsoft Corp.*	82,300	3,569,763
Goldman Sachs Group, Inc.	4,500	481,219	Oracle Corp.*	75,200	2,185,500
Merrill Lynch & Co., Inc.	16,000	1,091,000	Rational Software Corp.*	13,400	521,763
		2,270,201			7,949,711
Miscellaneous Commercial Services 0.7%			Diverse Electronic Products 1.3%		
Sysco Corp.	33,400	1,002,000	Applied Materials, Inc.*	14,700	561,356
Durables 4.8%			Dell Computer Corp.*	32,700	570,206
Aerospace 2.9%			General Motors Corp. "H" (New)*	6,966	160,218
Boeing Co.	24,700	1,630,200	Motorola Inc.	31,100	629,775
Northrop Grumman Corp.	11,200	929,600			1,921,555

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

	Shares	Value (\$)		Shares	Value (\$)
EDP Peripherals 1.1%					
EMC Corp.*	25,200	1,675,800	Texaco, Inc.	12,500	776,563
			The Montana Power Co.	10,300	213,725
					9,131,749
Electronic Components/Distributors 2.5%			Oil Companies 3.2%		
Cisco Systems, Inc.*	97,500	3,729,375	Chevron Corp.	21,500	1,815,406
Vishay Intertechnology, Inc.*	8,500	128,563	Phillips Petroleum Co.	36,600	2,081,625
		3,857,938	Repsol S.A. (ADR)	61,800	996,525
					4,893,556
Electronic Data Processing 2.0%			Miscellaneous 1.0%		
Apple Computer, Inc.*	12,700	188,913	Exelon Corp.	22,075	1,549,886
Compaq Computer Corp.	42,900	645,645			
Hewlett-Packard Co.	14,600	460,813	Metals & Minerals 0.2%		
International Business Machines Corp.	5,600	476,000	Steel & Metals		
Sun Microsystems, Inc.*	45,600	1,271,100	Alcoa, Inc.	9,600	321,600
		3,042,471	Transportation 2.4%		
Semiconductors 3.4%			Airlines 1.8%		
Intel Corp.	76,600	2,302,788	Delta Air Lines, Inc.	56,200	2,820,538
Maxim Integrated Products Inc.*	7,500	358,590			
Micron Technology, Inc.*	15,400	546,700	Railroads 0.6%		
QLogic Corp.*	7,600	585,200	Canadian National Railway Co.	28,100	830,270
Texas Instruments, Inc.	13,800	653,770			
Vitesse Semiconductor Corp.*	14,800	818,620	Utilities 0.8%		
		5,265,668	Electric Utilities		
Miscellaneous 0.1%			DPL Inc.	13,400	444,713
Agilent Technologies, Inc.*	2,784	152,424	Southern Co.	23,900	794,675
					1,239,388
Energy 10.2%			Total Common Stocks (Cost \$126,220,590)		
Oil & Gas Production 6.0%					137,940,442
Anadarko Petroleum Corp.	13,000	924,040	Total Investment Portfolio — 100.0%		
Exxon Mobil Corp.	33,453	2,908,320	(Cost \$141,526,282) (a)		
Imperial Oil Ltd.	33,300	875,207			153,246,134
Royal Dutch Petroleum Co.	56,700	3,433,894			

Notes to Kemper Value+Growth Portfolio of Investments

* Non-income producing security.

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

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

(a) The cost for federal income tax purposes was \$141,649,459. At December 31, 2000, net unrealized appreciation for all securities based on tax cost was \$11,596,675. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$27,766,324 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$16,169,649.

Financial Statements

Statement of Assets and Liabilities as of December 31, 2000

Assets

Investments in securities, at value (cost \$141,526,282)	\$ 153,246,134
Cash	2,017
Foreign currency, at value (cost \$2,785)	2,785
Dividends receivable	93,515
Interest receivable	108
Receivable for Portfolio shares sold	7,937
Total assets	153,352,496

Liabilities

Payable for Portfolio shares redeemed	11,531
Accrued management fee	102,115
Accrued Trustees' fees and expenses	14,143
Other accrued expenses and payables	45,730
Total liabilities	173,519

Net assets, at value	\$ 153,178,977
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Net Assets

Net assets consist of:	
Undistributed net investment income	745,856
Net unrealized appreciation (depreciation) on:	
Investments	11,719,852
Foreign currency related transactions	58
Accumulated net realized gain (loss)	9,274,156
Paid-in capital	131,439,055
Net assets, at value	\$ 153,178,977

Net Asset Value

Net Asset Value and redemption price per share (\$153,178,977 ÷ 92,528,575 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 1.655
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The accompanying notes are an integral part of the financial statements.

Statement of Operations for the year ended December 31, 2000

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$18,749)	\$ 1,933,728
Interest	444,998
Total Income	<u>2,378,726</u>
Expenses:	
Management fee	1,220,918
Custodian fees	8,934
Auditing	22,709
Legal	6,511
Trustees' fees and expenses	23,802
Reports to shareholders	18,555
Registration fees	6,382
Other	3,738
Total expenses, before expense reductions	<u>1,311,549</u>
Expense reductions	<u>(4,816)</u>
Total expenses, after expense reductions	1,306,733
Net investment income (loss)	1,071,993

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	9,677,712
Foreign currency related transactions	(22)
	<u>9,677,690</u>
Net unrealized appreciation (depreciation) during the period on:	
Investments	(17,248,901)
Foreign currency related transactions	58
	<u>(17,248,843)</u>
Net gain (loss) on investment transactions	(7,571,153)
Net increase (decrease) in net assets resulting from operations	\$ (6,499,160)

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

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2000	1999
Operations:		
Net investment income (loss)	\$ 1,071,993	\$ 727,711
Net realized gain (loss) on investment transactions	9,677,690	14,165,134
Net unrealized appreciation (depreciation) on investment transactions during the period	(17,248,843)	9,768,753
Net increase (decrease) in net assets resulting from operations	(6,499,160)	24,661,598
Distributions to shareholders from:		
Net investment income	(863,094)	(900,474)
Net realized gains	(14,672,601)	(3,151,621)
Portfolio share transactions:		
Proceeds from shares sold	16,565,355	21,193,317
Reinvestment of distributions	15,535,695	4,052,095
Cost of shares redeemed	(28,953,182)	(26,109,692)
Net increase (decrease) in net assets from Portfolio share transactions	3,147,868	(864,280)
Increase (decrease) in net assets	(18,886,987)	19,745,223
Net assets at beginning of period	172,065,964	152,320,741
Net assets at end of period (including undistributed net investment income of \$745,856 and \$694,153, respectively)	\$ 153,178,977	\$ 172,065,964
Other Information		
Shares outstanding at beginning of period	90,779,505	91,158,000
Shares sold	9,599,256	12,603,956
Shares issued to shareholders in reinvestment of distributions	8,648,816	2,443,385
Shares redeemed	(16,499,002)	(15,425,836)
Net increase (decrease) in Portfolio shares	1,749,070	(378,495)
Shares outstanding at end of period	92,528,575	90,779,505

Financial Highlights

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

Years Ended December 31,	2000	1999	1998	1997	1996(a)
Net asset value, beginning of period	\$ 1.896	1.671	1.425	1.146	1.000
<i>Income (loss) from investment operations:</i>					
Net investment income (loss)	.012(b)	.008(b)	.008	.012	.008
Net realized and unrealized gain (loss) on investment transactions	(.073)	.262	.278	.277	.138
Total from investment operations	(.061)	.270	.286	.289	.146
<i>Less distributions from:</i>					
Net investment income	(.010)	(.010)	—	(.010)	—
Net realized gains on investment transactions	(.170)	(.035)	(.040)	—	—
Total distributions	(.180)	(.045)	(.040)	(.010)	—
Net asset value, end of period	\$ 1.655	1.896	1.671	1.425	1.146
Total Return (%)	(3.90)	16.52	20.17	25.47	14.60**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	153	172	152	69	10
Ratio of expenses before expense reductions (%)	.81	.83	.78	.84	1.01*
Ratio of expenses after expense reductions (%)	.81	.82	.78	.84	.90*
Ratio of net investment income (loss) (%)	.66	.46	.80	.95	.97*
Portfolio turnover rate (%)	39	102	102	50	25*

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

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

* Annualized

** Not annualized

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

Management Summary And Performance Update

December 31, 2000

Kemper Contrarian Value Portfolio

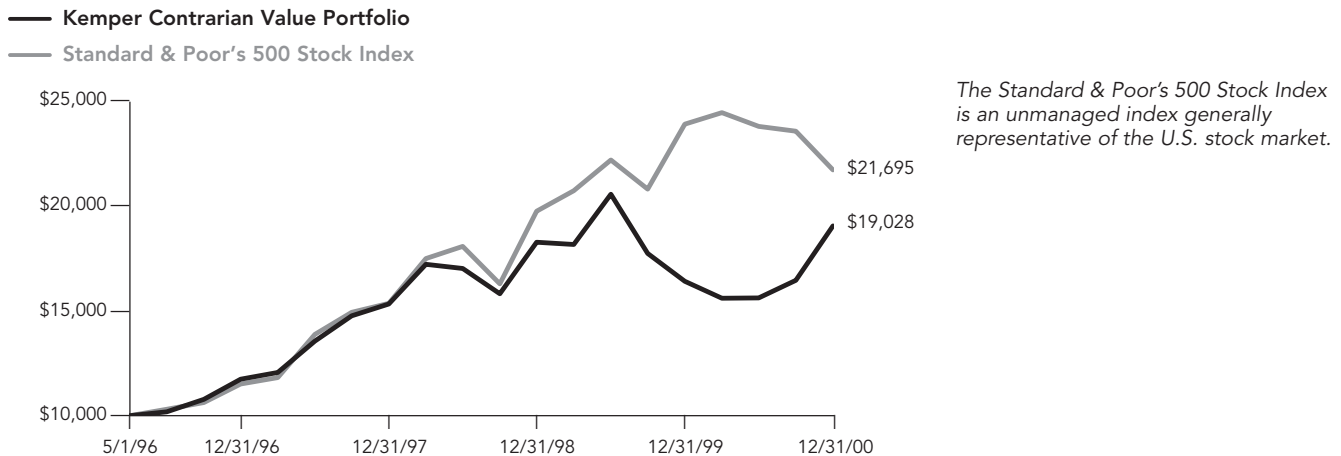
The year 2000 proved to be a rewarding one for the Kemper Contrarian Value Portfolio as the market and stocks did what history has taught us so many times in the past. They reverted to the mean. While the winners of 1999 experienced a severe bear market in 2000 the losers in 1999 experienced a bull market. The so-called “old economy” stocks did quite well in 2000 following a drubbing in 1999, and the “new economy stocks” suffered an unusually severe decline in 2000 following extraordinary price gains the year before. Growth stocks as a whole suffered, while value stocks rallied.

The inflection point that began the dramatic market shift took place when the Nasdaq collapsed in March. Although the market remained quite volatile with technology, media and telecommunication stocks jockeying to retain their leadership position, the correction created greater opportunities for value investing than we have seen in two years. The portfolio regained its footing and made strides throughout the remainder of the year. The portfolio posted strong returns for the year, dramatically outperforming its benchmark, the Standard & Poor’s 500 Stock Index.

Our commitment to our contrarian value investment philosophy is the reason for the portfolio’s strong outperformance. We adhered to that discipline strictly, even when it didn’t favor value investing. The portfolio was therefore poised and ready to benefit when the market shifted its favor back to value stocks. As the market broadened, nearly all sectors of the portfolio contributed to performance.

Thomas F. Sassi
Lead Portfolio Manager

Growth of an assumed \$10,000 investment in Kemper Contrarian Value Portfolio from 5/1/1996 to 12/31/1999



Average Annual Total Return¹

For the periods ended December 31, 2000	1-year	Life of portfolio
Kemper Contrarian Value Portfolio	16.13%	14.80% (Since 5/1/1996)

¹ Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio’s management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details. Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

Kemper Contrarian Value Portfolio

	Principal Amount (\$)	Value (\$)		Shares	Value (\$)
Repurchase Agreements 3.2%					
State Street Bank and Trust Company, 5.95%, to be repurchased at \$7,076,675 on 1/2/2001** (Cost \$7,072,000)	7,072,000	7,072,000			
Short-Term Obligations 4.5%					
Federal Home Loan Mortgage Corp., 6.7%***, 1/2/2001 (Cost \$9,998,416) ..	10,000,000	9,998,416			
			Shares		
Common Stocks 92.3%					
Consumer Discretionary 8.9%					
Department & Chain Stores 4.9%					
J.C. Penney Co., Inc.	157,800	1,716,075			
May Department Stores	170,000	5,567,500			
Sears, Roebuck & Co.	101,700	3,534,075			
		<u>10,817,650</u>			
Home Furnishings 1.4%					
Newell Rubbermaid, Inc.	131,700	2,996,175			
Restaurants 2.6%					
McDonald's Corp.	166,000	5,644,000			
Consumer Staples 15.7%					
Alcohol & Tobacco 3.2%					
Philip Morris Companies, Inc.	162,500	7,150,000			
Food & Beverage 9.5%					
Albertson's, Inc.	70,000	1,855,000			
ConAgra, Inc.	50,000	1,300,000			
H.J. Heinz Co.	88,200	4,183,988			
Kellogg Co.	60,000	1,575,000			
Sara Lee Corp.	251,800	6,184,838			
Unilever NV	90,714	5,709,312			
		<u>20,808,138</u>			
Textiles 3.0%					
VF Corp.	185,000	6,704,400			
Health 5.1%					
Medical Supply & Specialty 3.3%					
Becton Dickinson & Co.	210,000	7,271,250			
Pharmaceuticals 1.8%					
Abbott Laboratories	28,100	1,361,094			
Bristol-Myers Squibb Co.	35,900	2,654,356			
		<u>4,015,450</u>			
Financial 24.1%					
Banks 13.5%					
Bank of America Corp.	102,906	4,720,813			
First Union Corp.	170,000	4,728,125			
KeyCorp	234,000	6,552,000			
National City Corp.	108,000	3,105,000			
SunTrust Banks, Inc.	38,500	2,425,500			
Wachovia Corp.	53,400	3,103,875			
Washington Mutual, Inc.	96,704	5,131,356			
		<u>29,766,669</u>			
Insurance 2.3%					
Allstate Corp.	118,100	5,144,731			
Other Financial Companies 8.3%					
Federal Home Loan Mortgage Corp. ...	139,600	9,614,950			
Federal National Mortgage Association .	98,600	8,553,550			
		<u>18,168,500</u>			
Media 1.5%					
Print Media					
Gannett Co., Inc.	50,700	3,197,269			
Service Industries 2.1%					
Printing/Publishing					
Equifax, Inc.	159,000	4,561,312			
Durables 1.6%					
Aerospace 0.8%					
United Technologies Corp.	22,100	1,737,613			
Automobiles 0.8%					
Dana Corp.	120,600	1,846,687			
Manufacturing 15.4%					
Chemicals 4.9%					
Dow Chemical Co.	78,000	2,856,750			
E.I. du Pont de Nemours & Co.	40,000	1,932,500			
Praxair, Inc.	76,400	3,390,250			
Rohm & Haas Co.	70,000	2,541,875			
		<u>10,721,375</u>			
Containers & Paper 3.0%					
Sonoco Products Co.	303,200	6,556,700			
Diversified Manufacturing 2.3%					
Cooper Industries, Inc.	57,500	2,641,406			
Minnesota Mining & Manufacturing Co.	20,800	2,506,400			
		<u>5,147,806</u>			
Electrical Products 0.6%					
Thomas & Betts Corp.	81,700	1,322,519			
Machinery/Components/Controls 2.2%					
Pitney Bowes, Inc.	145,800	4,829,625			

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

	Shares	Value (\$)		Shares	Value (\$)
Specialty Chemicals 2.4%			Construction 3.0%		
Air Products & Chemicals, Inc.	127,200	5,215,200	Building Products 2.0%		
Technology 3.5%			Masco Corp.	169,000	4,341,188
Diverse Electronic Products 2.6%			Forest Products 1.0%		
Diebold, Inc.	171,000	5,707,125	Louisiana-Pacific Corp.	226,000	2,288,250
Military Electronics 0.9%			Transportation 3.5%		
Raytheon Co. "B"	66,500	2,065,656	Air Freight 2.1%		
Energy 7.9%			FedEx Corp.*	113,000	4,515,480
Oil & Gas Production 6.5%			Railroads 1.4%		
BP Amoco plc	51,944	2,486,819	CSX Corp.	122,800	3,185,125
Exxon Mobil Corp.	65,600	5,703,100	Total Common Stocks (Cost \$198,837,087)		
Texaco, Inc.	98,200	6,100,675			
		14,290,594	Total Investment Portfolio — 100.0%		
Oil Companies 1.4%			(Cost \$215,907,503) (a)		
Chevron Corp.	35,900	3,031,306	220,118,209		

Notes to Kemper Contrarian Value Portfolio of Investments

* Non-income producing security.

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

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

(a) The cost for federal income tax purposes was \$216,390,888. At December 31, 2000, net unrealized appreciation for all securities based on tax cost was \$3,727,321. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$28,095,219 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$24,367,898.

Financial Statements

Statement of Assets and Liabilities as of December 31, 2000

Assets

Investments in securities, at value (cost \$215,907,503)	\$ 220,118,209
Cash	150
Dividends receivable	333,765
Interest receivable	3,507
Receivable for Portfolio shares sold	117,415
Foreign taxes recoverable	3,765
Total assets	220,576,811

Liabilities

Payable for investments purchased	910,353
Payable for Portfolio shares redeemed	114,945
Accrued management fee	130,603
Accrued Trustees' fees and expenses	19,662
Other accrued expenses and payables	46,325
Total liabilities	1,221,888

Net assets, at value \$ 219,354,923

Net Assets

Net assets consist of:	
Undistributed net investment income	3,523,714
Net unrealized appreciation (depreciation) on investments	4,210,706
Accumulated net realized gain (loss)	(20,883,259)
Paid-in capital	232,503,762

Net assets, at value \$ 219,354,923

Net Asset Value

Net Asset Value and redemption price per share (\$219,354,923 ÷ 163,654,804 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized) \$ 1.340

Statement of Operations for the year ended December 31, 2000

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$22,712)	\$ 5,862,766
Interest	787,746
Total Income	6,650,512

Expenses:

Management fee	1,487,215
Custodian fees	8,949
Auditing	24,830
Legal	10,425
Trustees' fees and expenses	28,401
Reports to shareholders	14,513
Registration fees	7,161
Other	7,500
Total expenses, before expense reductions	1,588,994
Expense reductions	(5,411)
Total expenses, after expense reductions	1,583,583

Net investment income (loss) 5,066,929

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from investments	(20,825,554)
Net unrealized appreciation (depreciation) during the period on investments	42,845,912

Net gain (loss) on investment transactions 22,020,358

Net increase (decrease) in net assets resulting from operations \$ 27,087,287

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

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2000	1999
Operations:		
Net investment income (loss)	\$ 5,066,929	\$ 5,919,003
Net realized gain (loss) on investment transactions	(20,825,554)	35,340,216
Net unrealized appreciation (depreciation) on investment transactions during the period	42,845,912	(71,035,207)
Net increase (decrease) in net assets resulting from operations	27,087,287	(29,775,988)
Distributions to shareholders from:		
Net investment income	(5,694,925)	(4,476,122)
Net realized gains	(37,017,013)	(14,920,485)
Portfolio share transactions:		
Proceeds from shares sold	24,484,822	50,935,192
Reinvestment of distributions	42,711,938	19,396,499
Cost of shares redeemed	(69,632,226)	(47,519,228)
Net increase (decrease) in net assets from Portfolio share transactions	(2,435,466)	22,812,463
Increase (decrease) in net assets	(18,060,117)	(26,360,132)
Net assets at beginning of period	237,415,040	263,775,172
Net assets at end of period (including undistributed net investment income of \$3,523,714 and \$5,712,164, respectively)	\$ 219,354,923	\$ 237,415,040
Other Information		
Shares outstanding at beginning of period	161,528,464	150,119,000
Shares sold	20,110,411	29,386,999
Shares issued to shareholders in reinvestment of distributions	38,917,837	10,957,526
Shares redeemed	(56,901,908)	(28,935,061)
Net increase (decrease) in Portfolio shares	2,126,340	11,409,464
Shares outstanding at end of period	163,654,804	161,528,464

Financial Highlights

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

Years Ended December 31,	2000	1999	1998	1997	1996(a)
Net asset value, beginning of period	\$ 1.470	1.757	1.518	1.174	1.000
<i>Income (loss) from investment operations:</i>					
Net investment income (loss)	.030(b)	.037(b)	.026	.031	.015
Net realized and unrealized gain (loss) on investment transactions	.140	(.194)	.263	.323	.159
Total from investment operations	.170	(.157)	.289	.354	.174
<i>Less distributions from:</i>					
Net investment income	(.040)	(.030)	(.010)	(.010)	—
Net realized gains on investment transactions	(.260)	(.100)	(.040)	—	—
Total distributions	(.300)	(.130)	(.050)	(.010)	—
Net asset value, end of period	\$ 1.340	1.470	1.757	1.518	1.174
Total Return (%)	16.13	(10.21)	19.26	30.38	17.36**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	219	237	264	162	21
Ratio of expenses before expense reductions (%)	.80	.81	.78	.80	.92*
Ratio of expenses after expense reductions (%)	.80	.80	.78	.80	.90*
Ratio of net investment income (loss) (%)	2.55	2.14	2.02	2.38	2.42*
Portfolio turnover rate (%)	56	88	57	46	57*

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

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

* Annualized

** Not annualized

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

Management Summary And Performance Update

December 31, 2000

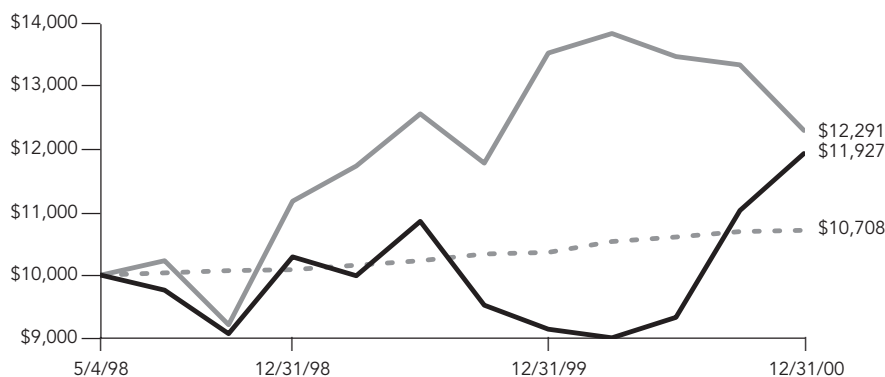
KVS Dreman High Return Equity Portfolio

The KVS Dreman High Return Equity Portfolio experienced a triumphant comeback during 2000. The portfolio posted stellar gains against a material loss by its benchmark, the Standard & Poor's 500 Stock Index. This outstanding performance came from the portfolio's core portfolio — tobacco, financial services, energy and health care. The portfolio's tobacco holdings, specifically Philip Morris, posted phenomenal gains late in the period as litigation concerns all but evaporated and investors were enthusiastic about the company's acquisition of Nabisco. As interest rates rose early in the year, the portfolio's financial services stocks were punished. That changed later in the year as rates reversed course and investors looked to the sector for more safety in good companies with strong long-term track records. The portfolio's oil stocks and health care stocks also appreciated dramatically during the year. We're gratified by the turnaround in performance. We believe that it proves we were indeed correct in our decision to stay true to our contrarian value investment discipline, even when technology was dominating the market. The broadening of the market has created even more investment opportunities. Our core holdings have served the portfolio well, but we've begun to look beyond these sectors. We've added small positions in some national retailers and we're keeping our eyes open for some technology stocks that may soon fit our investment criteria. We think that this is just the beginning of a longer-term period of outperformance for value stocks.

David N. Dreman
Lead Portfolio Manager

Growth of an assumed \$10,000 investment in KVS Dreman High Return Equity Portfolio from 5/4/1998 to 12/31/2000

— KVS Dreman High Return Equity Portfolio
— Standard & Poor's 500 Index
- - - Consumer Price Index



The Standard & Poor's 500 Stock Index is an unmanaged index generally representative of the U.S. stock market. The Consumer Price Index is a statistical measure of change, over time, in the prices of goods and services in major expenditure groups for all urban consumers. It is generally considered to be a measure of inflation.

Average Annual Total Return¹

For the periods ended December 31, 2000	1-year	Life of portfolio
KVS Dreman High Return Equity Portfolio	30.52%	6.86% (Since 5/4/1998)

¹ Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details. The portfolio may concentrate investments in specific sectors, which creates special risk considerations.

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

KVS Dreman High Return Equity Portfolio

	Principal Amount (\$)	Value (\$)	Shares	Value (\$)
Repurchase Agreements 10.5%				
State Street Bank and Trust Company, 5.95%, to be repurchased at \$17,602,630 on 1/2/2001** (Cost \$17,591,000)	17,591,000	17,591,000		
			Shares	
Convertible Preferred Stocks 0.1%				
Financial				
Other Financial Companies				
Corrections Corporation (Cost \$197,527)	11,471	83,165		
Common Stocks 89.4%				
Consumer Discretionary 9.0%				
Apparel & Shoes 0.0%				
Fruit of the Loom, Inc.*	85,945	11,173		
Department & Chain Stores 4.8%				
Best Buy Co., Inc.*	47,600	1,407,175		
Federated Department Stores, Inc.*	96,000	3,360,000		
Gap, Inc.	85,800	2,187,900		
Nordstrom, Inc.	47,700	867,544		
		7,822,619		
Specialty Retail 4.2%				
Borders Group, Inc.*	252,700	2,953,431		
Staples, Inc.*	103,800	1,226,138		
Toys "R" Us, Inc.*	174,190	2,906,796		
		7,086,365		
Consumer Staples 21.2%				
Alcohol & Tobacco				
Imperial Tobacco Group ADR	21,600	437,400		
Philip Morris Companies, Inc.	413,110	18,176,840		
R.J. Reynolds Tobacco Holdings, Inc. ...	126,303	6,157,271		
UST, Inc.	261,910	7,349,849		
Universal Corp.	95,750	3,351,250		
		35,472,610		
Health 15.4%				
Health Industry Services 9.4%				
Humana Inc.*	549,800	8,384,450		
McKesson HBOC, Inc.	204,500	7,339,505		
		15,723,955		
Hospital Management 6.0%				
Tenet Healthcare Corp.*	225,955	10,040,875		
Communications 0.8%				
Telephone/Communications				
Nortel Networks Corp.			39,200	1,256,850
Financial 26.3%				
Banks 13.9%				
Bank One Corp.			220,605	8,079,673
Bank of America Corp.			54,136	2,483,489
First Union Corp.			82,371	2,290,943
FleetBoston Financial Corp.			86,588	3,252,462
KeyCorp			99,455	2,784,740
PNC Bank Corp.			59,239	4,328,149
				23,219,456
Insurance 1.6%				
Ohio Casualty Corp.			14,300	143,000
Safeco Corp.			28,000	920,500
St. Paul Companies, Inc.			31,300	1,699,981
				2,763,481
Other Financial Companies 10.8%				
Correction Corporation of America*			185,060	63,614
Federal Home Loan Mortgage Corp. ...			120,941	8,329,811
Federal National Mortgage Association .			110,473	9,583,533
				17,976,958
Service Industries 2.2%				
Environmental Services				
Transocean Sedo Forex, Inc.			24,700	1,136,200
Waste Management, Inc.			88,200	2,447,550
				3,583,750
Durables 0.6%				
Telecommunications Equipment				
Lucent Technologies, Inc.			75,000	1,012,500
Manufacturing 0.0%				
Office Equipment/Supplies				
Xerox Corp.			9,000	41,625
Technology 3.6%				
Electronic Data Processing 2.5%				
Apple Computer, Inc.*			89,600	1,332,800
Hewlett-Packard Co.			91,800	2,897,438
				4,230,238
Semiconductors 1.1%				
Intel Corp.			61,800	1,857,863
Energy 10.2%				
Oil & Gas Production 9.8%				
BP Amoco plc			37,794	1,809,388
Conoco, Inc.			109,900	3,180,231

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

	Shares	Value (\$)		Shares	Value (\$)
Conoco, Inc. "A"	192,395	5,507,307	Utilities 0.1%		
Nabors Industries, Inc.*	3,500	207,025	Natural Gas Distribution		
Texaco, Inc.	92,205	5,728,236	NiSource, Inc.*	43,290	119,047
		<u>16,432,187</u>			
Oilfield Services/Equipment 0.4%			Total Common Stocks (Cost \$135,752,880)		149,265,958
Diamond Offshore Drilling, Inc.	700	28,000	Total Investment Portfolio — 100.0%		
Noble Drilling Corp.*	13,500	586,406	(Cost \$153,541,407) (a)		166,940,123
		<u>614,406</u>			

Notes to KVS Dreman High Return Equity Portfolio of Investments

* Non-income producing security.

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

(a) The cost for federal income tax purposes was \$154,566,043. At December 31, 2000, net unrealized appreciation for all securities based on tax cost was \$12,374,080. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$21,314,926 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$8,940,846.

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

Financial Statements

Statement of Assets and Liabilities as of December 31, 2000

Assets

Investments in securities, at value (cost \$153,541,407)	\$ 166,940,123
Receivable for investments sold	1,299,470
Dividends receivable	454,618
Interest receivable	8,722
Receivable for Portfolio shares sold	132,830
Total assets	168,835,763

Liabilities

Due to custodian bank	65,880
Payable for investments purchased	493,201
Payable for Portfolio shares redeemed	153,653
Accrued management fee	137,419
Accrued Trustees' fees and expenses	11,782
Other accrued expenses and payables	39,342
Total liabilities	901,277

Net assets, at value **\$ 167,934,486**

Net Assets

Net assets consist of:	
Undistributed net investment income	2,180,389
Net unrealized appreciation (depreciation) on investments	13,398,716
Accumulated net realized gain (loss)	(1,795,770)
Paid-in capital	154,151,151

Net assets, at value **\$ 167,934,486**

Net Asset Value

Net Asset Value and redemption price per share ($\$167,934,486 \div 155,882,183$ outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized) **\$ 1.077**

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

Statement of Operations for the year ended December 31, 2000

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$4,519)	\$ 3,104,472
Interest	1,303,044
Total Income	<u>4,407,516</u>
Expenses:	
Management fee	894,029
Custodian and accounting fees	53,096
Auditing	18,530
Legal	3,341
Trustees' fees and expenses	14,826
Reports to shareholders	18,240
Registration fees	4,600
Other	3,134
Total expenses, before expense reductions	1,009,796
Expense reductions	(4,762)
Total expenses, after expense reductions	<u>1,005,034</u>
Net investment income (loss)	3,402,482

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	1,032,385
Futures	(2,109,995)
	<u>(1,077,610)</u>
Net unrealized appreciation (depreciation) during the period on:	
Investments	32,417,716
Futures	(502,000)
	<u>31,915,716</u>
Net gain (loss) on investment transactions	30,838,106
Net increase (decrease) in net assets resulting from operations	\$ 34,240,588

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

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2000	1999
Operations:		
Net investment income (loss)	\$ 3,402,482	\$ 2,579,821
Net realized gain (loss) on investment transactions	(1,077,610)	4,608,507
Net unrealized appreciation (depreciation) on investment transactions during the period	31,915,716	(21,113,904)
Net increase (decrease) in net assets resulting from operations	34,240,588	(13,925,576)
Distributions to shareholders from:		
Net investment income	(2,301,095)	(888,695)
Net realized gains	(5,752,737)	(888,734)
Fund share transactions:		
Proceeds from shares sold	44,557,631	77,262,014
Reinvestment of distributions	8,053,832	1,777,429
Cost of shares redeemed	(24,311,394)	(9,181,943)
Net increase (decrease) in net assets from Portfolio share transactions	28,300,069	69,857,500
Increase (decrease) in net assets	54,486,826	54,154,495
Net assets at beginning of period	113,447,660	59,293,165
Net assets at end of period (including undistributed net investment income of \$2,180,389 and \$2,154,705, respectively)	\$ 167,934,486	\$ 113,447,660
Other Information		
Shares outstanding at beginning of period	126,553,336	57,649,580
Shares sold	47,680,929	76,917,647
Shares issued to shareholders in reinvestment of distributions	9,905,702	1,719,138
Shares redeemed	(28,257,784)	(9,733,029)
Net increase (decrease) in Portfolio shares	29,328,847	68,903,756
Shares outstanding at end of period	155,882,183	126,553,336

Financial Highlights

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

Years Ended December 31,	2000	1999	1998(a)
Net asset value, beginning of period	\$.896	1.028	1.000
<i>Income (loss) from investment operations:</i>			
Net investment income (loss)	.026(b)	.026(b)	.008
Net realized and unrealized gain (loss) on investment transactions	.225	(.138)	.020
Total from investment operations	.251	(.112)	.028
<i>Less distributions from:</i>			
Net investment income	(.020)	(.010)	—
Net realized gains on investment transactions	(.050)	(.010)	—
Total distributions	(.070)	(.020)	—
Net asset value, end of period	\$ 1.077	.896	1.028
Total Return (%)	30.52	(11.16)	2.80**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period (\$ millions)	168	113	59
Ratio of expenses before expense reductions (%)	.85	.86	1.20*
Ratio of expenses after expense reductions (%)	.84	.86	.87*
Ratio of net investment income (loss) (%)	2.85	2.57	2.77*
Portfolio turnover rate (%)	37	24	5*

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

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

* Annualized

** Not annualized

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

Management Summary And Performance Update

December 31, 2000

KVS Focused Large Cap Growth Portfolio

Although the year 2000 was volatile, we are pleased to report that the KVS Focused Large Cap Growth Portfolio had a relatively strong year. For the year, the portfolio was down; however, the portfolio fared significantly better than our benchmark, the Russell 1000 Growth Index. We even managed to outperform the S&P 500 Index, quite a feat for a large-cap growth manager given the climate of the U.S. equity markets in 2000.

Thorough research and an emphasis on risk management caused us to make certain crucial decisions that were beneficial to the portfolio's performance. First and foremost, due to a weakening economy and our concern over exceedingly high valuations, we reduced our technology weighting throughout the second half of the year and shifted those assets into growth stocks in more defensive sectors such as consumer staples and health care. We also gradually increased our financial services exposure in anticipation of a Federal Reserve change in its tightening bias.

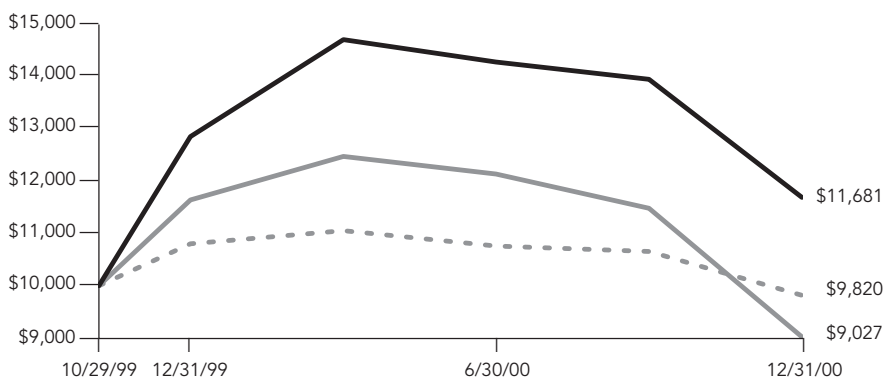
Like most investors, the portfolio was negatively impacted by its technology holdings, but by significantly cutting our technology weighting, we limited our exposure to the most severe part of the late-year technology downdraft. Health care was our best performing sector, as investors sought refuge in the consistent growth delivered by the leading pharmaceutical and medical device companies. Financial services and consumer staples were two other positive-performing portfolio sectors.

We expect continued volatility in the near term as the market continues to reset investor valuation expectations. We will continue to strategically position the portfolio with an overweighting in steady growth companies in traditionally defensive sectors. Once the economy shows reliable signs of a sustained recovery, we are likely to shift back toward technology and some of the other faster growing segments of the economy.

Ashi Parikh
Lead Portfolio Manager

Growth of an assumed \$10,000 investment in KVS Focused Large Cap Growth Portfolio from 10/29/1999 to 12/31/2000

— KVS Focused Large Cap Growth Portfolio
— Russell 1000 Growth Index
- - - Standard & Poor's 500 Index



The Russell 1000 Growth Index is an unmanaged index composed of common stocks of larger U.S. companies with greater-than-average growth orientation and represents the universe of stocks from which "earnings/growth" money managers typically select. The Standard & Poor's 500 Index is an unmanaged index generally representative of the U.S. stock market.

Average Annual Total Return¹

For the periods ended December 31, 2000	1-year	Life of portfolio
KVS Focused Large Cap Growth Portfolio	-9.02%	14.21% (Since 10/29/1999)

¹ Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details. The investment advisor has agreed to either limit, waive or reduce certain fees temporarily for this portfolio; see the prospectus for complete details. Without such limits, waivers or reductions, the performance figures for this subaccount would be lower.

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

KVS Focused Large Cap Growth Portfolio

	Principal Amount (\$)	Value (\$)		Shares	Value (\$)
Repurchase Agreements 4.9%					
State Street Bank and Trust Company, 5.95%, to be repurchased at \$1,400,926 on 1/2/2001** (Cost \$1,400,000)	1,400,000	1,400,000			
			Shares		
Common Stocks 95.1%					
Consumer Discretionary 6.4%					
Department & Chain Stores					
Home Depot, Inc.	23,125	1,056,523			
Wal-Mart Stores, Inc.	14,700	780,938			
		1,837,461			
Consumer Staples 9.4%					
Alcohol & Tobacco 3.6%					
Anheuser-Busch Companies, Inc.	22,550	1,026,025			
Food & Beverage 2.2%					
Kroger Co.*	23,000	622,438			
Package Goods/Cosmetics 3.6%					
Procter & Gamble Co.	13,250	1,039,297			
Health 15.0%					
Biotechnology 3.7%					
Genentech, Inc.*	4,300	350,450			
Pharmacia Corp.	11,450	698,450			
		1,048,900			
Medical Supply & Specialty 3.4%					
Baxter International, Inc.	4,800	423,900			
Medtronic, Inc.	9,300	561,488			
		985,388			
Pharmaceuticals 7.9%					
Merck & Co., Inc.	10,900	1,020,513			
Pfizer, Inc.	27,400	1,260,400			
		2,280,913			
Communications 2.8%					
Cellular Telephone					
Nokia Oyj (ADR)	18,150	789,525			
Financial 10.9%					
Insurance 4.2%					
American International Group, Inc.	8,425	830,389			
Providian Financial Corp.	6,350	365,125			
		1,195,514			
Consumer Finance 6.0%					
American Express Co.	14,100	774,618			
Citigroup, Inc.	18,816	960,792			
		1,735,410			
Other Financial Companies 0.7%					
Lehman Brothers Holdings, Inc.			2,900		196,113
Media 6.4%					
Broadcasting & Entertainment 1.8%					
Time Warner, Inc.			9,800		511,952
Cable Television 1.4%					
Comcast Corp.*			9,900		413,325
Print Media 3.2%					
Gannett Co., Inc.			14,500		914,406
Service Industries 6.6%					
Environmental Services 2.0%					
Waste Management, Inc.			20,300		563,325
Investment 2.1%					
Goldman Sachs Group, Inc.			2,950		315,466
Merrill Lynch & Co., Inc.			4,400		300,025
					615,491
Miscellaneous Commercial Services 1.7%					
United Parcel Service "B"			8,100		476,381
Miscellaneous Consumer Services 0.8%					
Yahoo!, Inc.*			7,600		229,306
Durables 0.5%					
Telecommunications Equipment					
L.M. Ericsson Telephone Co. "B" (ADR) .			12,500		139,843
Manufacturing 3.7%					
Diversified Manufacturing					
General Electric Co.			22,100		1,059,419
Technology 31.8%					
Computer Software 5.5%					
America Online, Inc.*			10,700		372,360
Microsoft Corp.*			27,750		1,207,125
					1,579,485
Diverse Electronic Products 5.9%					
Dell Computer Corp.*			27,000		470,812
Motorola Inc.			30,600		619,650
Solectron Corp.*			17,900		606,810
					1,697,272
EDP Peripherals 7.1%					
EMC Corp.*			23,900		1,589,350
VERITAS Software Corp.*			5,050		441,875
					2,031,225
Electronic Components/Distributors 5.0%					
Cisco Systems, Inc.*			37,200		1,422,900

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

	Shares	Value (\$)		Shares	Value (\$)
Electronic Data Processing 3.0%			Energy 1.6%		
Sun Microsystems, Inc.*	30,950	862,731	Oil/Gas Transmission		
Semiconductors 5.3%			Enron Corp.		
Intel Corp.	19,300	583,825	5,500	457,187	
Micron Technology, Inc.*	13,300	472,150	Total Common Stocks (Cost \$28,983,199)		
Texas Instruments, Inc.	9,900	469,013	Total Investment Portfolio — 100.0%		
		1,524,988	(Cost \$30,383,199) (a)		
			28,656,220		

Notes to KVS Focused Large Cap Growth Portfolio of Investments

* Non-income producing security.

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

(a) The cost for federal income tax purposes was \$31,383,285. At December 31, 2000, net unrealized depreciation for all securities based on tax cost was \$2,727,065. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$1,232,563 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$3,959,628.

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

Financial Statements

Statement of Assets and Liabilities as of December 31, 2000

Assets

Investments in securities, at value (cost \$30,383,199)	\$ 28,656,220
Cash	1,041,256
Dividends receivable	14,251
Interest receivable	694
Receivable for Portfolio shares sold	17,507
Total assets	29,729,928

Liabilities

Payable for investments purchased	1,492,268
Payable for Portfolio shares redeemed	26,461
Accrued management fee	61,887
Accrued Trustees' fees and expenses	3,679
Other accrued expenses and payables	5,463
Total liabilities	1,589,758
Net assets, at value	\$ 28,140,170

Net Assets

Net assets consist of:	
Net unrealized appreciation (depreciation) on investments	(1,726,979)
Accumulated net realized gain (loss)	(2,613,049)
Paid-in capital	32,480,198
Net assets, at value	\$ 28,140,170

Net Asset Value

Net Asset Value and redemption price per share ($\$28,140,170 \div 24,678,504$ outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 1.140
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Statement of Operations for the year ended December 31, 2000

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$128)	\$ 48,585
Interest	52,559
Total Income	101,144
Expenses:	
Management fee	148,329
Custodian and accounting fees	47,817
Auditing	1,139
Legal	1,961
Trustees' fees and expenses	4,737
Reports to shareholders	2,389
Registration fees	591
Other	1,241
Total expenses, before expense reductions	208,204
Expense reductions	(49,029)
Total expenses, after expense reductions	159,175
Net investment income (loss)	(58,031)

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from investments	(2,603,357)
Net unrealized appreciation (depreciation) during the period on investments	(2,082,719)
Net gain (loss) on investment transactions	(4,686,076)

Net increase (decrease) in net assets resulting from operations	\$ (4,744,107)
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The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Year Ended December 31, 2000	For the Period October 29, 1999 (commencement of operations) to December 31, 1999
Operations:		
Net investment income (loss)	\$ (58,031)	\$ (651)
Net realized gain (loss) on investment transactions	(2,603,357)	137,368
Net unrealized appreciation (depreciation) on investment transactions during the period	(2,082,719)	355,740
Net increase (decrease) in net assets resulting from operations	(4,744,107)	492,457
Distributions to shareholders from:		
Net realized gains	(198,306)	—
Portfolio share transactions:		
Proceeds from shares sold	35,121,631	934,463
Reinvestment of distributions	198,306	—
Cost of shares redeemed	(5,157,366)	(6,908)
Net increase (decrease) in net assets from Fund share transactions	30,162,571	927,555
Increase (decrease) in net assets	25,220,158	1,420,012
Net assets at beginning of period	2,920,012	1,500,000
Net assets at end of period	\$ 28,140,170	\$ 2,920,012
Other Information		
Shares outstanding at beginning of period	2,274,096	1,500,000
Shares sold	26,195,676	779,538
Shares issued to shareholders in reinvestment of distributions	138,296	—
Shares redeemed	(3,929,564)	(5,442)
Net increase (decrease) in Portfolio shares	22,404,408	774,096
Shares outstanding at end of period	24,678,504	2,274,096

Financial Highlights

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

Periods Ended December 31,	2000	1999(a)
Net asset value, beginning of period	\$ 1.284	1.000
<i>Income (loss) from investment operations:</i>		
Net investment income (loss) (b)	(.005)	—
Net realized and unrealized gain (loss) on investment transactions	(.104)	.284
Total from investment operations	(.109)	.284
<i>Less distributions from:</i>		
Net realized gains on investment transactions	(.035)	—
Total distributions	(.035)	—
Net asset value, end of period	\$ 1.140	1.284
Total Return (%)	(9.02)	28.40**
Ratios to Average Net Assets and Supplemental Data		
Net assets, end of period (\$ millions)	28	3
Ratio of expenses before expense reductions (%)	1.33	7.49*
Ratio of expenses after expense reductions (%)	1.02	1.10*
Ratio of net investment income (loss) (%)	(.37)	(.19)*
Portfolio turnover rate (%)	323	336*

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

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

* Annualized

** Not annualized

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

Management Summary And Performance Update

December 31, 2000

KVS Growth And Income Portfolio

For the 12 months ended December 31, 2000, the portfolio declined 9.18% while its benchmark, the S&P 500 Index, declined 9.10%.

As a whole, the market experienced incredible volatility in 2000, with large swings from week to week. Early on, the technology sector boomed, but it proved to be a bubble. Then, the market obsessed over interest rates. Finally, signs of slower economic growth appeared during the fall and accelerated during December. When we first sensed a slowdown was coming, we prepared by increasing the portfolio's fixed-income exposure with some short-term Treasuries and higher-grade corporate issues.

Despite our poor performance, a number of our holdings still managed to turn in positive results, including American International Group (AIG), the largest non-bank financial company in the U.S. Domestically, increased rates and premiums boosted returns, but AIG also gained from its growing presence in Asia, especially in the struggling Japanese market.

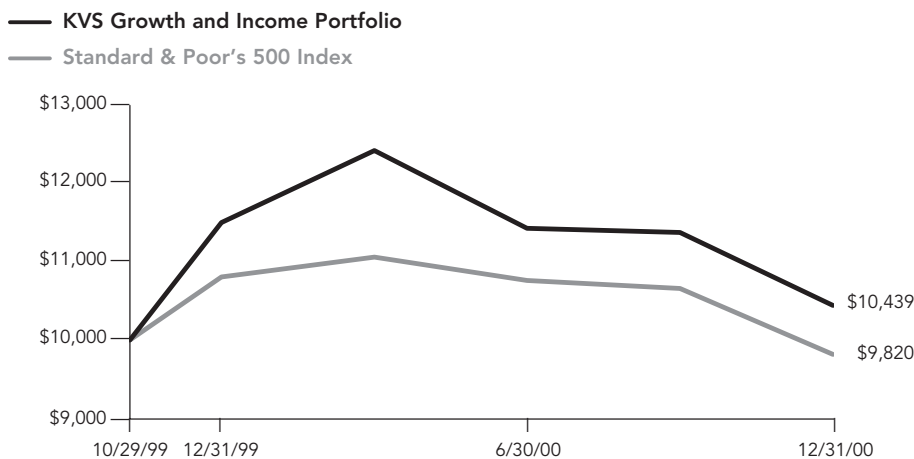
Another sector on the rise is natural gas, and the portfolio was rewarded for its position in Enron Corp. As North America's largest buyer and seller of natural gas, Enron is benefiting from increased transaction levels in the sector.

On the downside, our media holdings, such as Liberty Media and Time Warner, suffered as a result of lowered advertising revenue expectations — minimal price increases are the anticipated norm in the near term. Liberty Media, an AT&T tracking stock, has suffered because it invests in telecommunications and media, two slumping sectors. Nonetheless, we believe the stock is very inexpensive at current levels.

As for 2001, the U.S. economy is clearly slowing, creating a tough environment for a number of industries. However, we believe market volatility can provide solid buying opportunities for investors who know where the undervalued companies lurk. We're confident our intensive, hands-on research will lead us to those companies.

David J. Corkins
Lead Portfolio Manager

Growth of an assumed \$10,000 investment in KVS Growth and Income Portfolio from 10/29/1999 to 12/31/2000



The Standard & Poor's 500 Index is an unmanaged index generally representative of the U.S. stock market.

Average Annual Total Return¹

For the periods ended December 31, 2000	1-year	Life of portfolio
KVS Growth and Income Portfolio	-9.18%	3.74% (Since 10/29/1999)

¹ Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details. The investment advisor has agreed to either limit, waive or reduce certain fees temporarily for this portfolio; see the prospectus for complete details. Without such limits, waivers or reductions, the performance figures for this subaccount would be lower. Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

KVS Growth and Income Portfolio

	Principal Amount (\$)	Value (\$)		Principal Amount (\$)	Value (\$)
Repurchase Agreements 4.7%					
State Street Bank and Trust Company, 5.95%, to be repurchased at \$5,203,438 on 1/2/2001** (Cost \$5,200,000)	5,200,000	5,200,000			
Short-Term Obligations 16.8%					
Federal Home Loan Bank, 6.21%***, 1/2/2001 (Cost \$18,597,029)	18,600,000	18,597,029			
U.S. Government Obligations 2.8%					
U.S. Treasury Notes:					
6.125%, 8/31/2002	1,850,000	1,874,568			
5.25%, 8/15/2003	1,190,000	1,193,713			
Total U.S. Government Obligations (Cost \$3,020,067)		3,068,281			
Corporate Bonds 5.1%					
Consumer Discretionary 0.2%					
Mattel, Inc.:					
6%, 7/15/2003	85,000	78,652			
6.125%, 7/15/2005	155,000	133,002			
		211,654			
Consumer Staples 0.1%					
Safeway, Inc., 7%, 9/15/2002	100,000	100,960			
Communications 0.3%					
American Tower Corp., 5%, 2/15/2010 ..	245,000	224,175			
CenturyTel, Inc., 8.375%, 10/15/2010 ..	160,000	164,403			
		388,578			
Financial 2.5%					
Firstar Corp., 7.125%, 12/1/2009	250,000	251,825			
Ford Motor Credit Co., 6.55%, 9/10/2002	225,000	225,682			
General Electric Capital Corp.:					
7%, 3/1/2002	885,000	895,496			
6.52%, 10/8/2002	70,000	70,813			
7%, 2/3/2003	700,000	716,471			
6.75%, 9/11/2003	325,000	331,809			
6.81%, 11/3/2003	75,000	76,762			
Merrill Lynch & Co., 6.8%, 11/3/2003 ...	125,000	126,651			
Qwest Capital Funding, 7.75%, 8/15/2006	80,000	83,346			
		2,778,855			
Media 0.0%					
Telewest Communication plc, 9.875%, 2/1/2010	20,000	17,000			
Service Industries 0.2%					
Sun Microsystems, Inc., 7.5%, 8/15/2006	175,000	179,832			
Manufacturing 0.4%					
Corning, Inc., Zero Coupon, 11/8/2015 ..	415,000	293,874			
Daimler Chrysler, 6.67%, 2/15/2002	150,000	149,297			
		443,171			
Energy 0.1%					
Devon Energy Corp., Zero Coupon, 6/27/2020	205,000	99,681			
Utilities 0.7%					
Reliant Energy, Inc., 0.291%, 9/15/2029	14,757	783,051			
Miscellaneous 0.6%					
Wal-Mart Stores, Inc., 6.875%, 8/1/2002	650,000	658,606			
Total Corporate Bonds (Cost \$5,953,799)		5,661,388			
Convertible Bonds 0.6%					
Communications 0.3%					
Cellular Telephone 0.2%					
American Tower Corp., 5%, 2/15/2010 ..	200,000	183,000			
Telephone/Communications 0.1%					
NTL Incorporated:					
7%, 12/15/2008	25,000	19,219			
5.75%, 12/15/2009	325,000	155,188			
		174,407			
Media 0.1%					
Cable Television					
Comcast Corp., 2%, 10/15/2029	1,600	65,750			
Service Industries 0.2%					
EDP Services 0.0%					
PSINet Inc., 7%, 12/31/2049	10,535	10,535			
Miscellaneous Consumer Services 0.2%					
BEA Systems, Inc., 4%, 12/15/2006	135,000	280,547			
Total Convertible Bonds (Cost \$1,370,686)		714,239			

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

	Shares	Value (\$)		Shares	Value (\$)
Miscellaneous Commercial Services 0.9%			EDP Peripherals 2.8%		
Paychex, Inc.	21,017	1,021,952	EMC Corp.*	43,620	2,900,730
Durables 1.4%			VERITAS Software Corp.*	2,382	208,425
Aerospace 0.6%					3,109,155
Boeing Co.	10,290	679,140	Electronic Components/Distributors 2.4%		
Automobiles 0.5%			Cisco Systems, Inc.*	69,995	2,677,309
Bayerische Motoren Werke (BMW) AG	15,792	516,670	Electronic Data Processing 0.9%		
Telecommunications Equipment 0.3%			Apple Computer, Inc.*	7,120	105,910
L.M. Ericsson Telephone Co. "B" (ADR)	35,015	391,730	Sun Microsystems, Inc.*	29,930	834,299
Manufacturing 6.1%					940,209
Chemicals 1.1%			Semiconductors 3.9%		
E.I. du Pont de Nemours & Co.	25,355	1,224,963	Advanced Micro Devices, Inc.*	36,305	501,463
Diversified Manufacturing 4.1%			Intel Corp.	15,645	470,328
General Electric Co.	65,350	3,132,716	Maxim Integrated Products, Inc.*	26,605	1,272,052
Honeywell International, Inc.	24,100	1,140,231	Texas Instruments, Inc.	44,260	2,096,818
Minnesota Mining & Manufacturing Co.	1,875	225,937			4,340,661
		4,498,884	Energy 7.4%		
Industrial Specialty 0.9%			Oil & Gas Production 4.3%		
Corning, Inc.	19,865	1,049,120	Burlington Resources, Inc.	29,795	1,504,647
Technology 11.0%			Coastal Corp.	13,000	1,148,062
Computer Software 1.0%			Conoco, Inc. "A"	9,455	270,649
America Online, Inc.*	7,715	268,482	Exxon Mobil Corp.	22,745	1,977,393
Electronic Arts, Inc.*	8,925	380,428			4,900,751
Inktomi Corp.*	6,625	118,422	Oil/Gas Transmission 3.0%		
Macromedia, Inc.*	5,300	321,975	Enron Corp.	37,245	3,095,991
		1,089,307	Kinder Morgan, Inc.	5,075	264,852
					3,360,843
			Utilities 0.1%		
			Electric Utilities		
			Duke Energy Corp.	1,345	114,661
			Total Common Stocks (Cost \$81,139,239)		
					77,118,003
			Total Investment Portfolio — 100.0%		
					(Cost \$115,821,765) (a)
					111,004,879

Notes to KVS Growth and Income Portfolio of Investments

* Non-income producing security.

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

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

(a) The cost for federal income tax purposes was \$116,133,595. At December 31, 2000, net unrealized depreciation for all securities based on tax cost was \$5,128,716. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$5,740,197 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$10,868,913.

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

Financial Statements

Statement of Assets and Liabilities as of December 31, 2000

Assets

Investments in securities, at value (cost \$115,821,765)	\$ 111,004,879
Cash	645,545
Foreign currency, at value (cost \$7,919)	7,895
Receivable for investments sold	299,721
Dividends receivable	16,862
Interest receivable	170,609
Receivable for Portfolio shares sold	43,215
Total assets	112,188,726

Liabilities

Payable for investments purchased	7,582,478
Accrued management fee	119,601
Accrued Trustees' fees and expenses	7,959
Other accrued expenses and payables	17,499
Total liabilities	7,727,537

Net assets, at value	\$ 104,461,189
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Net Assets

Net assets consist of:	
Undistributed net investment income	608,049
Net unrealized appreciation (depreciation) on:	
Investments	(4,816,886)
Foreign currency related transactions	486
Accumulated net realized gain (loss)	(5,577,411)
Paid-in capital	114,246,951

Net assets, at value	\$ 104,461,189
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Net Asset Value

Net Asset Value and redemption price per share ($\$104,461,189 \div 100,469,805$ outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 1.040
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The accompanying notes are an integral part of the financial statements.

Statement of Operations for the year ended December 31, 2000

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$1,708)	\$ 207,785
Interest	1,175,699
Total Income	<u>1,383,484</u>
Expenses:	
Management fee	634,219
Custodian and accounting fees	57,509
Auditing	7,324
Legal	7,348
Trustees' fees and expenses	14,044
Reports to shareholders	8,222
Other	3,214
Total expenses, before expense reductions	731,880
Expense reductions	<u>(59,921)</u>
Total expenses, after expense reductions	671,959
Net investment income (loss)	711,525

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	(5,568,754)
Foreign currency related transactions	6,564
	<u>(5,562,190)</u>
Net unrealized appreciation (depreciation) during the period on:	
Investments	(5,827,069)
Foreign currency related transactions	486
	<u>(5,826,583)</u>
Net gain (loss) on investment transactions	(11,388,773)
Net increase (decrease) in net assets resulting from operations	\$ (10,677,248)

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

Statements of Changes in Net Assets

	Year Ended December 31, 2000	For the Period October 29, 1999 (commencement of operations) to December 31, 1999
Increase (Decrease) in Net Assets		
Operations:		
Net investment income (loss)	\$ 711,525	\$ (619)
Net realized gain (loss) on investment transactions	(5,562,190)	61,541
Net unrealized appreciation (depreciation) on investment transactions during the period	(5,826,583)	1,010,182
Net increase (decrease) in net assets resulting from operations	<u>(10,677,248)</u>	<u>1,071,104</u>
Distributions to shareholders from:		
Net realized gains	(179,619)	—
Portfolio share transactions:		
Proceeds from shares sold	107,839,456	11,722,437
Reinvestment of distributions	179,619	—
Cost of shares redeemed	(8,494,560)	—
Net increase (decrease) in net assets from Portfolio share transactions	<u>99,524,515</u>	<u>11,722,437</u>
Increase (decrease) in net assets	<u>88,667,648</u>	<u>12,793,541</u>
Net assets at beginning of period	15,793,541	3,000,000
Net assets at end of period (including undistributed net investment income of \$608,049 at December 31, 2000)	<u>\$ 104,461,189</u>	<u>\$ 15,793,541</u>
Other Information		
Shares outstanding at beginning of period	13,740,947	3,000,000
Shares sold	93,984,180	10,740,947
Shares issued to shareholders in reinvestment of distributions	145,389	—
Shares redeemed	(7,400,711)	—
Net increase (decrease) in Portfolio shares	<u>86,728,858</u>	<u>10,740,947</u>
Shares outstanding at end of period	<u>100,469,805</u>	<u>13,740,947</u>

Financial Highlights

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

Periods Ended December 31,	2000	1999(a)
Net asset value, beginning of period	\$ 1.149	1.000
<i>Income (loss) from investment operations:</i>		
Net investment income (loss) (b)	.012	—
Net realized and unrealized gain (loss) on investment transactions	(.116)	.149
Total from investment operations	(.104)	.149
<i>Less distributions from:</i>		
Net realized gains on investment transactions	(.005)	—
Total distributions	(.005)	—
Net asset value, end of period	\$ 1.040	1.149
Total Return (%)	(9.18)	14.93**
Ratios to Average Net Assets and Supplemental Data		
Net assets, end of period (\$ millions)	104	16
Ratio of expenses before expense reductions (%)	1.10	2.58*
Ratio of expenses after expense reductions (%)	1.01	1.10*
Ratio of net investment income (loss) (%)	1.07	(.05)*
Portfolio turnover rate (%)	39	53*

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

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

* Annualized

** Not annualized

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

Management Summary And Performance Update

December 31, 2000

KVS Growth Opportunities Portfolio

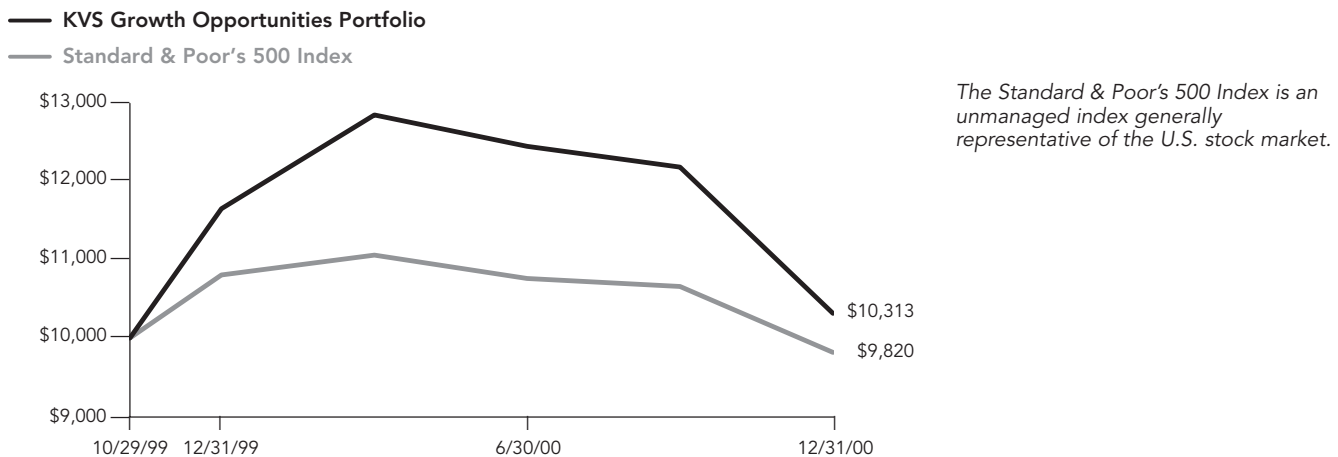
It was an extremely difficult year for stocks as a belief early in the year that the U.S. economy was expanding too rapidly for its own good quickly gave way to fears that the economy was edging toward recession. Stocks finished lower nearly across the board, with the high-growth companies of the Nasdaq Composite Index bearing the brunt of the sell-off.

This uncertain outlook and the massive market volatility that accompanied it hindered our performance. Although a number of our stable growth franchises were able to overcome the difficulties to trade higher, several key portfolio holdings declined and we underperformed the S&P 500 Index as a result. We responded by redoubling our efforts to balance the portfolio's exposure to fast-growing stocks with positions in more traditional growth franchises such as mortgage giant Fannie Mae and brewer Anheuser-Busch, both of which were top performers. Unfortunately, our exposure to high-growth areas such as wireless — which remains a major portfolio theme — produced mixed results, with service providers such as Nextel falling while handset leader Nokia held its ground in an increasingly volatile environment.

Looking forward, it is far from clear whether the U.S. economy is on the path to a soft landing. Consumer confidence has waned in the face of corporate layoffs, higher energy prices and the sharp correction in stock prices. For that reason, we are monitoring economic developments closely and have tried to maintain balance in the portfolio by selectively adding both high-growth companies that are now trading at attractive valuations as well as those more stable growers we feel are capable of performing well in periods of economic turbulence. As always, we remain steadfast in our belief that a thorough understanding of the drivers behind each individual holding remains the best way to navigate even the most uncertain market environment.

E. Marc Pinto
Lead Portfolio Manager

Growth of an assumed \$10,000 investment in KVS Growth Opportunities Portfolio from 10/29/1999 to 12/31/2000



Average Annual Total Return¹

For the periods ended December 31, 2000	1-year	Life of portfolio
KVS Growth Opportunities Portfolio	-11.42%	2.67% (Since 10/29/1999)

¹ Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details. The investment advisor has agreed to either limit, waive or reduce certain fees temporarily for this portfolio; see the prospectus for complete details. Without such limits, waivers or reductions, the performance figures for this subaccount would be lower. Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

KVS Growth Opportunities Portfolio

	Principal Amount (\$)	Value (\$)		Shares	Value (\$)
Repurchase Agreements 5.0%					
State Street Bank and Trust Company, 5.95%, to be repurchased at \$6,904,562 on 1/2/2001** (Cost \$6,900,000)	6,900,000	6,900,000			
Short-Term Obligations 4.0%					
Federal Home Loan Bank, 6.21%***, 1/2/2001 (Cost \$5,499,122)	5,500,000	5,499,122			
			Shares		
Common Stocks 91.0%					
Consumer Discretionary 5.8%					
Department & Chain Stores 4.6%					
Gap, Inc.	67,075	1,710,412			
Home Depot, Inc.	36,013	1,645,321			
Wal-Mart Stores, Inc.	56,390	2,995,719			
		6,351,452			
Hotels & Casinos 1.2%					
MGM Grand, Inc.	60,050	1,692,659			
Consumer Staples 3.5%					
Alcohol & Tobacco 1.5%					
Anheuser-Busch Companies, Inc.	46,250	2,104,375			
Package Goods/Cosmetics 2.0%					
Colgate-Palmolive Co.	41,965	2,708,841			
Health 6.1%					
Biotechnology 1.4%					
Genentech, Inc.*	23,735	1,934,402			
Medical Supply & Specialty 1.1%					
Applera Corp. — Applied Biosystems Group	16,360	1,538,863			
Pharmaceuticals 3.6%					
Eli Lilly & Co.	30,530	2,841,198			
Pfizer, Inc.	45,337	2,085,502			
		4,926,700			
Communications 10.5%					
Cellular Telephone 8.4%					
Nextel Communications, Inc. "A"*	58,605	1,450,474			
Nokia Oyj (ADR)	178,635	7,770,622			
Sprint Corp. (PCS Group)*	52,150	1,065,816			
Vodafone Group plc	37,600	1,346,550			
		11,633,462			
Telephone/Communications 2.1%					
Compania Telefonica Nacional de Espana S.A. (ADR)*			24,480		1,224,000
Nortel Networks Corp.			51,675		1,656,830
					2,880,830
Financial 11.9%					
Banks 1.9%					
Bank of New York Co., Inc.			48,000		2,649,000
Consumer Finance 5.7%					
American Express Co.			47,425		2,605,411
Citigroup, Inc.			103,258		5,272,612
					7,878,023
Other Financial Companies 4.3%					
Federal National Mortgage Association .			39,525		3,428,794
Morgan Stanley Dean Witter & Co.			30,825		2,442,881
					5,871,675
Media 14.6%					
Broadcasting & Entertainment 6.6%					
Time Warner, Inc.			83,800		4,377,712
Viacom, Inc. "B"*			101,775		4,757,981
					9,135,693
Cable Television 8.0%					
AT&T Corp. — Liberty Media Group* ..			142,950		1,938,759
Cablevision Systems Corp. "A"*			37,475		3,183,033
Comcast Corp.*			140,355		5,859,821
					10,981,613
Service Industries 2.4%					
EDP Services 0.9%					
VeriSign, Inc.*			17,350		1,287,153
Investment 1.5%					
Charles Schwab Corp.			70,363		1,996,536
Durables 1.9%					
Aerospace					
Boeing Co.			40,895		2,699,070
Manufacturing 4.6%					
Diversified Manufacturing					
General Electric Co.			131,050		6,282,209
Technology 25.0%					
Computer Software 2.4%					
Inktomi Corp.*			37,720		674,245
Microsoft Corp.*			60,450		2,622,019
					3,296,264
Diverse Electronic Products 4.9%					
Applied Materials, Inc.*			94,300		3,601,081
General Motors Corp. "H" (New)*			139,825		3,215,975
					6,817,056

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

	Shares	Value (\$)		Shares	Value (\$)
EDP Peripherals 4.7%			Semiconductors 7.2%		
EMC Corp.*	96,500	6,417,250	Linear Technology Corp.	109,400	5,059,750
Electronic Components/Distributors 3.0%			Texas Instruments, Inc.	103,550	4,905,681
Cisco Systems, Inc.*	107,650	4,117,613			9,965,431
Electronic Data Processing 1.2%			Energy 4.7%		
Sun Microsystems, Inc.*	59,640	1,662,465	Oil & Gas Production 2.9%		
Precision Instruments 1.6%			Anadarko Petroleum Corp.	55,800	3,966,264
ASM Lithography Holding NV*	95,050	2,144,566	Oil/Gas Transmission 1.8%		
			Enron Corp.	30,125	2,504,141
			Total Common Stocks (Cost \$143,973,787)		125,443,606
			Total Investment Portfolio — 100.0%		137,842,728
			(Cost \$156,372,909) (a)		

Notes to KVS Growth Opportunities Portfolio of Investments

* Non-income producing security.

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

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

(a) The cost for federal income tax purposes was \$156,779,140. At December 31, 2000, net unrealized depreciation for all securities based on tax cost was \$18,936,412. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$7,368,193 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$26,304,605.

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

Financial Statements

Statement of Assets and Liabilities as of December 31, 2000

Assets

Investments in securities, at value (cost \$156,372,909)	\$ 137,842,728
Cash	874,954
Dividends receivable	28,313
Interest receivable	3,421
Receivable for Portfolio shares sold	467,097
Total assets	139,216,513

Liabilities

Accrued management fee	141,417
Accrued Trustees' fees and expenses	8,122
Other accrued expenses and payables	26,696
Total liabilities	176,235

Net assets, at value \$ 139,040,278

Net Assets

Net assets consist of:	
Net unrealized appreciation (depreciation) on investments	(18,530,181)
Accumulated net realized gain (loss)	(2,830,381)
Paid-in capital	160,400,840

Net assets, at value \$ 139,040,278

Net Asset Value

Net Asset Value and redemption price per share (\$139,040,278 ÷ 134,815,890 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized) \$ 1.031

Statement of Operations for the year ended December 31, 2000

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$2,775)	\$ 258,077
Interest	437,141
Total Income	695,218
Expenses:	
Management fee	822,347
Custodian and accounting fees	47,205
Auditing	10,999
Legal	9,153
Trustees' fees and expenses	15,509
Reports to shareholders	11,659
Registration fees	723
Other	4,469
Total expenses, before expense reductions	922,064
Expense reductions	(50,135)
Total expenses, after expense reductions	871,929
Net investment income (loss)	(176,711)

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from investments	(2,830,381)
Net unrealized appreciation (depreciation) during the period on investments	(19,746,291)
Net gain (loss) on investment transactions	(22,576,672)

Net increase (decrease) in net assets resulting from operations \$ (22,753,383)

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

Statements of Changes in Net Assets

	Year Ended December 31, 2000	For the Period October 29, 1999 (commencement of operations) to December 31, 1999
Increase (Decrease) in Net Assets		
Operations:		
Net investment income (loss)	\$ (176,711)	\$ (4,390)
Net realized gain (loss) on investment transactions	(2,830,381)	802
Net unrealized appreciation (depreciation) on investment transactions during the period	(19,746,291)	1,216,110
Net increase (decrease) in net assets resulting from operations	(22,753,383)	1,212,522
Portfolio share transactions:		
Proceeds from shares sold	153,246,406	12,946,060
Cost of shares redeemed	(8,611,327)	—
Net increase (decrease) in net assets from Portfolio share transactions	144,635,079	12,946,060
Increase (decrease) in net assets	121,881,696	14,158,582
Net assets at beginning of period	17,158,582	3,000,000
Net assets at end of period	\$ 139,040,278	\$ 17,158,582
Other Information		
Shares outstanding at beginning of period	14,736,962	3,000,000
Shares sold	127,198,299	11,736,962
Shares redeemed	(7,119,371)	—
Net increase (decrease) in Portfolio shares	120,078,928	11,736,962
Shares outstanding at end of period	134,815,890	14,736,962

Financial Highlights

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

Periods Ended December 31,	2000	1999(a)
Net asset value, beginning of period	\$ 1.164	1.000
<i>Income (loss) from investment operations:</i>		
Net investment income (loss) (b)	(.002)	—
Net realized and unrealized gain (loss) on investment transactions	(.131)	.164
Total from investment operations	(.133)	.164
Net asset value, end of period	\$ 1.031	1.164
Total Return (%)	(11.42)	16.43**
Ratios to Average Net Assets and Supplemental Data		
Net assets, end of period (\$ millions)	139	17
Ratio of expenses before expense reductions (%)	1.06	2.60*
Ratio of expenses after expense reductions (%)	1.01	1.10*
Ratio of net investment income (loss) (%)	(.20)	(.34)*
Portfolio turnover rate (%)	14	1*

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

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

* Annualized

** Not annualized

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

Management Summary And Performance Update

December 31, 2000

KVS Index 500 Portfolio

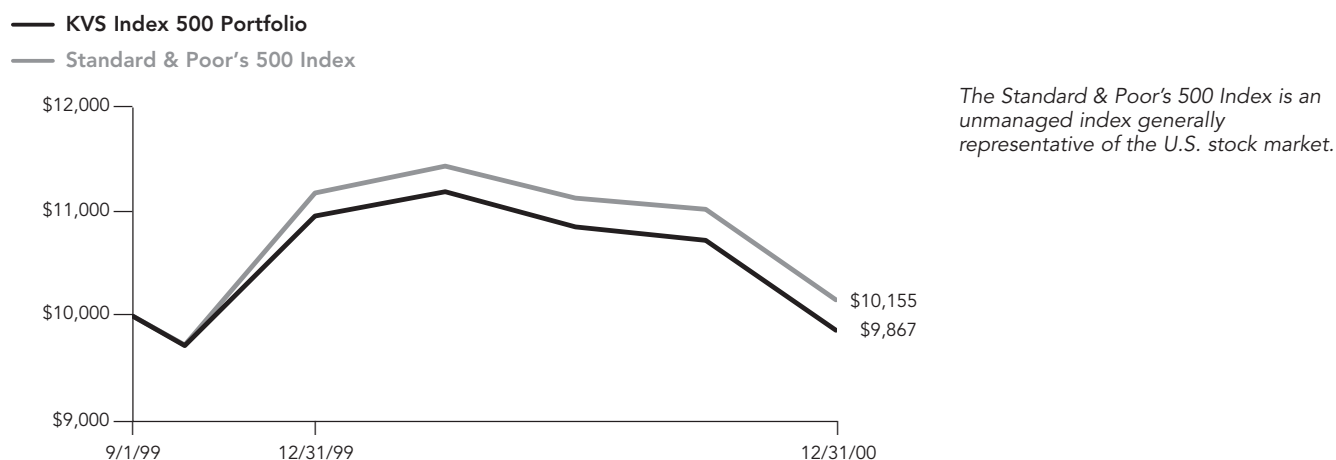
The S&P 500 Index experienced its biggest annual decline since 1977 for the twelve months ended December 31, 2000, registering a loss of 9.10%. Equity market volatility remained high throughout the year while weakness in stock prices centered on the leaders of recent years, such as technology, communications and the Internet. The equity market's decline largely reflected fears of economic overheating, higher energy prices and interest rates, and then later in the year concerns about profit growth and valuations in a slowing economic environment. At the same time, the U.S. equity market shifted its focus from the narrow leadership seen previously toward opportunities in the broader market. Large-capitalization value-oriented stocks outperformed their growth counterparts for the annual period, a complete reversal from recent years. Large-cap stocks underperformed small- and mid-cap stocks.

Equity markets face a tug-of-war between the near-term prospect of continued weakness in economic activity and profits and the prospect of a rebound later this year and in 2002 as monetary easing kicks in. The rapidly deteriorating economic backdrop at the end of 2000, coupled with weakening financial market signals, prompted the Federal Reserve Board's aggressive 0.50% inter-meeting interest rate cut on January 3, 2001. Historically, equity markets have often tended to regain traction within six months of the beginning of Fed easing cycles. We believe that economic activity will pick up late this year under the combined effects of lower interest rates, declining energy prices and improved financial market conditions. If the economy enters into actual recession, however, investors would likely have to lower their near-term sights and push out the date of eventual revival.

It is important to reiterate that the portfolio seeks to replicate as closely as possible (before deduction of expenses) the broad diversification and returns of the S&P 500 Index, we neither evaluate short-term fluctuations in the portfolio's performance nor manage according to a given outlook for the equity markets or the economy in general. Still, we will continue monitoring economic conditions and how they affect the financial markets.

James A. Creighton
Lead Portfolio Manager

Growth of an assumed \$10,000 investment in KVS Index 500 Portfolio from 9/1/1999 to 12/31/2000



Average Annual Total Return¹

For the periods ended December 31, 2000	1-year	Life of portfolio
KVS Index 500 Portfolio	-9.93%	-1.00% (Since 9/1/1999)

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¹ Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details. The investment advisor has agreed to either limit, waive or reduce certain fees temporarily for this portfolio; see the prospectus for complete details. Without such limits, waivers or reductions, the performance figures for this subaccount would be lower. Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

KVS Index 500 Portfolio

	Principal Amount (\$)	Value (\$)		Shares	Value (\$)
Repurchase Agreements 0.3%					
State Street Bank and Trust Company, 5.95%, to be repurchased at \$259,171 on 1/2/2001** (Cost \$259,000)	259,000	259,000			
Short-Term Obligations 2.3%					
Federal Home Loan Bank***, 6.21%, 1/2/2001 (Cost \$2,399,617)	2,400,000	2,399,617			
U.S. Government Obligations 0.3%					
U.S. Treasury Bill, 6.11%, 1/18/2001 (Cost \$284,184) (b)	285,000	284,184			
			Shares		
Common Stocks 97.1%					
Consumer Discretionary 6.3%					
Apparel & Shoes 0.1%					
Liz Claiborne, Inc.	483	20,105			
Nike, Inc. "B"*	2,289	127,755			
Reebok International Ltd.*	418	11,428			
		159,288			
Department & Chain Stores 4.9%					
Bed Bath & Beyond, Inc.*	2,380	53,253			
Best Buy Co., Inc.*	1,723	50,936			
CVS Corp.	3,384	202,829			
Consolidated Stores Corp.*	892	9,478			
Costco Wholesale Corp.*	3,803	151,882			
Dillard's, Inc.	751	8,871			
Dollar General Corp.	2,812	53,077			
Federated Department Stores, Inc.*	1,728	60,480			
Gap, Inc.	7,184	183,192			
Home Depot, Inc.	19,756	902,579			
J.C. Penney Co., Inc.	2,167	23,566			
Kmart Corp.*	4,066	21,601			
Kohl's Corp.*	2,841	173,301			
Longs Drug Stores, Inc.	300	7,238			
Lowe's Companies, Inc.	3,224	143,468			
May Department Stores	2,500	81,875			
Nordstrom, Inc.	1,138	20,697			
Sears, Roebuck & Co.*	2,923	101,574			
TJX Companies, Inc. (New)	2,452	68,043			
Target Corp.	7,629	246,035			
The Limited, Inc.	3,581	61,101			
Wal-Mart Stores, Inc.	38,196	2,029,163			
Walmart Stores, Inc.					
Walgreen Co.				8,679	362,891
					5,017,130
Home Furnishings 0.1%					
Newell Rubbermaid, Inc.				2,246	51,097
Tupperware Corp.				509	10,403
					61,500
Hotels & Casinos 0.3%					
Carnival Corp. "A"				4,947	152,429
Harrah's Entertainment, Inc.*				1,019	26,876
Hilton Hotels Corp.				3,040	31,920
Marriott International, Inc. "A"				2,055	86,824
Starwood Hotels & Resorts Worldwide, Inc. (REIT)				1,663	58,621
					356,670
Recreational Products 0.2%					
Brunswick Corp.				721	11,851
Harley-Davidson, Inc.				2,630	104,543
Hasbro, Inc.				1,427	15,162
Mattel, Inc.				3,663	52,894
					184,450
Restaurants 0.5%					
Darden Restaurants, Inc.				1,055	24,133
McDonald's Corp.				11,138	378,692
Starbucks Corp.*				1,590	70,358
Tricon Global Restaurants*				1,177	38,841
Wendy's International, Inc.				1,011	26,539
					538,563
Specialty Retail 0.2%					
AutoZone, Inc.*				1,109	31,607
Circuit City Stores, Inc.				1,723	19,815
Office Depot, Inc.*				2,603	18,546
Staples, Inc.*				3,893	45,986
Tiffany & Co.				1,200	37,950
Toys "R" Us, Inc.*				1,692	28,235
					182,139
Consumer Staples 7.3%					
Alcohol & Tobacco 1.2%					
Adolph Coors Co.				368	29,555
Anheuser-Busch Companies, Inc.				7,618	346,619
Brown-Forman Corp. "B"				590	39,235
Philip Morris Companies, Inc.				18,966	834,504
UST, Inc.				1,411	39,596
					1,289,509
Consumer Electronic & Photographic 0.2%					
Eastman Kodak Co.				2,559	100,782
Maytag Corp.				648	20,939
Whirlpool Corp.				599	28,565
					150,286
Consumer Specialties 0.0%					
American Greeting Corp., "A"				600	5,663

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

	Shares	Value (\$)		Shares	Value (\$)
Verizon Communications, Inc.	23,010	1,153,376	Lincoln National Corp.	1,601	75,747
WorldCom, Inc.*	24,563	345,410	MBIA, Inc.	817	60,560
		<u>6,446,711</u>	MGIC Investment Corp.	877	59,143
Miscellaneous 0.0%			MetLife, Inc.	6,500	227,500
Avaya, Inc.*	2,337	<u>24,100</u>	Progressive Corp.	637	66,009
			Providian Financial Corp.	2,414	138,805
Financial 15.9%			Safeco Corp.	1,105	36,327
Banks 6.0%			St. Paul Companies, Inc.	1,842	100,044
AmSouth Bancorp.	3,145	47,961	Torchmark Corp.	1,089	41,858
BB&T Corp.	3,342	124,698	UnumProvident Corp.	2,116	<u>56,868</u>
Bank One Corp.	9,862	361,196			<u>4,205,457</u>
Bank of America Corp.	13,877	636,607	Consumer Finance 3.3%		
Bank of New York Co., Inc.	6,279	346,522	American Express Co.	11,375	624,914
Chase Manhattan Corp.*	11,191	508,468	Capital One Finance Corp.	1,651	108,656
Comerica, Inc.	1,346	79,919	Citigroup, Inc.	42,988	2,195,094
Fifth Third Bancorp.	3,948	235,893	Household International, Inc.	3,999	219,945
First Union Corp.	8,394	233,458	Mellon Financial Corp.	4,117	202,505
Firststar Corp.	8,089	188,069	Synovus Financial Corp.	2,382	<u>64,165</u>
FleetBoston Financial Corp.	7,681	288,518			<u>3,415,279</u>
Golden West Financial Corp.	1,403	94,703	Other Financial Companies 2.5%		
Huntington Bancshares, Inc.	2,110	34,156	CIT Group, Inc.	2,205	44,376
J.P. Morgan & Co., Inc.	1,409	233,190	Charter One Financial, Inc.	1,721	49,694
KeyCorp	3,660	102,480	Countrywide Credit Industries, Inc.	931	46,783
MBNA Corp.	7,214	266,467	Federal Home Loan Mortgage Corp. ...	5,945	409,462
National City Corp.	5,170	148,638	Federal National Mortgage		
Northern Trust Corp.	1,849	150,809	Association	8,565	743,014
Old Kent Financial Corp.	1,220	53,375	Lehman Brothers Holdings, Inc.	2,088	141,201
PNC Financial Services Group	2,437	178,053	Marsh & McLennan Companies, Inc. ...	2,311	270,387
Regions Financial Corp.	1,864	50,911	Moody's Investor Service	1,394	35,808
SouthTrust Corp.	1,419	57,736	Morgan Stanley Dean Witter & Co.	9,534	755,570
State Street Corp.	1,395	173,273	USA Education, Inc.	1,343	<u>91,324</u>
Summit Bancorp.	1,466	55,983			<u>2,587,619</u>
SunTrust Banks, Inc.	2,495	157,185	Media 2.8%		
UBS AG	39	6,373	Advertising 0.2%		
US Bancorp*	6,403	186,888	Interpublic Group of Companies, Inc. ...	2,673	113,770
Union Planters Corp.	1,184	42,328	Omnicom Group, Inc.	1,531	<u>126,882</u>
Wachovia Corp.	1,691	98,289			<u>240,652</u>
Washington Mutual, Inc.	4,585	243,292	Broadcasting & Entertainment 1.9%		
Wells Fargo & Co.	14,616	<u>813,929</u>	Clear Channel Communications, Inc.* ..	5,026	243,447
		<u>6,199,367</u>	Time Warner, Inc.	11,302	590,416
Insurance 4.1%			Viacom, Inc "B"*	12,935	604,711
AFLAC, Inc.	2,256	162,855	Walt Disney Co.	17,746	<u>513,525</u>
AMBAC Financial Group, Inc.	867	50,557			<u>1,952,099</u>
Allstate Corp.	6,224	271,133	Cable Television 0.3%		
American General Corp.	2,165	176,448	Comcast Corp.*	7,690	<u>321,058</u>
American International Group, Inc.	19,924	1,963,759			
Aon Corp.	2,183	74,768	Print Media 0.4%		
Atena, Inc.	1,250	51,328	Gannett Co., Inc.	2,232	140,756
Chubb Corp.	1,487	128,626	Harcourt General, Inc.	632	36,150
Cigna Corp.	1,284	169,873	Knight-Ridder, Inc.	634	36,059
Cincinnati Financial Corp.	1,381	54,636	Meredith Corp.	500	16,094
Conseco, Inc.	2,817	37,149	New York Times Co. "A"*	1,361	54,525
Hartford Financial Services Group,			Tribune Co.	2,688	<u>113,568</u>
Inc.	1,954	138,001			<u>397,152</u>
Jefferson Pilot Corp.	849	63,463			

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

	Shares	Value (\$)		Shares	Value (\$)
Service Industries 3.4%			Automobiles 0.8%		
EDP Services 0.8%			Cummins Engine Co., Inc. 562 21,321		
Automatic Data Processing, Inc.	5,438	344,293	Dana Corp.	1,257	19,248
Electronic Data Systems Corp.	4,040	233,310	Delphi Automotive Systems Corp.	4,783	53,809
First Data Corp.	3,440	181,245	Eaton Corp.	616	46,316
Sapient Corp.*	972	11,603	Ford Motor Co.	15,994	374,859
		<u>770,451</u>	General Motors Corp.	4,792	244,093
Environmental Services 0.2%			Genuine Parts Co.	1,409	36,898
Allied Waste Industries*	1,739	25,324	Navistar International Corp.*	521	13,644
Transocean Sedo Forex, Inc.	1,752	80,603			<u>810,188</u>
Waste Management, Inc.*	5,282	146,576	Construction/Agricultural Equipment 0.3%		
		<u>252,503</u>	Caterpillar, Inc.	2,917	138,011
Investment 1.0%			Deere & Co.	1,958	89,701
Bear Stearns Companies, Inc.	985	49,927	PACCAR, Inc.	649	31,963
Charles Schwab Corp.	11,722	332,598			<u>259,675</u>
Franklin Resources, Inc.	2,090	79,629	Leasing Companies 0.0%		
Merrill Lynch & Co., Inc.	6,943	473,426	Ryder System, Inc.	1,052	17,490
Stilwell Financial, Inc.	1,956	77,140	Telecommunications Equipment 0.6%		
T. Rowe Price Group, Inc.	1,053	44,506	Andrew Corp.*	680	14,790
		<u>1,057,226</u>	Lucent Technologies, Inc.	28,511	384,899
Miscellaneous Commercial Services 0.8%			Scientific-Atlanta, Inc.	1,368	44,546
Convergys Corp.*	1,347	61,036	Tellabs, Inc.*	3,524	199,106
Ecolab, Inc.	1,143	49,363			<u>643,341</u>
Fluor Corp.*	625	20,664	Tires 0.0%		
NCR Corp.*	794	39,005	Cooper Tire & Rubber Co.	549	5,833
Paychex, Inc.	3,148	153,072	Goodyear Tire & Rubber Co.	1,420	32,646
Sabre Group Holdings, Inc. "A"	1,062	45,799			<u>38,479</u>
Siebel Systems, Inc.	3,688	249,401	Manufacturing 9.4%		
Sysco Corp.	5,724	171,720	Chemicals 0.9%		
Tektronix, Inc.	824	27,759	Dow Chemical Co.	5,753	210,704
		<u>817,819</u>	E.I. du Pont de Nemours & Co.	8,790	424,667
Miscellaneous Consumer Services 0.4%			Eastman Chemical Co.	643	31,346
Cendant Corp.	6,138	59,078	Engelhard Corp.	1,100	22,413
H & R Block, Inc.	738	30,535	Great Lakes Chemicals Corp.	500	18,594
Robert Half International, Inc.*	1,600	42,400	Hercules, Inc.	1,007	19,196
TXU Corp.	2,126	94,208	Mead Corp.	838	26,292
Yahoo!, Inc.*	4,766	143,799	Praxair, Inc.	1,334	59,196
		<u>370,020</u>	Rohm & Haas Co.	1,826	66,307
Printing/Publishing 0.2%			Sigma-Aldrich Corp.	668	26,261
Deluxe Corp.	609	15,389	Union Carbide Corp.	1,203	64,736
Dow Jones & Co., Inc.	720	40,770			<u>969,712</u>
Equifax, Inc.	1,224	35,114	Containers & Paper 0.3%		
McGraw-Hill, Inc.	1,627	95,383	Bemis Company, Inc.	456	15,305
R.R. Donnelley & Sons Co.	1,064	28,728	Boise Cascade Corp.	469	15,770
		<u>215,384</u>	International Paper Co.	4,152	169,454
Durables 2.8%			Pactiv Corp.*	1,398	17,300
Aerospace 1.1%			Sealed Air Corp.*	795	24,248
B.F. Goodrich Co.	832	30,264	Temple-Inland, Inc.	468	25,097
Boeing Co.	7,547	498,102	Willamette Industries	974	45,717
Lockheed Martin Corp.	3,644	123,714			<u>312,891</u>
Northrop Grumman Corp.	625	51,875	Diversified Manufacturing 5.9%		
Rockwell International Corp.	1,656	78,867	Ball Corp.	200	9,213
United Technologies Corp.	3,957	311,119	Briggs & Stratton Corp.	129	5,724
		<u>1,093,941</u>	Cooper Industries, Inc.	1,051	48,280

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

	Shares	Value (\$)		Shares	Value (\$)
Crane Co.	514	14,617	FMC Corp.*	243	17,420
Dover Corp.	1,678	68,064			98,805
Fortune Brands, Inc.	1,309	39,270	Wholesale Distributors 0.0%		
General Electric Co.	84,672	4,058,964	W.W. Grainger, Inc.	774	28,251
Honeywell International, Inc.	6,813	322,340			
ITT Industries, Inc.	719	27,861	Technology 17.4%		
Leggett & Platt	1,657	31,379	Computer Software 4.6%		
Loews Corp.	817	84,611	Adobe Systems, Inc.	2,070	120,448
Minnesota Mining & Manufacturing Co.	3,310	398,855	America Online, Inc.*	19,987	695,548
National Service Industries, Inc.	400	10,275	Autodesk, Inc.*	509	13,711
TRW, Inc.	1,000	38,750	BMC Software, Inc.*	2,108	29,512
Textron, Inc.	1,243	57,800	Broadvision, Inc.*	2,400	28,350
Thermo Electron Corp.*	1,505	44,774	Citrix Systems, Inc.*	1,564	35,190
Tyco International Ltd.	14,936	828,948	Computer Associates International, Inc.	4,965	96,818
		6,089,725	Compuware Corp.*	3,046	19,038
Electrical Products 0.3%			Comverse Technology, Inc.*	1,373	149,142
American Power Conversion Corp.*	1,923	23,797	Intuit, Inc.*	1,800	70,988
Emerson Electric Co.	3,662	288,611	Microsoft Corp.*	45,579	1,976,989
Power-One, Inc.*	682	26,811	Oracle Corp.*	47,825	1,389,914
Thomas & Betts Corp.	1,027	16,625	Parametric Technology Corp.*	2,291	30,785
		355,844	PeopleSoft, Inc.*	2,464	91,630
Hand Tools 0.2%					4,748,063
Black & Decker Corp.	694	27,240	Diverse Electronic Products 1.3%		
Danaher Corp.	1,247	85,264	Applied Materials, Inc.*	6,903	263,608
Snap-On, Inc.	493	13,742	Dell Computer Corp.*	22,147	386,188
Stanley Works	685	21,363	Molex, Inc.	1,692	60,057
		147,609	Motorola, Inc.	18,630	377,258
Industrial Specialty 1.2%			Soletron Corp.*	5,440	184,416
Avery Dennison Corp.	915	50,211	Teradyne, Inc.*	1,474	54,907
Centex Corp.	484	18,180			1,326,434
Corning, Inc.	7,834	413,733	EDP Peripherals 1.8%		
Johnson Controls, Inc.	715	37,180	EMC Corp.	18,748	1,246,742
Novellus Systems*	1,101	39,567	Mercury Interactive Corp.*	690	62,273
PPG Industries, Inc.	1,505	69,700	Network Appliance, Inc.*	2,712	174,077
Pall Corp.	1,053	22,442	Symbol Technologies, Inc.	1,200	43,200
QUALCOMM, Inc.*	6,414	527,151	VERITAS Software Corp.	3,367	294,613
Sherwin-Williams Co.	1,404	36,943			1,820,905
		1,215,107	Electronic Components/Distributors 2.9%		
Machinery/Components/Controls 0.4%			Adaptec, Inc.*	820	8,405
Illinois Tool Works, Inc.	2,618	155,935	Altera Corp.*	3,346	88,042
Ingersoll-Rand Co.	1,311	54,898	Analog Devices, Inc.*	3,028	154,996
Millipore Corp.	431	27,153	Applied Micro Circuits Corp.*	2,379	195,122
Parker-Hannifin Corp.	998	44,037	Broadcom Corp. "A"*	2,052	172,368
Pitney Bowes, Inc.	2,191	72,577	Cisco Systems, Inc.*	61,490	2,351,993
Timken Co.	485	7,336	Gateway, Inc.*	2,777	49,958
Visteon Corp.	1,094	12,581			3,020,884
		374,517	Electronic Data Processing 2.9%		
Office Equipment/Supplies 0.1%			Apple Computer, Inc.*	2,791	41,516
Lexmark International Group, Inc. "A"*	1,070	47,414	Ceridian Corp.*	1,239	24,703
Xerox Corp.	5,684	26,289	Compaq Computer Corp.	14,571	219,294
		73,703	Hewlett-Packard Co.	16,864	532,270
Specialty Chemicals 0.1%			International Business Machines Corp.	14,955	1,271,175
Air Products & Chemicals, Inc.	1,985	81,385	Radioshack Corp.	1,570	67,216

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

	Shares	Value (\$)		Shares	Value (\$)
Sun Microsystems, Inc.*	27,541	767,705	Ashland, Inc.	615	22,072
Unisys Corp.*	2,680	39,195	Chevron Corp.	5,520	466,095
		<u>2,963,074</u>	Phillips Petroleum Co.	2,156	122,623
Military Electronics 0.3%			USX Marathon Group	2,722	75,536
Computer Sciences Corp.*	1,436	86,340	Unocal Corp.	2,059	79,658
General Dynamics Corp.*	1,680	131,040			<u>822,681</u>
Raytheon Co. "B"	2,897	89,988	Oil/Gas Transmission 0.9%		
		<u>307,368</u>	El Paso Energy Corp.	2,012	144,110
Office/Plant Automation 0.1%			Enron Corp.	6,368	529,340
Cabletron Systems, Inc.*	1,593	23,995	Kinder Morgan, Inc.	964	50,309
Novell, Inc.*	2,775	14,482	Niagara Mohawk Holdings, Inc.*	1,239	20,676
Palm, Inc.*	4,878	138,109	Sempra Energy	1,676	38,967
		<u>176,586</u>	Sunoco, Inc.	802	27,017
Semiconductors 3.3%			Williams Companies, Inc.	3,750	149,766
Advanced Micro Devices, Inc.*	2,695	37,225			<u>960,185</u>
Conexant Systems, Inc.*	1,980	30,443	Oilfield Services/Equipment 0.7%		
Intel Corp.	57,528	1,729,436	Baker Hughes, Inc.	2,832	117,705
KLA Tencor Corp.*	1,595	53,732	Halliburton Co.	3,791	137,424
LSI Logic Corp.	2,685	45,887	Rowan Companies, Inc.*	777	20,979
Linear Technology Corp.	2,700	124,875	Schlumberger Ltd.	4,921	393,372
Maxim Integrated Products, Inc.*	2,390	114,272			<u>669,480</u>
Micron Technology, Inc.*	4,875	173,063	Miscellaneous 0.5%		
National Semiconductor Corp.*	1,501	30,208	Dynegy, Inc.	2,684	150,472
QLogic Corp.*	741	57,057	Exelon Corp.	2,702	189,707
Sanmina Corp.*	1,316	100,839	Massey Energy Co.	94	1,199
Texas Instruments, Inc.	14,795	700,913	Progress Energy, Inc.	2,723	133,938
Vitesse Semiconductor Corp.*	1,500	82,969	Progress Energy, Inc.*	814	326
Xilinx, Inc.*	2,830	130,534			<u>475,642</u>
		<u>3,411,453</u>	Metals & Minerals 0.6%		
Miscellaneous 0.2%			Precious Metals 0.1%		
Agilent Technologies, Inc.*	3,848	210,698	Barrick Gold Corp.	3,393	55,577
			Freeport McMoRan Copper & Gold, Inc. "B"*	1,287	11,020
Energy 7.7%			Homestake Mining Co.	2,003	8,388
Engineering 0.0%			Newmont Mining Corp.	1,415	24,143
McDermott International, Inc.	477	5,128	Placer Dome, Inc.	2,846	27,398
					<u>126,526</u>
Oil & Gas Production 4.8%			Steel & Metals 0.5%		
Anadarko Petroleum Corp.	2,088	148,415	Alcan Aluminium Ltd.	2,782	95,174
Apache Corp.	1,013	70,973	Alcoa, Inc.	7,397	247,800
Burlington Resources, Inc.	1,814	91,607	Allegheny Technologies, Inc.	667	10,589
Coastal Corp.	1,794	158,433	Inco Ltd.*	1,518	25,442
Conoco, Inc.	5,338	154,468	Nucor Corp.	676	26,829
Devon Energy Corp.	1,131	68,957	Phelps Dodge Corp.	654	36,501
EOG Resources, Inc.	939	51,352	USX-US Steel Group, Inc.	761	13,698
Exxon Mobil Corp.	29,680	2,580,305	Worthington Industries, Inc.*	726	5,853
Kerr-McGee Corp.	770	51,542			<u>461,886</u>
Nabors Industries, Inc.*	1,198	70,862	Construction 0.3%		
Occidental Petroleum Corp.	3,135	76,024	Building Materials 0.0%		
Royal Dutch Petroleum Co. (New York shares)	18,374	1,112,775	Vulcan Materials Co.	910	43,566
Texaco, Inc.	4,654	289,130			
Tosco Corp.	1,229	41,709	Building Products 0.2%		
		<u>4,966,552</u>	Georgia-Pacific Group	1,941	60,414
Oil Companies 0.8%			Masco Corp.	3,826	98,280
Amerada Hess Corp.	776	56,697			<u>158,694</u>

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

	Shares	Value (\$)		Shares	Value (\$)
Forest Products 0.1%					
Louisiana-Pacific Corp.	880	8,910	CMS Energy Corp.	956	30,293
Potlatch Corp.	200	6,713	Calpine Corp.*	2,380	107,249
Westvaco Corp.	807	23,554	Consolidated Edison, Inc.	1,744	67,144
Weyerhaeuser Co.	1,832	92,974	Constellation Energy Group*	1,210	54,526
		<u>132,151</u>	DTE Energy Co.	1,146	44,622
Homebuilding 0.0%					
Kaufman & Broad Home Corp.	427	14,385	Dominion Resources, Inc.	2,022	135,474
Pulte Corp.	395	16,664	Duke Energy Corp.	3,122	266,151
		<u>31,049</u>	Edison International	2,667	41,672
Transportation 0.6%					
Air Freight 0.1%					
FedEx Corp.*	2,296	91,748	Entergy Corp.	1,831	77,474
Airlines 0.2%					
AMR Corp.*	1,247	48,867	FPL Group, Inc.	1,508	108,199
Delta Air Lines, Inc.	994	49,886	FirstEnergy Corp.	1,848	58,328
Southwest Airlines Co.	4,299	144,145	GPU, Inc.	1,180	43,439
US Airways Group, Inc.*	590	23,932	PG&E Corp.	3,231	64,620
		<u>266,830</u>	Pinnacle West Capital Corp.	708	33,719
Railroads 0.3%					
Burlington Northern Santa Fe Corp.	3,379	95,668	Public Service Enterprise Group	1,774	86,261
CSX Corp.	1,874	48,607	Southern Co.	5,698	189,459
Norfolk Southern Corp.	3,185	42,400			<u>1,890,200</u>
Union Pacific Corp.	2,105	106,829	Natural Gas Distribution 0.3%		
		<u>293,504</u>	KeySpan Corp.	1,132	47,969
Utilities 2.2%					
Electric Utilities 1.8%					
AES Corp.*	3,881	214,910	NICOR, Inc.	406	17,534
Allegheny Energy, Inc.	910	43,851	NiSource, Inc.	1,751	53,843
Ameren Corp.	1,097	50,805	NiSource, Inc.*	347	954
American Electric Power Co.	2,680	124,620	ONEOK, Inc.	300	14,438
CINergy Corp.	1,349	47,384	PPL Corp.	1,179	53,276
			Peoples Energy Corp.	328	14,678
			Reliant Energy, Inc.	2,465	106,765
					<u>309,457</u>
			Miscellaneous 0.1%		
			Xcel, Energy Inc.	2,887	83,903
			Total Common Stocks (Cost \$107,014,502)		
					100,251,557
			Total Investment Portfolio — 100.0%		
					(Cost \$109,957,303) (a)
					103,194,358

Notes to KVS Index 500 Portfolio of Investments

* Non-income producing security.

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

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

(a) The cost for federal income tax purposes was \$110,634,593. At December 31, 2000, net unrealized depreciation for all securities based on tax cost was \$7,440,235. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$9,588,895 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$17,029,130.

(b) At December 31, 2000, these securities, in part or in whole, have been segregated to cover initial margin requirements for open futures contracts.

At December 31, 2000, open futures contracts purchased were as follows:

Futures	Expiration Date	Contracts	Aggregate Face Value (\$)	Value (\$)
S&P 500 Index	March 16, 2001	5	1,654,130	1,662,500
Total unrealized appreciation on open futures contracts				8,370

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

Financial Statements

Statement of Assets and Liabilities as of December 31, 2000

Assets

Investments in securities, at value (cost \$109,957,303)	\$ 103,194,358
Receivable for investments sold	21
Dividends receivable	82,540
Interest receivable	165
Receivable for Portfolio shares sold	34,000
Foreign taxes recoverable	184
Total assets	103,311,268

Liabilities

Due to custodian bank	353
Payable for investments purchased	786,011
Payable for daily variation margin on open futures contracts	34,056
Payable for Portfolio shares redeemed	15,437
Accrued management fee	48,946
Accrued Trustees' fees and expenses	7,602
Other accrued expenses and payables	29,439
Total liabilities	921,844

Net assets, at value	\$ 102,389,424
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Net Assets

Net assets consist of:	
Undistributed net investment income	428,555
Net unrealized appreciation (depreciation) on:	
Investments	(6,762,945)
Futures	8,370
Accumulated net realized gain (loss)	(1,301,017)
Paid-in capital	110,016,461

Net assets, at value	\$ 102,389,424
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Net Asset Value

Net Asset Value and redemption price per share (\$102,389,424 ÷ 104,700,341 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$.978
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The accompanying notes are an integral part of the financial statements.

Statement of Operations for the year ended December 31, 2000

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$3,732)	\$ 802,582
Interest	243,275
Total Income	<u>1,045,857</u>
Expenses:	
Management fee	324,458
Custodian and accounting fees	245,480
Auditing	19,537
Legal	13,813
Trustees' fees and expenses	13,229
Reports to shareholders	9,008
Registration fees	3,717
Other	12,361
Total expenses, before expense reductions	<u>641,603</u>
Expense reductions	(249,401)
Total expenses, after expense reductions	<u>392,202</u>
Net investment income (loss)	653,655

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	(665,824)
Futures	(623,116)
	<u>(1,288,940)</u>
Net unrealized appreciation (depreciation) during the period on:	
Investments	(8,566,996)
Futures	(11,044)
	<u>(8,578,040)</u>
Net gain (loss) on investment transactions	(9,866,980)
Net increase (decrease) in net assets resulting from operations	\$ (9,213,325)

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

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Year Ended	For the Period
	December 31, 2000	September 1, 1999 (commencement of operations) to December 31, 1999
Operations:		
Net investment income (loss)	\$ 653,655	\$ 179,386
Net realized gain (loss) on investment transactions	(1,288,940)	84,164
Net unrealized appreciation (depreciation) on investment transactions during the period	(8,578,040)	1,823,465
Net increase (decrease) in net assets resulting from operations	(9,213,325)	2,087,015
Distributions to shareholders from:		
Net investment income	(254,548)	—
Net realized gains	(254,548)	—
Portfolio share transactions:		
Proceeds from shares sold	92,692,730	25,333,953
Reinvestment of distributions	509,096	—
Cost of shares redeemed	(13,422,943)	(88,006)
Net increase (decrease) in net assets from Portfolio share transactions	79,778,883	25,245,947
Increase (decrease) in net assets	70,056,462	27,332,962
Net assets at beginning of period	32,332,962	5,000,000
Net assets at end of period (including undistributed net investment income of \$428,555 and \$179,390, respectively)	\$ 102,389,424	\$ 32,332,962
Other Information		
Shares outstanding at beginning of period	29,512,927	5,000,000
Shares sold	87,651,728	24,596,356
Shares issued to shareholders in reinvestment of distributions	459,208	—
Shares redeemed	(12,923,522)	(83,429)
Net increase (decrease) in Portfolio shares	75,187,414	24,512,927
Shares outstanding at end of period	104,700,341	29,512,927

Financial Highlights

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

Periods Ended December 31,	2000	1999(a)
Net asset value, beginning of period	\$ 1.096	1.000
<i>Income (loss) from investment operations:</i>		
Net investment income (loss) (b)	.010	.010
Net realized and unrealized gain (loss) on investment transactions	(.118)	.086
Total from investment operations	(.108)	.096
<i>Less distributions from:</i>		
Net investment income	(.005)	—
Net realized gains on investment transactions	(.005)	—
Total distributions	(.010)	—
Net asset value, end of period	\$.978	1.096
Total Return (%)	(9.93)	9.55**
Ratios to Average Net Assets and Supplemental Data		
Net assets, end of period (\$ millions)	102	32
Ratio of expenses before expense reductions (%)	.88	.84*
Ratio of expenses after expense reductions (%)	.54	.55*
Ratio of net investment income (loss) (%)	.90	3.72*
Portfolio turnover rate (%)	20	1*

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

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

* Annualized ** Not annualized

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

Management Summary And Performance Update

December 31, 2000

Kemper Small Cap Value Portfolio

It was a disappointing year. The Kemper Small Cap Value Portfolio's strict valuation discipline and diversified portfolio structure were not rewarded during the narrow momentum-driven market during the first half of fiscal year 2000. Small-cap funds willing to stretch their valuation parameters during that period tended to outperform funds with a rigorous commitment to value based on traditional fundamental investment criteria (such as price-to-earnings and price-to-book ratios). Despite a rebound in the portfolio's relative results during the second half of fiscal year 2000, we were unable to overcome a large performance deficit incurred during the first quarter.

The unmanaged Russell 2000 Index, a broad group of small-company stocks, fell more than 20% for the 12 months ended December 31, 2000. We did well with our selections of financial, utility and consumer staples stocks.

However, these gains were more than offset by setbacks in other sectors. Health care and energy stocks were the two best-performing sectors within the Russell 2000 for the 12 months ended December 31, 2000, and we lagged in both areas. Still, we preserved capital to a greater extent than our benchmark in the volatile technology and communication services areas by avoiding overvalued securities within these sectors.

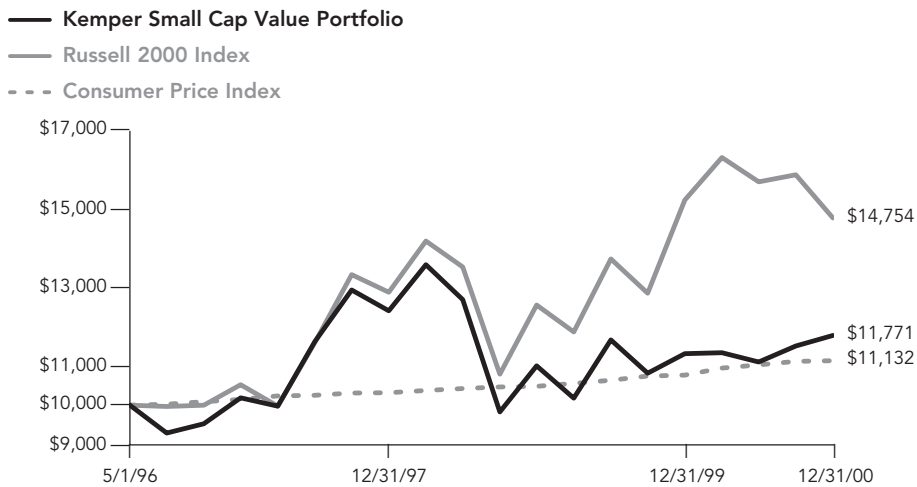
This past year the portfolio was still completing a transition to a new sector-relative value investment approach, and this further exacerbated the challenges presented by the market. As relative value managers, we attempt to uncover the value of individual stocks vis-à-vis their peers in a given industry or sector.

In our view, the short-term prospects for small-cap value stocks are mixed, while the long-term outlook for the portfolio's market niche is brighter than a year ago when investors focused on growth at any price. Over the next few months, we may face slowing U.S. economic growth, a credit crunch for unprofitable growth companies, more earnings shortfalls at many large-cap companies, and continued high prices for commodities like oil and natural gas.

At the same time, however, value investment disciplines have come back into favor, and that bodes well for patient, long-term investors. We believe many slower-growing old economy companies with solid balance sheets and positive, stable cash flow are better positioned to retain value in a slowdown than some new economy companies whose stock prices may still reflect wishful thinking and rosy growth forecasts.

James M. Eysenbach
Lead Portfolio Manager

Growth of an assumed \$10,000 investment in Kemper Small Cap Value Portfolio from 5/1/1996 to 12/31/2000



The Russell 2000 Index is a capitalization-weighted price-only index which is composed of 2,000 of the smallest stocks (on the basis of capitalization) in the Russell 3000 Index. The largest company in the index has an approximate market cap of \$591 million. The Consumer Price Index is a statistical measure of change, over time, in the prices of goods and services in major expenditure groups for all urban consumers. It is generally considered to be a measure of inflation.

Average Annual Total Return¹

For the periods ended December 31, 2000	1-year	Life of portfolio
Kemper Small Cap Value Portfolio	4.05%	3.56% (Since 5/1/1996)

¹ Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details. Investments by the portfolio in small companies present greater risk of loss than investments in larger, more established companies. Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

Kemper Small Cap Value Portfolio

	Principal Amount (\$)	Value (\$)	Shares	Value (\$)
Repurchase Agreements 2.3%				
State Street Bank and Trust Company, 5.95%, to be repurchased at \$1,931,276 on 1/2/2001** (Cost \$1,930,000)	1,930,000	1,930,000		
			Shares	
Common Stocks 97.7%				
Consumer Discretionary 8.7%				
Apparel & Shoes 1.4%				
Genesco, Inc.*	17,500	427,656		
K-Swiss, Inc. "A"	10,900	272,500		
Phillips-Van Heusen Corp.	30,000	390,000		
Tarrant Apparel Group*	9,000	32,625		
The Buckle, Inc.*	2,900	50,931		
		<u>1,173,712</u>		
Department & Chain Stores 2.4%				
Casey's General Stores, Inc.	11,800	176,262		
Cato Corp.	21,700	298,375		
Charming Shoppes, Inc.*	59,600	357,600		
Deb Shops, Inc.	14,700	198,450		
Dress Barn, Inc.*	21,800	632,200		
Hot Topic, Inc.*	16,200	266,287		
Shopko Stores, Inc.*	9,100	45,500		
		<u>1,974,674</u>		
Home Furnishings 0.2%				
American Woodmark Corp.*	8,500	133,742		
Haverty Furniture Co., Inc.	7,300	72,087		
		<u>205,829</u>		
Hotels & Casinos 0.4%				
Anchor Gaming*	5,400	210,600		
Pinnacle Entertainment, Inc.*	10,900	147,150		
		<u>357,750</u>		
Recreational Products 0.4%				
Fairfield Communities, Inc.*	12,600	177,187		
WMS Industries, Inc.*	9,800	197,225		
		<u>374,412</u>		
Restaurants 2.3%				
CEC Entertainment, Inc.*	12,200	416,325		
NPC International, Inc.*	27,100	293,019		
O'Charley's, Inc.*	21,900	390,094		
Ruby Tuesday, Inc.	40,400	616,100		
Ryan's Family Steak Houses, Inc.*	24,100	227,444		
		<u>1,942,982</u>		
Specialty Retail 1.2%				
Cellstar Corp.*	16,500	23,719		
Spiegel, Inc. "A"	57,800	249,263		
The Topps Co., Inc.*	33,400	306,863		
Trans World Entertainment Corp.*			45,400	405,763
				<u>985,608</u>
Miscellaneous 0.4%				
Handleman Co.*			42,500	318,750
Consumer Staples 6.2%				
Alcohol & Tobacco 0.5%				
Schweitzer-Mauduit International, Inc. ...			16,900	323,635
Universal Corp.			3,200	112,000
				<u>435,635</u>
Consumer Electronic & Photographic 0.6%				
Applica, Inc.*			21,700	105,787
Salton, Inc.*			19,000	393,063
				<u>498,850</u>
Consumer Specialties 0.2%				
Russ Berrie & Co., Inc.			4,800	101,400
Sola International, Inc.*			11,300	46,613
				<u>148,013</u>
Food & Beverage 3.7%				
Corn Products International			12,200	354,562
Earthgrains Co.			14,700	271,950
Fresh Del Monte Produce, Inc.*			55,000	244,062
J & J Snack Foods Corp.*			18,600	312,712
Jack in the Box, Inc.*			13,900	409,181
Lance, Inc.			37,200	470,812
Michael Foods, Inc.			5,100	153,638
Performance Food Group Co.*			17,000	871,516
				<u>3,088,433</u>
Package Goods/Cosmetics 0.1%				
Chattem, Inc.*			13,200	74,250
Textiles 1.1%				
Nautica Enterprises, Inc.*			29,800	453,984
Polymer Group, Inc.			9,200	49,450
Springs Industries, Inc. "A"			14,400	467,100
				<u>970,534</u>
Health 15.4%				
Biotechnology 0.7%				
Bio-Rad Laboratories, Inc. "A"*			16,700	531,060
Pharmacopeia, Inc.*			4,200	91,613
				<u>622,673</u>
Health Industry Services 4.7%				
AmeriPath, Inc.*			39,000	975,000
Covance, Inc.*			4,300	46,225
Hanger Orthopedic Group, Inc.*			20,100	26,381
Hooper Holmes, Inc.			23,600	261,016
PAREXEL International Corp.*			90,000	973,125
RehabCare Group, Inc.*			6,800	349,350
Res-Care, Inc.*			17,700	79,650
Rightchoice Managed Care, Inc.*			6,800	236,725
Syncor International Corp.*			17,200	625,650

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

	Shares	Value (\$)		Shares	Value (\$)
US Oncology, Inc.*	53,800	339,613	First Federal Financial Corp.*	17,700	571,931
		<u>3,912,735</u>	First Republic Bank*	10,400	343,200
Hospital Management 2.8%			GBC Bancorp	15,600	598,650
Coventry Health Care, Inc.*	20,300	541,756	Imperial Bancorp*	29,516	774,795
Province Healthcare Co.*	11,500	452,813	MAF Bancorp, Inc.	13,300	378,219
Quorum Health Group, Inc.*	80,700	1,271,025	PFF Bancorp, Inc.	18,000	375,750
Triad Hospitals, Inc.*	2,700	87,919	St. Francis Capital Corp.	14,000	183,750
		<u>2,353,513</u>			<u>4,446,666</u>
Medical Supply & Specialty 4.5%			Insurance 6.6%		
Bacou USA, Inc.*	16,600	431,600	Alfa Corp.	28,100	516,337
Conmed Corp.*	48,500	830,562	AmerUS Group, Inc.	13,500	437,062
Cooper Companies, Inc.	15,800	630,025	CNA Surety Corp.	25,800	367,650
Laboratory Corp. of America Holdings*	2,500	440,000	Delphi Financial Group, Inc.*	7,428	285,978
Polymedica Industries, Inc.*	4,500	150,188	Farm Family Holdings, Inc.*	9,500	406,125
ResMed, Inc.*	8,100	322,988	First American Financial Co.	15,700	516,137
Theragenics Corp.*	26,200	131,000	LandAmerica Financial Group, Inc.	10,000	404,375
Ventana Medical Systems, Inc.*	4,900	90,650	PMA Capital Corp.	12,900	222,525
Vital Signs, Inc.	18,300	587,888	Philadelphia Consolidated Holding Corp.*	16,100	497,088
Zoll Medical Corp.*	3,700	129,731	RLI Corp.	10,600	473,688
		<u>3,744,632</u>	SCPIE Holdings, Inc.	5,200	122,850
Pharmaceuticals 2.2%			Selective Insurance Group, Inc.	14,800	358,900
Advance Paradigm, Inc.*	13,500	614,250	Stewart Information Services Corp.	11,100	246,281
Alpharma, Inc. "A"	3,600	157,950	The Midland Co.	5,700	158,175
Pharmaceutical Product Development*	8,800	437,250	White Mountains Insurance Group, Inc.	1,600	510,400
Ribozyme Pharmaceuticals, Inc.*	4,500	64,406			<u>5,523,571</u>
Sicor, Inc.*	38,500	555,844	Consumer Finance 0.2%		
		<u>1,829,700</u>	New Century Financial Corp.*	19,600	205,800
Miscellaneous 0.5%			Other Financial Companies 2.8%		
Impath, Inc.*	6,900	458,850	Ishares Russell 2000 Index Fund	23,500	2,250,125
Communications 2.3%			Walter Industries, Inc.	19,100	143,250
Telephone/Communications 2.3%					<u>2,393,375</u>
AVT Corp.	45,600	226,575	Real Estate 1.2%		
CT Communications, Inc.	16,500	232,031	Prentiss Properties Trust (REIT)	36,500	983,219
Commonwealth Telephone Enterprises, Inc.*	3,900	136,500	Miscellaneous 0.2%		
General Communication, Inc. "A"*	34,000	238,000	Tucker Anthony Sutro Corp.	6,700	164,569
Hickory Tech Corp.	14,200	291,100	Media 0.1%		
IDT Corp.*	1,700	34,637	Advertising		
North Pittsburgh Systems, Inc.	19,300	212,300	ADVO, Inc.*	2,400	106,500
Plantronics, Inc.*	7,800	366,600	Service Industries 5.4%		
US LEC Corp. "A"*	5,000	24,063	EDP Services 0.5%		
Xircom, Inc.*	11,500	178,250	Analysts International Corp.*	11,800	44,987
		<u>1,940,056</u>	Keane, Inc.*	18,400	179,400
Miscellaneous 0.0%			Systems & Computer Technology Corp.*	18,400	226,550
Tut Systems, Inc.*	2,600	21,450			<u>450,937</u>
Financial 16.3%			Environmental Services 0.3%		
Banks 5.3%			URS Corp.*	16,500	242,344
BSB Bancorp, Inc.	10,100	133,036			
Banner Corp.	13,640	208,010			
Dime Community Bancshares	11,300	285,325			
Downey Financial Corp.	10,800	594,000			

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

	Shares	Value (\$)		Shares	Value (\$)
Investment 1.4%					
Raymond James Financial, Inc.	18,500	645,188	Glenayre Technologies, Inc.*	7,700	27,191
Southwest Securities Group, Inc.	21,050	544,669	Spectralink Corp.*	6,100	88,069
		<u>1,189,857</u>			<u>297,078</u>
Miscellaneous Commercial Services 2.4%			Manufacturing 10.1%		
AnswerThink, Inc.*	5,400	19,575	Chemicals 0.2%		
Avocent Corp.*	8,607	232,389	Albany Molecular Research, Inc.*	2,200	135,575
Century Business Services, Inc.*	42,800	48,150	Containers & Paper 0.2%		
eLoyalty Corp.*	10,100	65,334	P.H. Glatfelter Co.	13,500	168,075
Encompass Services Corp.*	49,926	240,269	Diversified Manufacturing 2.6%		
First Consulting Group, Inc.*	4,500	21,375	Ball Corp.*	13,500	621,844
IT Group, Inc.*	15,800	79,000	Briggs & Stratton Corp.	12,500	554,687
Integrated Electrical Services, Inc.*	37,200	220,875	Myers Industries, Inc.	54,111	784,612
Kelly Services, Inc. "A"	17,600	415,800	SPS Technologies, Inc.*	4,800	263,100
Personnel Group of America, Inc.*	15,500	26,156			<u>2,224,243</u>
Source Information Management Co.* ..	4,400	16,500	Electrical Products 0.0%		
Syntel, Inc.*	19,300	110,975	Methode Electronics "A"	2,100	48,169
Volt Information Sciences, Inc.*	9,000	186,750	Industrial Specialty 1.2%		
Wilsons Leather Experts*	20,000	280,000	Buckeye Technologies, Inc.*	26,800	376,875
		<u>1,963,148</u>	FSI International, Inc.*	12,900	108,037
Miscellaneous Consumer Services 0.3%			Fleetwood Enterprises, Inc.	30,000	315,000
CDI Corp.*	9,800	143,325	General Cable Corp.	27,700	122,919
Infocus Corp.*	9,500	140,125	UNOVA, Inc.*	29,700	107,663
		<u>283,450</u>			<u>1,030,494</u>
Printing/Publishing 0.2%			Machinery/Components/Controls 3.8%		
Mail-Well, Inc.*	35,600	153,525	American Axle & Manufacturing		
Miscellaneous 0.3%			Holdings, Inc.*	66,800	530,225
Adminstaff, Inc.*	2,000	54,400	CIRCOR International, Inc.	10,500	105,000
Washington Group International,			Gardner Denver Inc.*	10,700	227,910
Inc.*	24,000	196,500	Intermet Corp.	61,600	223,300
		<u>250,900</u>	Penn Engineering & Manufacturing		
Durables 5.5%			Corp.	4,600	162,150
Aerospace 1.9%			RadiSys Corp.*	2,700	69,863
Aeroflex, Inc.*	11,050	318,551	Varco International, Inc.*	6,416	139,548
Alliant Techsystems, Inc.*	8,100	540,675	Watts Industries, Inc. "A"	46,000	638,250
Kaman Corp. "A"	6,000	101,250	Woodward Governor Co.	25,100	1,123,225
Primex Technologies, Inc.	19,500	621,563			<u>3,219,471</u>
		<u>1,582,039</u>	Office Equipment/Supplies 0.3%		
Automobiles 1.2%			United Stationers, Inc.*	9,500	228,000
Borg-Warner Automotive, Inc.	16,300	652,000	Specialty Chemicals 0.3%		
Oshkosh Truck Corp.	8,250	363,000	Albemarle Corp.*	9,800	242,550
		<u>1,015,000</u>	Wholesale Distributors 0.6%		
Construction/Agricultural Equipment 0.3%			Cascade Corp.	17,800	334,862
Terex Corp.*	14,400	233,100	WESCO International, Inc.*	24,500	177,625
Leasing Companies 1.7%					<u>512,487</u>
Aaron Rents, Inc.	8,100	113,906	Miscellaneous 0.9%		
Dollar Thrifty Automotive Group,			Concord Camera Corp.*	11,200	184,800
Inc.*	70,500	1,321,875	Il-VI, Inc.*	2,100	31,894
Rent-Way, Inc.*	6,900	30,619	MKS Instruments, Inc.	9,800	151,900
		<u>1,466,400</u>	Meade Instruments Group*	11,900	78,094
Telecommunications Equipment 0.4%					
Brooktrout Technology, Inc.*	11,000	104,156			
Corsair Communications, Inc.*	10,900	77,662			

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

	Shares	Value (\$)		Shares	Value (\$)
Sipex Corp.*	11,500	275,281	Radiant Systems, Inc.*	14,450	296,225
		<u>721,969</u>			<u>1,133,523</u>
Technology 11.9%			Precision Instruments 0.9%		
Computer Software 4.8%			Analogic Corp.	7,100	316,394
Advanced Digital Information Corp.*	19,600	450,800	Molecular Devices Corp.*	2,600	177,938
Advent Software, Inc.*	6,800	272,425	Moog, Inc. "A"*	6,200	179,800
Factset Research Systems, Inc.	13,100	485,617	Photon Dynamics, Inc.*	5,000	112,500
Hyperion Solutions Corp.*	7,500	115,781			<u>786,632</u>
InteliData Technologies Corp.*	12,500	32,422	Semiconductors 1.9%		
IntraNet Solutions, Inc.*	2,000	102,000	Actel Corp.*	4,000	96,750
JDA Software Group, Inc.*	6,600	86,212	Alliance Semiconductor Corp.*	30,800	348,425
MAPICS, Inc.	15,000	75,000	Alpha Industries, Inc.*	8,800	325,600
MICROS Systems, Inc.*	5,000	91,250	Exar Corp.*	12,800	396,600
MTI Technology Corp.*	16,500	64,969	General Semiconductor, Inc.*	16,600	103,750
MTS Systems Corp.	31,100	225,475	Microsemi Corp.*	4,700	130,719
MapInfo Corp.*	7,350	347,287	Pericom Semiconductor Corp.*	8,600	159,100
Metro Information Services, Inc.*	21,700	124,775	White Electronic Designs*	7,800	50,456
Progress Software Corp.*	19,100	275,756			<u>1,611,400</u>
Remedy Corp.*	8,000	132,500	Miscellaneous 0.2%		
Structural Dynamics Research Corp.*	28,300	283,000	Catalytica Energy Systems, Inc.*	794	13,696
THQ, Inc.*	18,900	460,688	iGATE Capital Corp.*	2,000	5,750
Unigraphics Solutions, Inc.*	5,600	91,350	Littlefuse, Inc.*	1,700	48,662
Verity, Inc.*	7,700	185,281	SERENA Software, Inc.*	3,700	126,667
Vertel Corp.*	24,700	57,891			<u>194,775</u>
		<u>3,960,479</u>	Energy 3.3%		
Diverse Electronic Products 0.8%			Oil & Gas Production 2.6%		
Cable Design Technologies Corp.*	17,850	300,103	Basin Exploration, Inc.*	15,600	397,800
DSP Group, Inc.*	5,800	122,072	Cabot Oil & Gas Corp. "A"	7,900	246,381
Esterline Technologies Corp.*	8,500	223,125	Clayton Williams Energy, Inc.*	5,700	153,900
		<u>645,300</u>	Comstock Resources, Inc.*	15,200	224,200
EDP Peripherals 0.3%			Cross Timbers Oil Co.	20,150	559,162
Gerber Scientific, Inc.	17,400	148,987	Key Production Co., Inc.*	4,700	157,744
NeoMagic Corp.*	26,400	78,375	Patina Oil & Gas Corp.	8,500	204,000
		<u>227,362</u>	Penn Virginia Corp.	6,500	215,719
Electronic Components/Distributors 1.2%					<u>2,158,906</u>
Arrow International, Inc.*	2,600	97,947	Oil Companies 0.2%		
Brightpoint, Inc.*	29,000	101,500	Giant Industries, Inc.*	18,500	135,281
Kent Electronics Corp.*	10,300	169,950	Oilfield Services/Equipment 0.5%		
Maxwell Technologies, Inc.*	5,400	80,662	Seitel, Inc.*	12,300	226,781
Pioneer-Standard Electronics, Inc.	40,200	442,200	Veritas DGC, Inc.*	4,800	155,040
Rogers Corp.*	3,300	135,506			<u>381,821</u>
		<u>1,027,765</u>	Metals & Minerals 1.0%		
Electronic Data Processing 0.3%			Steel & Metals		
Epresence, Inc.*	10,700	46,478	AK Steel Holding Corp.	22,900	200,375
Sunquest Information Systems, Inc.*	25,800	230,588	Gibraltar Steel Corp.	5,100	89,569
		<u>277,066</u>	Quanex Corp.	26,100	525,263
Military Electronics 0.2%					<u>815,207</u>
Titan Corp.*	8,700	141,375	Construction 4.7%		
Office/Plant Automation 1.3%			Building Materials 1.1%		
CACI International, Inc.*	21,500	494,836	Elcor Corp.	6,475	109,266
FileNet Corp.*	9,500	258,875	Florida Rock Industries, Inc.	10,200	399,075
Mercury Computer Systems, Inc.*	1,800	83,587	Pope & Talbot, Inc.	18,000	302,625

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

	Shares	Value (\$)		Shares	Value (\$)
Universal Forest Products, Inc.	9,100	120,575	Roadway Express, Inc.	14,500	307,219
		<u>931,541</u>	Yellow Corp.*	11,400	232,097
Building Products 1.2%					<u>768,566</u>
Dal-Tile International, Inc.*	16,100	228,419	Utilities 4.6%		
Emcor Group, Inc.*	10,000	255,000	Electric Utilities 2.6%		
Genlyte Group, Inc.*	15,400	365,750	Anixter International, Inc.*	16,700	361,137
Nortek, Inc.*	7,700	182,394	El Paso Electric Co.	69,400	916,080
		<u>1,031,563</u>	Public Service Co. of New Mexico	26,100	699,806
Homebuilding 2.4%			WPS Resources Corp.	5,500	202,469
Del Webb Corp.*	26,200	766,350			<u>2,179,492</u>
MDC Holdings, Inc.	12,600	415,170	Natural Gas Distribution 2.0%		
NVR, Inc.*	4,300	531,480	Energen Corp.	7,300	234,969
Standard Pacific Corp.	13,200	308,550	NUI Corp.	16,500	531,094
		<u>2,021,550</u>	ONEOK, Inc.	12,600	606,375
Transportation 2.0%			South Jersey Industries, Inc.	11,200	333,200
Airlines 0.3%					<u>1,705,638</u>
America West Holding Corp.*	22,100	283,156	Automobile Receivables 0.2%		
Railroads 0.8%			Miscellaneous		
Trinity Industries, Inc.	26,500	662,500	Sonic Automotive, Inc.*	24,600	169,125
Trucking 0.9%			Total Common Stocks (Cost \$80,919,213)		82,165,575
M.S. Carriers, Inc.*	7,000	229,250	Total Investment Portfolio — 100.0%		
			(Cost \$82,849,213) (a)		84,095,575

Notes to Kemper Small Cap Value Portfolio of Investments

* Non-income producing security.

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

(a) The cost for federal income tax purposes was \$82,866,815. At December 31, 2000, net unrealized appreciation for all securities based on tax cost was \$1,228,760. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$17,105,545 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$15,876,785.

Financial Statements

Statement of Assets and Liabilities as of December 31, 2000

Assets

Investments in securities, at value (cost \$82,849,213)	\$ 84,095,575
Cash	1,152
Dividends receivable	59,534
Interest receivable	957
Receivable for Portfolio shares sold	19,874
Total assets	84,177,092

Liabilities

Payable for investments purchased	29,381
Payable for Portfolio shares redeemed	86,497
Accrued management fee	51,884
Accrued Trustees' fees and expenses	15,170
Other accrued expenses and payables	24,286
Total liabilities	207,218

Net assets, at value **\$ 83,969,874**

Net Assets

Net assets consist of:	
Accumulated distributions in excess of net investment income	(3,639)
Net unrealized appreciation (depreciation) on investments	1,246,362
Accumulated net realized gain (loss)	(4,626,717)
Paid-in capital	87,353,868

Net assets, at value **\$ 83,969,874**

Net Asset Value

Net Asset Value and redemption price per share ($\$83,969,874 \div 74,793,495$ outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized) **\$ 1.123**

Statement of Operations for the year ended December 31, 2000

Investment Income

Income:	
Dividends	\$ 667,770
Interest	159,659
Total Income	827,429
Expenses:	
Management fee	639,133
Custodian fees	3,528
Auditing	16,516
Legal	7,074
Trustees' fees and expenses	17,972
Reports to shareholders	12,517
Registration fees	916
Other	5,589
Total expenses, before expense reductions	703,245
Expense reductions	(3,977)
Total expenses, after expense reductions	699,268
Net investment income (loss)	128,161

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from investments	5,269,539
Net unrealized appreciation (depreciation) during the period on investments	(2,407,889)
Net gain (loss) on investment transactions	2,861,650

Net increase (decrease) in net assets resulting from operations **\$ 2,989,811**

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

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2000	1999
Operations:		
Net investment income (loss)	\$ 128,161	\$ 665,603
Net realized gain (loss) on investment transactions	5,269,539	(6,659,700)
Net unrealized appreciation (depreciation) on investment transactions during the period	(2,407,889)	8,072,251
Net increase (decrease) in net assets resulting from operations	2,989,811	2,078,154
Distributions to shareholders from:		
Net investment income	(485,490)	(888,505)
Fund share transactions:		
Proceeds from shares sold	11,276,061	20,971,954
Reinvestment of distributions	485,490	888,505
Cost of shares redeemed	(25,489,438)	(29,865,433)
Net increase (decrease) in net assets from Portfolio share transactions	(13,727,887)	(8,004,974)
Increase (decrease) in net assets	(11,223,566)	(6,815,325)
Net assets at beginning of period	95,193,440	102,008,765
Net assets at end of period (including undistributed (overdistributed) net investment income of \$(3,639) and \$323,945, respectively)	\$ 83,969,874	\$ 95,193,440
Other Information		
Shares outstanding at beginning of period	87,737,274	95,758,232
Shares sold	10,593,070	19,879,295
Shares issued to shareholders in reinvestment of distributions	449,416	841,898
Shares redeemed	(23,986,265)	(28,742,151)
Net increase (decrease) in Portfolio shares	(12,943,779)	(8,020,958)
Shares outstanding at end of period	74,793,495	87,737,274

Financial Highlights

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

Years Ended December 31,	2000	1999	1998	1997	1996(a)
Net asset value, beginning of period	\$ 1.085	1.065	1.227	1.019	1.000
<i>Income (loss) from investment operations:</i>					
Net investment income (loss)	.002(b)	.007(b)	.009	.012	.013
Net realized and unrealized gain (loss) on investment transactions	.042	.023	(.141)	.206	.006
Total from investment operations	.044	.030	(.132)	.218	.019
<i>Less distributions from:</i>					
Net investment income	(.006)	(.010)	—	(.010)	—
Net realized gains on investment transactions	—	—	(.030)	—	—
Total distributions	(.006)	(.010)	(.030)	(.010)	—
Net asset value, end of period	\$ 1.123	1.085	1.065	1.227	1.019
Total Return (%)	4.05	2.80	(11.25)	21.73	1.86**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period (\$ millions)	84	95	102	76	13
Ratio of expenses before expense reductions (%)	.82	.84	.80	.84	.92*
Ratio of expenses after expense reductions (%)	.82	.83	.80	.84	.90*
Ratio of net investment income (loss) (%)	.15	.69	1.15	1.18	2.23*
Portfolio turnover rate (%)	36	72	43	22	61*

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

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

* Annualized

** Not annualized

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

Management Summary And Performance Update

December 31, 2000

KVS Dreman Financial Services Portfolio

The KVS Dreman Financial Services Portfolio made strong gains in 2000, but slightly underperformed its benchmark, the Standard & Poor's Financial Index. We attributed this underperformance to our more conservative investment style. The financial sector's largest gains came early in 2000 from the hottest but most speculative area of the sector — brokerage, on-line trading and speculative lending companies. As the valuations of these types of stocks grew, they comprised a larger portion of the financial services index. Since we did not own them, the portfolio underperformed. As the year progressed, our more staid portfolio outperformed the index.

We maintained the portfolio's position in banks because of their pure bank earnings, which we believed would hold up better if business conditions slowed. We also invested the portfolio in property and casualty insurance companies and kept large positions in Freddie Mac and Fannie Mae, which tend to post more consistent earnings and perform better in volatile markets. Freddie and Fannie were standout performers for the portfolio.

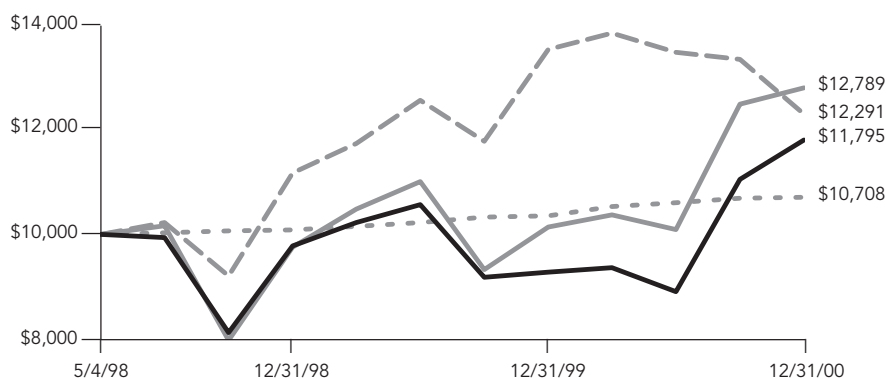
Our bank stocks posted positive earnings, even despite rising interest rates early in the year. Their stock prices, however, have remained somewhat depressed because the market feared higher interest rates earlier in the year would impact their future earnings. We expect that banks will show a marked improvement in 2001.

Overall, we believe that financials will continue to post healthy performance as the interest rate environment becomes more hospitable and investors look to the sector for more safety in good companies with strong long-term track records.

David N. Dreman
Lead Portfolio Manager

Growth of an assumed \$10,000 investment in KVS Dreman Financial Services Portfolio from 5/4/1998 to 12/31/2000

— KVS Dreman Financial Services Portfolio
— Standard & Poor's Financial Index
— Standard & Poor's 500 Index
- - - Consumer Price Index



The Standard & Poor's Financial Index is an unmanaged index generally representative of the financial stock market. The Standard & Poor's 500 Index is an unmanaged index generally representative of the U.S. stock market. The Consumer Price Index is a statistical measure of change, over time, in the prices of goods and services in major expenditure groups for all urban consumers. It is generally considered to be a measure of inflation.

Average Annual Total Return¹

For the periods ended December 31, 2000	1-year	Life of portfolio
KVS Dreman Financial Services Portfolio	27.04%	6.42% (Since 5/4/1998)

¹ Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details. As a non-diversified portfolio, it can invest more than 5% of its assets in the securities of particular issuer. This presents greater risk of loss of principal as the financial condition or market's assessment of such securities changes.

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

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

KVS Dreman Financial Services Portfolio

	Principal Amount (\$)	Value (\$)		Shares	Value (\$)
Repurchase Agreements 4.8%					
State Street Bank and Trust Company, 5.95%, to be repurchased at \$3,139,074 on 1/2/2001* (Cost \$3,137,000)	3,137,000	3,137,000			
			Shares		
Convertible Preferred Stocks 0.1%					
Financial					
Corrections Corporation (Cost \$163,952)	9,521	69,027			
Common Stocks 95.1%					
Financial 91.5%					
Banks 41.2%					
BancWest Corp.	34,750	907,843			
Bank One Corp.	72,652	2,660,879			
Bank of America Corp.	42,073	1,930,098			
Banknorth Group, Inc.	13,700	273,143			
Chase Manhattan Corp.	34,600	1,572,137			
Colonial BancGroup, Inc.	26,300	282,725			
Corus Bankshares, Inc.	11,150	551,750			
First Union Corp.	54,700	1,521,344			
FleetBoston Financial Corp.	61,786	2,320,837			
Golden West Financial Corp.	6,050	408,375			
J.P. Morgan & Co., Inc.	13,350	2,209,425			
KeyCorp	60,375	1,690,500			
National Bank of Canada	67,100	1,189,113			
North Fork Bancorp., Inc.	13,250	325,454			
PNC Bank Corp.	38,050	2,780,029			
Popular, Inc.	17,800	468,363			
Provident Financial Group	7,715	289,313			
Summit Bancorp	11,650	444,885			
SunTrust Banks, Inc.	12,400	781,200			
Washington Mutual, Inc.	23,720	1,258,643			
Wells Fargo Co.	58,300	3,246,582			
		27,112,638			
Insurance 22.7%					
Aegon NV (ADR)			6,960	288,405	
Allstate Corp.			16,705	727,711	
American International Group, Inc.			66,523	6,556,673	
Chubb Corp.			6,950	601,175	
Cigna Corp.			7,400	979,020	
Jefferson Pilot Corp.			3,775	282,181	
Lincoln National Corp.			8,800	416,350	
Ohio Casualty Corp.			67,600	676,000	
Safeco Corp.			82,850	2,723,694	
St. Paul Companies, Inc.			26,450	1,436,566	
Torchmark Corp.			7,050	270,985	
				14,958,760	
Consumer Finance 9.7%					
American Express Co.			39,800	2,186,512	
Citigroup, Inc.			49,000	2,502,062	
Household International, Inc.			11,450	629,750	
Mellon Financial Corp.			21,500	1,057,531	
				6,375,855	
Other Financial Companies 17.9%					
Federal Home Loan Mortgage Corp. ...			68,095	4,690,043	
Federal National Mortgage Association .			57,740	5,008,945	
Lehman Brothers Holdings, Inc.			5,636	381,135	
Marsh & McLennan Companies, Inc. ...			7,750	906,750	
Morgan Stanley Dean Witter & Co.			1,600	126,800	
Prison Realty Trust, Inc.			153,600	52,800	
USA Education, Inc.			9,000	612,000	
				11,778,473	
Service Industries 3.6%					
Investment					
Bear Stearns Companies, Inc.			6,240	316,290	
Charles Schwab Corp.			5,700	161,738	
Franklin Resources, Inc.			9,450	360,045	
Merrill Lynch & Co., Inc.			22,600	1,541,038	
				2,379,111	
Total Common Stocks (Cost \$53,888,922)					62,604,837
Total Investment Portfolio — 100.0% (Cost \$57,189,874) (a)					65,810,864

Notes to KVS Dreman Financial Services Portfolio of Investments

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

(a) The cost for federal income tax purposes was \$57,564,031. At December 31, 2000, net unrealized appreciation for all securities based on tax cost was \$8,246,833. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$12,579,289 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$4,332,456.

Financial Statements

Statement of Assets and Liabilities as of December 31, 2000

Assets

Investments in securities, at value (cost \$57,189,874)	\$ 65,810,864
Cash	217
Dividends receivable	55,462
Interest receivable	1,555
Receivable for Portfolio shares sold	144,653
Total assets	66,012,751

Liabilities

Payable for Portfolio shares redeemed	97,090
Accrued management fee	36,880
Accrued Trustees' fees and expenses	6,861
Other accrued expenses and payables	13,079
Total liabilities	153,910

Net assets, at value \$ 65,858,841

Net Assets

Net assets consist of:	
Undistributed net investment income	714,165
Net unrealized appreciation (depreciation) on investments	8,620,990
Accumulated net realized gain (loss)	(88,140)
Paid-in capital	56,611,826

Net assets, at value \$ 65,858,841

Net Asset Value

Net Asset Value and redemption price per share (\$65,858,841 ÷ 57,130,696 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized) \$ 1.153

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

Statement of Operations for the year ended December 31, 2000

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$3,744)	\$ 959,849
Interest	196,883
Total Income	1,156,732
Expenses:	
Management fee	283,626
Custodian and accounting fees	40,270
Auditing	5,755
Legal	2,154
Trustees' fees and expenses	6,118
Reports to shareholders	1,092
Registration fees	2,099
Other	177
Total expenses, before expense reductions	341,291
Expense reductions	(4,504)
Total expenses, after expense reductions	336,787
Net investment income (loss)	819,945

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	33,623
Foreign currency related transactions	14
	33,637
Net unrealized appreciation (depreciation) during the period on:	
Investments	10,768,716
Foreign currency related transactions	(12)
	10,768,704
Net gain (loss) on investment transactions	10,802,341
Net increase (decrease) in net assets resulting from operations	\$ 11,622,286

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

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2000	1999
Operations:		
Net investment income (loss)	\$ 819,945	\$ 428,221
Net realized gain (loss) on investment transactions	33,637	(52,906)
Net unrealized appreciation (depreciation) on investment transactions during the period	10,768,704	(2,452,714)
Net increase (decrease) in net assets resulting from operations	11,622,286	(2,077,399)
Distributions to shareholders from:		
Net investment income	(497,354)	(115,816)
Net realized gains	(66,314)	—
Portfolio share transactions:		
Proceeds from shares sold	37,137,247	20,095,510
Reinvestment of distributions	563,668	115,816
Cost of shares redeemed	(10,219,358)	(6,215,518)
Net increase (decrease) in net assets from Portfolio share transactions	27,481,557	13,995,808
Increase (decrease) in net assets	38,540,175	11,802,593
Net assets at beginning of period	27,318,666	15,516,073
Net assets at end of period (including undistributed net investment income of \$714,165 and \$391,561, respectively)	\$ 65,858,841	\$ 27,318,666
Other Information		
Shares outstanding at beginning of period	29,556,703	15,866,922
Shares sold	37,878,335	19,794,583
Shares issued to shareholders in reinvestment of distributions	615,728	106,582
Shares redeemed	(10,920,070)	(6,211,384)
Net increase (decrease) in Portfolio shares	27,573,993	13,689,781
Shares outstanding at end of period	57,130,696	29,556,703

Financial Highlights

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

Years Ended December 31,	2000	1999	1998(a)
Net asset value, beginning of period	\$.924	.978	1.000
<i>Income (loss) from investment operations:</i>			
Net investment income (loss)	.019(b)	.018(b)	.004
Net realized and unrealized gain (loss) on investment transactions	.227	(.067)	(.026)
Total from investment operations	.246	(.049)	(.022)
<i>Less distributions from:</i>			
Net investment income	(.015)	(.005)	—
Net realized gains on investment transactions	(.002)	—	—
Total distributions	(.017)	(.005)	(.022)
Net asset value, end of period	\$ 1.153	.924	.978
Total Return (%)	27.04	(5.05)	(2.20)**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	66	27	16
Ratio of expenses before expense reductions (%)	.91	1.04	1.73*
Ratio of expenses after expense reductions (%)	.89	.99	.99*
Ratio of net investment income (loss) (%)	2.01	1.75	1.29*
Portfolio turnover rate (%)	13	13	6*

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

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

* Annualized

** Not annualized

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

Management Summary And Performance Update

December 31, 2000

Kemper Strategic Income Portfolio

Emerging-market bonds were one of the Kemper Strategic Income Portfolio's bright spots in fiscal year 2000, as returns from domestic high-yield bonds were weak. U.S. government securities also provided robust opportunities, providing calendar year returns that were higher than returns from many other asset classes.

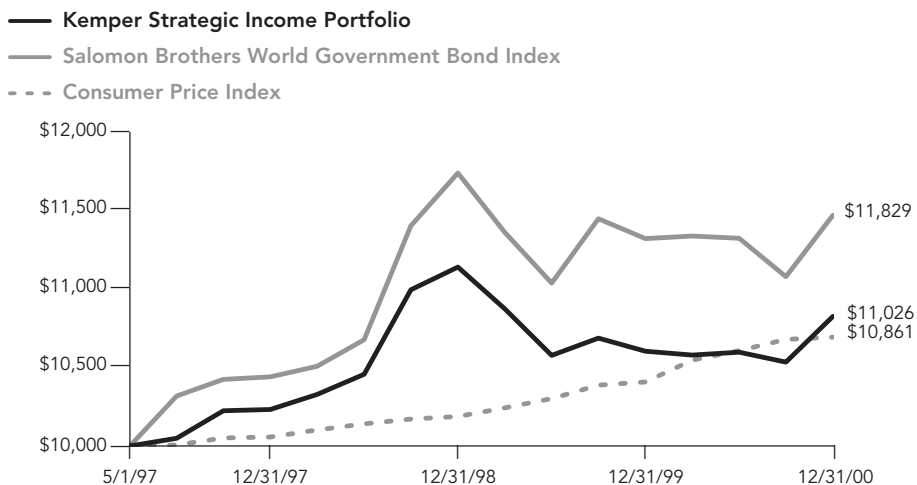
We believed that growth would remain attractive in certain emerging markets last year, especially in countries that are energy exporters, and we were proven right. Bonds in some countries such as Mexico have rallied as rating services have upgraded certain government debt to investment-grade. The portfolio benefited because we had made Mexico one of the portfolio's largest emerging-market holdings.

Early in the fiscal year, strong economic growth prompted the Federal Reserve Board to raise its short-term interest-rate target three times by a total of 100 basis points (1%) to 6.50%. In February, the government began a buyback plan for 30-year Treasuries which helped support long-term bond prices. For most of the year, we maintained a strong positioning in mortgages and Treasuries, and this helped our results. Within the high-yield bond market, we focused on larger, more liquid bond issues, and on issues with relatively solid cash flow. Since December 1999, the difference in yield between 10-year Treasuries and comparable-maturity high-yield bonds widened to more than 900 basis points.

For the year ahead, lower domestic interest rates may help maintain economic growth, which may in turn provide a catalyst for renewed enthusiasm for high-yield securities. While an overweighting in high quality helped the portfolio in 2000, we believe employing investments into higher-yielding, lower-quality securities can help position the portfolio to maximize its results in 2001.

J. Patrick Beimford
Jan C. Faller
Co-Lead Portfolio Managers

Growth of an assumed \$10,000 investment in Kemper Strategic Income Portfolio from 5/1/1997 to 12/31/2000



The Salomon Brothers World Government Bond Index is an unmanaged index on a U.S. dollar total return basis with all dividends reinvested and is composed of government bonds from 14 countries. The maximum maturity is one year. Source: Lipper, Inc. The Consumer Price Index is a statistical measure of change, over time, in the prices of goods and services in major expenditure groups for all urban consumers. It is generally considered to be a measure of inflation.

Average Annual Total Return¹

For the periods ended December 31, 2000	1-year	Life of portfolio
Kemper Strategic Income Portfolio	2.57%	2.70% (Since 5/1/1997)

¹ Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details. Special risk considerations are associated with investments in non-U.S. companies, including fluctuating foreign exchange rates, foreign governmental regulations and differing degrees of liquidity that may adversely affect the portfolio.

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

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

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

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

Kemper Strategic Income Portfolio

	Principal Amount	Value (\$)		Principal Amount	Value (\$)
Repurchase Agreements 19.0%					
State Street Bank and Trust Company, 5.95%, to be repurchased at \$2,019,334 on 1/2/2001* (Cost \$2,018,000)	2,018,000	2,018,000			
U.S. Government & Agency Obligations 53.1%					
Federal National Mortgage Association, 7.5% with various maturities to 10/1/2030	3,188,985	3,235,326			
U.S. Treasury Bonds:					
6.5%, 2/15/2010	1,600,000	1,750,496			
8.5%, 2/21/2020	135,000	180,963			
U.S. Treasury Notes:					
5.625%, 12/31/2002	325,000	327,639			
6.5%, 10/15/2006	125,000	133,399			
Total U.S. Government & Agency Obligations (Cost \$5,549,893)		5,627,823			
Bonds 27.9%					
British Pounds 2.4%					
United Kingdom Treasury Bonds:					
7.75%, 9/8/2006	50,000	83,914			
9%, 7/12/2011	85,000	170,418			
		254,332			
Euro 8.1%					
Belgium Kingdom, 8.5%, 10/1/2007 ...	220,000	247,252			
Federal Republic of Germany, 6.25%, 1/4/2024	180,000	187,250			
French Treasury Note, 4.5%, 7/12/2003	200,000	188,011			
Government of Germany Obligation, 5%, 11/12/2002	250,000	237,247			
		859,760			
Japanese Yen 3.1%					
European Investment Bank, 2.125%, 9/20/2007	19,000,000	175,804			
			KFW International Finance, 1.75%, 3/23/2010	17,000,000	151,018
					326,822
			U.S. Dollars 14.3%		
			Argentine Republic:		
			11%, 12/4/2005	59,000	55,313
			11.375%, 1/30/2017	150,000	133,635
			Floating Rate Bond, LIBOR plus .8125% (7.625%), 3/31/2005	108,000	98,145
			Federative Republic of Brazil:		
			11.625%, 4/15/2004	62,000	64,480
			12.75%, 1/15/2020	65,000	63,538
			10.125%, 5/15/2027	115,000	92,288
			C Bond, 8%, 4/15/2014	123,141	95,126
			"New" Money Bond, Floating Rate Bond, LIBOR plus .875% (7.688%), 4/15/2009	90,000	78,187
			Republic of Bulgaria:		
			Collateralized Discount Bond, Series A, LIBOR plus .8125% (7.75%), 7/28/2024	100,000	76,250
			Interest Arrears Bond, LIBOR plus .8125% (7.75%), 7/28/2011	53,000	39,882
			Republic of Colombia, 9.75%, 4/23/2009	132,000	109,560
			Republic of Panama, 10.75%, 5/15/2020	40,000	39,000
			Republic of the Philippines, 10.625%, 3/16/2025	130,000	106,600
			Republic of Venezuela Global Bond, 9.25%, 9/15/2027	150,000	96,657
			Russian Federation:		
			10%, 6/26/2007	40,000	29,300
			Step-up Coupon, 2.25%, 3/31/2030	125,000	46,719
			United Mexican States:		
			11.5%, 5/15/2026	115,000	140,156
			Global Bond, 11.375%, 9/15/2016 ...	125,000	145,781
					1,510,617
			Total Bonds (Cost \$2,918,532)		2,951,531
			Total Investment Portfolio — 100.0% (Cost \$10,486,425) (a)		10,597,354

Notes to Kemper Strategic Income Portfolio of Investments

- * Repurchase agreements are fully collateralized by U.S. Treasury or Government agency securities.
- (a) The cost for federal income tax purposes was \$10,511,734. At December 31, 2000, net unrealized appreciation for all securities based on tax cost was \$85,620. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$132,051 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$46,431.

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

Financial Statements

Statement of Assets and Liabilities as of December 31, 2000

Assets

Investments in securities, at value (cost \$10,486,425)	\$ 10,597,354
Cash	84,820
Interest receivable	139,250
Receivable for Portfolio shares sold	60,179
Total assets	10,881,603

Liabilities

Payable for investments purchased	1,790,878
Payable for Portfolio shares redeemed	34,466
Unrealized depreciation on forward currency exchange contracts	34,666
Accrued management fee	4,985
Accrued Trustees' fees and expenses	8,830
Other accrued expenses and payables	13,915
Total liabilities	1,887,740

Net assets, at value	\$ 8,993,863
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Net Assets

Net assets consist of:	
Undistributed net investment income	82,194
Net unrealized appreciation (depreciation) on:	
Investments	110,929
Foreign currency related transactions	(33,372)
Accumulated net realized gain (loss)	(331,490)
Paid-in capital	9,165,602
Net assets, at value	\$ 8,993,863

Net Asset Value

Net Asset Value and redemption price per share (\$8,993,863 ÷ 9,120,803 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$.986
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The accompanying notes are an integral part of the financial statements.

Statement of Operations for the year ended December 31, 2000

Investment Income

Income:	
Dividends	\$ 14,840
Interest	444,129
Total Income	<u>458,969</u>
Expenses:	
Management fee	48,771
Custodian fees	3,503
Auditing	581
Legal	4,327
Trustees' fees and expenses	12,284
Reports to shareholders	11,417
Registration fees	733
Other	<u>767</u>
Total expenses, before expense reductions	82,383
Expense reductions	<u>(3,098)</u>
Total expenses, after expense reductions	79,285
Net investment income (loss)	379,684

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	(404,890)
Foreign currency related transactions	31,249
	<u>(373,641)</u>
Net unrealized appreciation (depreciation) during the period on:	
Investments	337,629
Foreign currency related transactions	<u>(76,160)</u>
	261,469
Net gain (loss) on investment transactions	(112,172)
Net increase (decrease) in net assets resulting from operations	\$ 267,512

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

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2000	1999
Operations:		
Net investment income (loss)	\$ 379,684	\$ 263,672
Net realized gain (loss) on investment transactions	(373,641)	(318,058)
Net unrealized appreciation (depreciation) on investment transactions during the period	261,469	(284,182)
Net increase (decrease) in net assets resulting from operations	267,512	(338,568)
Distributions to shareholders from:		
Net investment income	(148,964)	(218,189)
Net realized gains	—	(109,095)
Portfolio share transactions:		
Proceeds from shares sold	5,677,622	2,994,260
Reinvestment of distributions	148,964	327,284
Cost of shares redeemed	(2,549,925)	(2,080,297)
Net increase (decrease) in net assets from Portfolio share transactions	3,276,661	1,241,247
Increase (decrease) in net assets	3,395,209	575,395
Net assets at beginning of period	5,598,654	5,023,259
Net assets at end of period (including undistributed net investment income of \$82,194 and \$82,746, respectively)	\$ 8,993,863	\$ 5,598,654
Other Information		
Shares outstanding at beginning of period	5,678,787	4,529,726
Shares sold	5,905,883	2,902,609
Shares issued to shareholders in reinvestment of distributions	155,436	321,374
Shares redeemed	(2,619,303)	(2,074,922)
Net increase (decrease) in Portfolio shares	3,442,016	1,149,061
Shares outstanding at end of period	9,120,803	5,678,787

Financial Highlights

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

Years Ended December 31,	2000	1999	1998	1997(a)
Net asset value, beginning of period	\$.986	1.109	1.029	1.000
<i>Income (loss) from investment operations:</i>				
Net investment income (loss)	.051(b)	.047(b)	.024	.036
Net realized and unrealized gain (loss) on investment transactions	(.026)	(.110)	.086	(.007)
Total from investment operations	.025	(.063)	.110	.029
<i>Less distributions from:</i>				
Net investment income	(.025)	(.040)	(.020)	—
Net realized gains on investment transactions	—	(.020)	(.010)	—
Total distributions	(.025)	(.060)	(.030)	—
Net asset value, end of period	\$.986	.986	1.109	1.029
Total Return (%)	2.57	(5.85)	10.98	2.87**
Ratios to Average Net Assets and Supplemental Data				
Net assets, end of period (\$ millions)	9	6	5	2
Ratio of expenses before expense reductions (%)	1.14	1.03	1.08	1.10*
Ratio of expenses after expense reductions (%)	1.10	1.01	1.08	1.10*
Ratio of net investment income (loss) (%)	5.26	4.57	4.32	5.36*
Portfolio turnover rate (%)	154	212	330	290*

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

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

* Annualized

** Not annualized

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

Management Summary And Performance Update

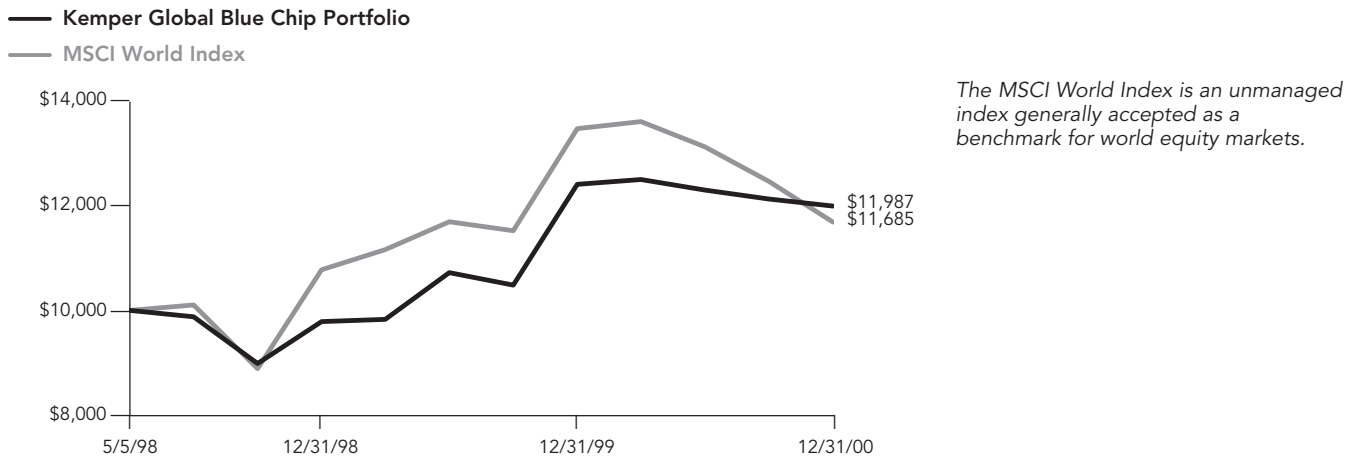
December 31, 2000

Kemper Global Blue Chip Portfolio

Despite adverse market conditions, the Kemper Global Blue Chip Portfolio proved considerably more resilient than its benchmark for the annual period. Performance was initially fueled by the select technology picks sector, though our broad portfolio diversification kept the portfolio from benefiting more fully from that high-flying market. That said, it also proved instrumental in helping the portfolio maintain value during the remainder of the period, when persistent volatility got the best of most world markets. We trimmed our tech stake throughout the period, resulting in an underweighted position versus the benchmark, which was key to the portfolio's relative buoyancy. Our management approach during the period reflects our long-term, holistic approach to investing. We seek first to identify global trends and then what creates them. For example, one of our strongest themes goes right to the heart of the technological revolution: the empowerment of consumers as tech-driven competition spawns an auction economy in which even individuals can participate. The "Empowered Consumer" theme is thus technology companies that construct or provide the infrastructure which consumers use to avail themselves of these new markets. But we live in a world divided. While "dot-com" stocks grab attention, there is a quieter revolution going on, one in which consolidating industries, such as mining and energy, are creating equally powerful long-term investment opportunities. We define such companies as "Ultimate Subcontractors." We therefore maintain what we call a barbell structure between these two themes, by balancing virtual companies — those that exploit knowledge rather than assets — with those that exploit long-lived assets, such as traditional blue chips.

William E. Holzer
Lead Portfolio Manager

Growth of an assumed \$10,000 investment in Kemper Global Blue Chip Portfolio from 5/5/1998 to 12/31/2000



Average Annual Total Return¹

For the periods ended December 31, 2000	1-year	Life of portfolio
Kemper Global Blue Chip Portfolio	-3.36%	7.07% (Since 5/5/1998)

¹ Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details. Special risk considerations are associated with investments in non-U.S. companies, including fluctuating foreign exchange rates, foreign governmental regulations and differing degrees of liquidity that may adversely affect the portfolio. The investment advisor has agreed to either limit, waive or reduce certain fees temporarily for this portfolio; see the prospectus for complete details. Without such limits, waivers or reductions, the performance figures for this subaccount would be lower. Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

Kemper Global Blue Chip Portfolio

	Principal Amount (\$)	Value (\$)		Shares	Value (\$)
Repurchase Agreements 1.7%					
Salomon Brothers, 6.3%, to be repurchased at \$500,350 on 1/2/2001* (Cost \$500,000)	500,000	500,000			
Foreign Bonds — U.S.\$ Denominated 3.1%					
Federative Republic of Germany, 3%, 3/16/2001 (Cost \$922,289)	1,000,000	936,577			
	Shares				
Common Stocks 95.2%					
Australia 1.9%					
Broken Hill Proprietary Co., Ltd. (Producer of petroleum, mineral and steel products)	23,200	245,331			
Woodside Petroleum, Ltd. (Producer of oil and gas)	39,800	327,419			
		572,750			
Brazil 1.0%					
Aracruz Celulose S.A. "B" (ADR) (Producer of eucalyptus kraft pulp) ...	12,400	185,225			
Companhia Vale do Rio Doce (pfd.) (ADR) (Operator of diverse mining and industrial complex)	5,000	121,719			
		306,944			
Canada 5.9%					
Alberta Energy Co., Ltd. (Major oil and gas producer)	14,600	698,388			
Alcan Aluminium Ltd. (Manufacturer of aluminum and finished products)	4,500	153,947			
BCE, Inc. (Provider of telecommunication services)	1,100	31,732			
Barrick Gold Corp. (Explorer and producer of gold in North and South America)	22,400	366,912			
Canadian National Railway Co. (Operator of railroad services)	10,200	301,379			
Nortel Networks Corp. (Provider of telephony, data and wireless products)	6,700	215,373			
		1,767,731			
France 6.0%					
Aventis S.A. (Manufacturer of life science products)	8,744	768,633			
STMicroelectronics N.V. (Manufacturer of semiconductor integrated circuits)	5,262	230,039			
Suez Lyonnaise des Eaux S.A. (Developer of water and electric utility)	2,691	492,074			
Vivendi Universal S.A. (Provider of various public services)			4,900		322,932
					1,813,678
Germany 7.1%					
BASF AG (International chemical producer)			6,343		288,925
Bayer AG (Producer of chemical products)			10,126		534,070
Bayerische Hypo-und Vereinsbank (Provider of banking services)			6,466		363,525
Deutsche Post AG (Provider of mail delivery and other services to the public and to businesses)			8,100		174,465
Metro AG (Operator of building, clothing, electronic and food stores)			3,822		176,069
Muenchener Rueckversicherungs-Gesellschaft AG (Registered) (Provider of insurance services)			1,660		593,047
					2,130,101
Hong Kong 0.6%					
China Mobile Ltd. (Provider of cellular telecommunication services)			34,000		185,699
Italy 2.5%					
Assicurazioni Generali (Provider of insurance and financial services)			15,200		604,479
Mediobanca SpA (Provider of loans and credit to manufacturing and service firms)			14,100		160,134
					764,613
Japan 10.9%					
Daiwa Securities Group, Inc. (Provider of brokerage and other financial services)			26,000		270,900
Fujitsu, Ltd. (Manufacturer of computers)			7,000		102,952
Kyorin Pharmaceutical Co., Ltd. (Retailer of prescription medicines)			2,000		70,568
Matsushita Electric Industrial Co., Ltd. (Manufacturer of consumer electronic products)			14,000		333,799
Mitsubishi Estate Co., Ltd. (Provider of real estate services)			24,000		255,721
Mitsui Fudosan Co., Ltd. (Real estate company)			28,000		277,555
NTT Docomo, Inc. (Provider of various telecommunication services and equipment)			10		172,052
Nippon Telegraph & Telephone Corp. (Provider of telecommunication services)			30		215,633
Nissan Motor Co., Ltd. (Manufacturer of motor vehicles)			500		2,873
Sakura Bank, Ltd. (Provider of banking services)			43,000		259,127
Sankyo Co., Ltd. (Producer of leading ethical drug)			10,000		239,301

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

	Shares	Value (\$)		Shares	Value (\$)
Sharp Corp. (Manufacturer of consumer and industrial electronics)	10,000	120,346	United States 40.6%		
Sony Corp. (Manufacturer of consumer and industrial electronic equipment)	2,500	172,489	AT&T Corp. — Liberty Media Group (Operator of entertainment networks)	20,500	278,031
Toshiba Corp. (Manufacturer of electric machinery)	14,000	93,415	Air Products & Chemicals, Inc. (Producer of industrial gases)	8,900	364,900
Yamada Denki Co., Ltd. (Seller and repairer of consumer electronic equipment)	4,300	349,633	American Home Products Corp. (Manufacturer and retailer of pharmaceuticals and consumer health care products)	4,300	273,265
Yamanouchi Pharmaceutical Co., Ltd. (Manufacturer and marketer of a wide variety of pharmaceuticals)	8,000	345,153	Anadarko Petroleum Corp. (Explorer and producer of crude oil and natural gas)	14,800	1,051,984
		<u>3,281,517</u>	Azurix Corp. (Provider of wastewater related services)	17,200	140,825
South Africa 0.5%			Boston Properties, Inc. (REIT) (Developer of commercial and industrial real estate)	6,400	278,400
De Beers Centenary Linked Shares (Operator of a diamond mine)	5,400	142,246	Burlington Resources, Inc. (Explorer and producer of crude oil and natural gas)	11,900	600,950
Switzerland 3.2%			Chubb Corp. (Operator of a property and casualty insurance company)	3,800	328,700
Nestle S.A. (Registered) (Producer of food products)	264	617,257	Comcast Corp. "A" (Provider of cable television, sound and telecommunications systems)	6,200	258,850
Roche Holding AG (PC) (Manufacturer of pharmaceutical and chemical products)	34	347,213	EMC Corp. (Provider of enterprise storage systems, software, networks and services)	3,300	219,450
		<u>964,470</u>	Edison International (Operator of an electric utility holding company)	7,000	109,375
United Kingdom 15.0%			Electronic Arts, Inc. (Developer and marketer of entertainment software)	8,100	345,263
ARM Holdings plc (Designer of RISC microprocessors and related technology)	8,795	66,496	Electronic Data Systems Corp. (Provider of information technology systems)	6,200	358,050
BOC Group plc (Producer of chemical products)	18,952	287,995	Enron Corp. (Producer of natural gas and electricity)	3,900	324,188
Cable and Wireless plc (Provider of telecommunication services)	19,581	264,199	Exelon Corp. (Distributor of electricity and gas to customers in Illinois)	14,775	1,037,353
Carlton Communications plc (Provider of television post-production products and services)	27,849	254,249	Exxon Mobil Corp. (Provider of oil internationally)	3,700	321,669
EMAP plc (Publisher of magazines)	17,541	223,569	FPL Group, Inc. (Provider of electric energy)	9,000	645,750
EMI Group plc (Producer of music recording)	32,133	264,072	Immunex Corp. (Developer of biopharmaceutical products)	5,900	239,688
GlaxoSmithKline plc (Developer, manufacturer and marketer of vaccines, prescription and over-the-counter medicines)	12,469	352,138	International Business Machines Corp. (Manufacturer of computers and servicer of information processing units)	3,500	297,500
Innogy Holdings plc (Operator of energy business in the U.K.)	64,508	186,029	Intuit, Inc. (Provider of financial software for households and small businesses)	6,200	244,513
National Power plc (Operator of an electricity generation company)	64,508	241,934	Lockheed Martin Corp. (Manufacturer of aircraft, missiles and space equipment)	11,100	376,845
Prudential Corp. plc (Provider of a broad range of financial services)	17,247	277,548	Nabors Industries, Inc. (Contractor of land drilling)	4,200	248,430
Railtrack Group plc (Operator of railway infrastructure)	16,645	230,057	Newmont Mining Corp. (Operator of an international gold exploration and mining company)	13,900	237,169
Rio Tinto plc (Developer of mining products)	35,080	617,467			
Scottish Power plc (Provider of electric utilities)	56,327	445,227			
Shell Transport & Trading plc (Provider of oil internationally)	62,793	515,101			
Vodafone Group plc (Provider of mobile telecommunication services)	79,123	290,244			
		<u>4,516,325</u>			

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

	Shares	Value (\$)		Shares	Value (\$)
Nextel Communications, Inc. (Provider of telecommunication services)	8,900	220,275	St. Paul Companies, Inc. (Provider of insurance products and services)	4,000	217,250
Northrop Grumman Corp. (Manufacturer of aircraft, aircraft assemblies and electronic systems for military and commercial use)	3,800	315,400	USEC, Inc. (Provider of enriched uranium products and services)	6,400	27,600
Phillips Petroleum Co. (Petroleum exploration, production and refining)	2,700	153,563	USX-US Steel Group, Inc. (Producer of integrated steel)	7,575	136,350
ProLogis Trust (REIT) (Global owner of corporate distribution facilities)	16,800	373,800	Unocal Corp. (Explorer and producer of oil and gas)	4,500	174,094
QUALCOMM, Inc. (Developer and manufacturer of communication systems)	2,300	189,031	UnumProvident Corp. (Provider of group disability and special risk insurance)	13,000	349,375
SBC Communications, Inc. (Provider of telecommunication services)	6,800	324,700	Viacom, Inc. "B" (Provider of a wide range of entertainment and communication services)	9,400	439,450
Sabre Group Holdings, Inc. "A" (Provider of online travel reservation capabilities)	16,900	728,813			12,230,849
			Total Common Stocks (Cost \$26,854,578)		28,676,923
			Total Investment Portfolio — 100.0% (Cost \$28,276,867) (a)		30,113,500

At December 31, 2000, the Kemper Global Blue Chip Portfolio had the following industry diversification:

Industry	Value	Percent
Energy	\$ 5,639,168	18.7%
Financial	4,609,561	15.3
Manufacturing	2,647,318	8.8
Service Industries	2,074,718	6.9
Metals and Minerals	2,048,741	6.8
Utilities	1,934,360	6.4
Communications	1,919,907	6.4
Health	1,867,326	6.2
Technology	1,840,012	6.1
Media	1,454,146	4.8
Miscellaneous	936,577	3.1
Consumer Staples	789,746	2.6
Durables	695,118	2.3
Transportation	531,436	1.8
Consumer Discretionary	440,141	1.5
Construction	185,225	0.6
Total	29,613,500	98.3
Money Market Instruments	500,000	1.7
Total Investment Portfolio	\$30,113,500	100.0%

Notes to Kemper Global Blue Chip Portfolio of Investments

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

(a) The cost for federal income tax purposes was \$28,382,994. At December 31, 2000, net unrealized appreciation for all securities based on tax cost was \$1,730,506. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$3,759,213 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$2,028,707.

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

Financial Statements

Statement of Assets and Liabilities as of December 31, 2000

Assets

Investments in securities, at value (cost \$28,276,867)	\$ 30,113,500
Cash	2,698,911
Receivable for investments sold	638,943
Dividends receivable	31,783
Interest receivable	22,749
Receivable for Portfolio shares sold	4,109
Foreign taxes recoverable	10,347
Total assets	33,520,342

Liabilities

Payable for investments purchased	50,952
Payable for Portfolio shares redeemed	6,076
Accrued management fee	23,334
Accrued Trustees' fees and expenses	6,372
Other accrued expenses and payables	48,987
Total liabilities	135,721

Net assets, at value	\$ 33,384,621
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Net Assets

Net assets consist of:	
Undistributed net investment income	15,865
Net unrealized appreciation (depreciation) on:	
Investments	1,836,633
Foreign currency related transactions	(279)
Accumulated net realized gain (loss)	122,204
Paid-in capital	31,410,198
Net assets, at value	\$ 33,384,621

Net Asset Value

Net Asset Value and redemption price per share (\$33,384,621 ÷ 28,262,309 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 1.181
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The accompanying notes are an integral part of the financial statements.

Statement of Operations for the year ended December 31, 2000

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$18,973)	\$ 316,141
Interest	146,835
Total Income	<u>462,976</u>
Expenses:	
Management fee	259,579
Custodian and accounting fees	155,554
Auditing	3,421
Legal	4,377
Trustees' fees and expenses	11,889
Reports to shareholders	13,628
Registration fees	5,568
Other	7,270
Total expenses, before expense reductions	461,286
Expense reductions	<u>(72,030)</u>
Total expenses, after expense reductions	389,256
Net investment income (loss)	73,720

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	250,428
Foreign currency related transactions	<u>(55,713)</u>
	194,715
Net unrealized appreciation (depreciation) during the period on:	
Investments	(1,040,349)
Foreign currency related transactions	<u>(237)</u>
	(1,040,586)
Net gain (loss) on investment transactions	(845,871)
Net increase (decrease) in net assets resulting from operations	\$ (772,151)

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

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2000	1999
Operations:		
Net investment income (loss)	\$ 73,720	\$ 36,270
Net realized gain (loss) on investment transactions	194,715	153,170
Net unrealized appreciation (depreciation) on investment transactions during the period	(1,040,586)	2,729,940
Net increase (decrease) in net assets resulting from operations	(772,151)	2,919,380
Distributions to shareholders from:		
Net investment income	—	(17,292)
Net realized gains	(258,443)	—
Portfolio share transactions:		
Proceeds from shares sold	19,631,376	12,326,198
Reinvestment of distributions	258,443	17,292
Cost of shares redeemed	(2,883,628)	(1,420,390)
Net increase (decrease) in net assets from Portfolio share transactions	17,006,191	10,923,100
Increase (decrease) in net assets	15,975,597	13,825,188
Net assets at beginning of period	17,409,024	3,583,836
Net assets at end of period (including undistributed net investment income of \$15,865 and \$23,927, respectively)	\$ 33,384,621	\$ 17,409,024
Other Information		
Shares outstanding at beginning of period	14,068,294	3,660,806
Shares sold	16,416,635	11,724,188
Shares issued to shareholders in reinvestment of distributions	209,895	16,883
Shares redeemed	(2,432,515)	(1,333,583)
Net increase (decrease) in Portfolio shares	14,194,015	10,407,488
Shares outstanding at end of period	28,262,309	14,068,294

Financial Highlights

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

Years Ended December 31,	2000	1999	1998(a)
Net asset value, beginning of period	\$ 1.237	.979	1.000
<i>Income (loss) from investment operations:</i>			
Net investment income (loss)	.003(b)	.004(b)	.003
Net realized and unrealized gain (loss) on investment transactions	(.044)	.257	(.024)
Total from investment operations	(.041)	.261	(.021)
<i>Less distributions from:</i>			
Net investment income	—	(.003)	—
Net realized gains on investment transactions	(.015)	—	—
Total distributions	(.015)	(.003)	—
Net asset value, end of period	\$ 1.181	1.237	.979
Total Return (%)	(3.36)	26.70	(2.10)**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	33	17	4
Ratio of expenses before expense reductions (%)	1.78	3.47	12.32*
Ratio of expenses after expense reductions (%)	1.50	1.56	1.56*
Ratio of net investment income (loss) (%)	.28	.39	.91*
Portfolio turnover rate (%)	54	65	67*

(a) For the period from May 5, 1998 (commencement of operations) to December 31, 1998.

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

* Annualized

** Not annualized

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

Management Summary And Performance Update

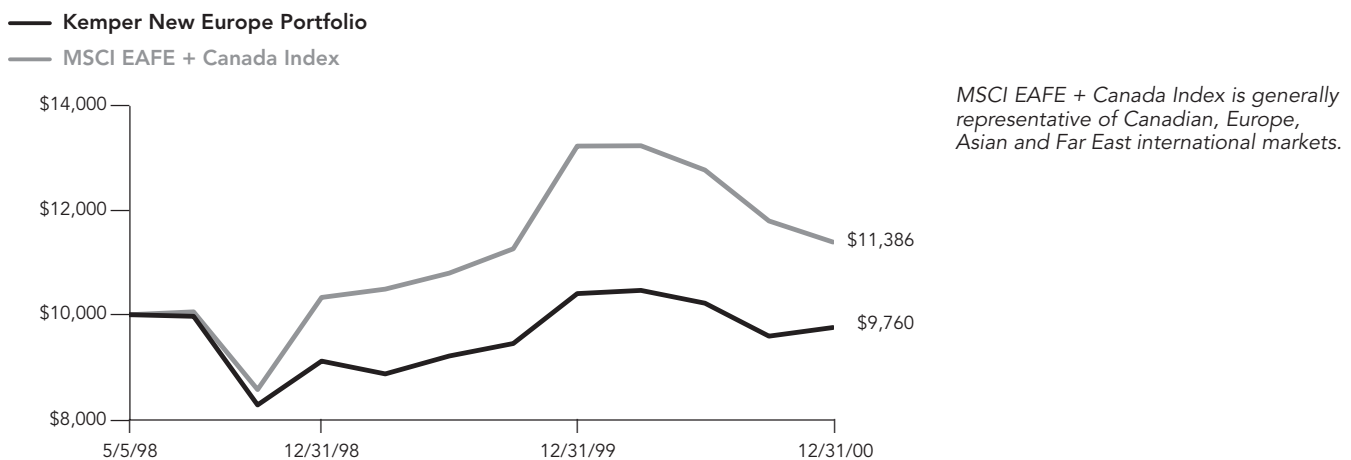
December 31, 2000

Kemper New Europe Portfolio

The Kemper New Europe Portfolio outperformed its bogey for the annual period, thanks largely to gains generated during the first quarter from TMT (technology, media and telecom) holdings. Long-held positions in financials and health care helped during the remainder of the year, particularly insurance holdings, an industry lately fueled by a recovery in earnings, attractive valuations and consolidation activity. Several challenges weighed in on the region's markets throughout the year, including a weak euro, concerns about higher interest rates in the United States and the Eurozone, rising oil prices and downgrades in telecoms. The slide in the U.S. Nasdaq average and earnings disappointments depressed European market sentiment even further. On top of that, European telecom operators and their infrastructure providers fell precipitously on the news of the very high fees extracted from British and German auctions for third-generation licenses. That said, investor sentiment is already improving, as news of tax reform and a stabilizing euro sinks in. We expect much stronger earnings growth in Europe over the next several months, which could bring more attention to these markets and further enhance the region's fundamentals. A sophisticated European equity culture appears to be on the horizon as globalization and a unified economy continue to drive corporate restructuring and accounting harmonization. The portfolio has evolved significantly since the first quarter of 2000. Most notably, we've reduced our stake in media and increased commitments to the financial sector to an overweight position. As a result, we enter the new year with a more balanced sectoral approach.

Carol L. Franklin
Lead Portfolio Manager

Growth of an assumed \$10,000 investment in Kemper New Europe Portfolio from 5/5/1998 to 12/31/2000



Average Annual Total Return¹

For the periods ended December 31, 2000	1-year	Life of portfolio
Kemper New Europe Portfolio	-6.17%	-0.91% (Since 5/5/1998)

¹ Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio's management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details. Special risk considerations are associated with investments in non-U.S. companies, including fluctuating foreign exchange rates, foreign governmental regulations and differing degrees of liquidity that may adversely affect the portfolio. The investment advisor has agreed to either limit, waive or reduce certain fees temporarily for this portfolio; see the prospectus for complete details. Without such limits, waivers or reductions, the performance figures for this subaccount would be lower. Effective 5/1/2000 the Portfolio had name and investment objective changes: Kemper International Growth and Income Portfolio name was changed to Kemper New Europe Portfolio. Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

Kemper New Europe Portfolio

	Principal Amount (\$)	Value (\$)		Shares	Value (\$)
Repurchase Agreements 3.1%					
Salomon Brothers, 6.3%, to be repurchased at \$400,280 on 1/2/2001** (Cost \$400,000)	400,000	400,000			
Convertible Bonds 0.8%					
Merrill Lynch & Co., 2%, 4/14/2004 (Cost \$112,062)	114,000	102,885			
			Shares		
Common Stocks 96.1%					
Belgium 1.8%					
Dexia (Provider of municipal lending services)	1,919	179,563			
Interbrew* (Operator of brewing business)	3,200	55,852			
		<u>235,415</u>			
Finland 3.5%					
JOT Automation Group Oyj (Manufacturer of high technology production automation systems and equipment)	7,200	17,464			
Kone Oyj "B" (Manufacturer of elevators)	980	68,640			
Nokia Oyj (Provider of telecommunications services)	8,315	371,324			
		<u>457,428</u>			
France 16.1%					
Accor S.A. (Operator of hotels, travel agencies and restaurants)	2,046	86,560			
Alcatel S.A. (Manufacturer of transportation, telecommunication and energy equipment)	2,054	116,830			
Altran Technologies S.A. (Provider of engineering and consulting services)	573	129,828			
Aventis S.A. (Manufacturer of life science products)	1,581	138,976			
Banque Nationale de Paris (Provider of banking services)	1,487	130,713			
Bouygues S.A. (Developer of large public projects, real estate, offshore oil platforms and energy networks) ..	1,760	79,838			
Credit Lyonnais S.A. (Provider of diversified banking services)	1,672	58,476			
ELIOR* (Food supplier to restaurants) ..	5,190	66,164			
Essilor International S.A. (Manufacturer of various types of lenses, eyeglasses, contact lenses and optical measuring instruments)			379		123,820
Etablissements Economiques du Casino Guichard-Perrachon S.A. (Operator of supermarkets and convenience stores)			1,344		135,707
Galeries Lafayette (Operator of department store chain)			547		104,909
Lafarge S.A. (Producer of cement, concrete and aggregates)			83		6,968
Lagardere S.A. (Producer of audiovisual and telecommunication services)			2,337		135,783
Penauille Polyservices (Provider of industrial cleaning services)			19		1,199
STMicroelectronics N.V. (Manufacturer of semiconductor integrated circuits)			1,859		81,270
Schneider Electric S.A. (Manufacturer of electronic components and automated manufacturing systems) ..			2,454		179,264
Suez Lyonnaise des Eaux S.A. (Developer of water and electric utility)			966		176,642
Total Fina ELF S.A. "B" (Explorer of oil and natural gas)			2,352		350,259
					<u>2,103,206</u>
Germany 18.9%					
Allianz AG (Provider of multi-line insurance services)			606		228,291
Bayer AG (Producer of chemical products)			4,225		222,837
Bayerische Hypo-und Vereinsbank (Provider of banking services)			1,817		102,154
Commerzbank AG (Provider of banking services)			2,946		84,475
Deutsche Bank AG (Registered) (Provider of financial services)			2,054		171,479
Deutsche Post AG* (Provider of mail delivery and other services to the public and to businesses).			1,835		39,524
Deutsche Telekom AG (Registered) (Provider of telecommunication services)			2,266		68,385
Dresdner Bank AG (Provider of banking services)			2,433		105,906
E.On AG (Distributor of oil and chemicals)			2,751		167,596
ERGO Versicherungs Gruppe AG (Provider of insurance services)			924		154,628
Epcos AG (Producer of electronic components and integrated circuits)			1,077		94,166
Marschollek, Lautenschlaeger und Partner AG (pfd.) (Operator of independent life insurance company)			1,660		181,816

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

	Shares	Value (\$)		Shares	Value (\$)
Metro AG (Operator of building, clothing, electronic and food stores)	2,572	118,485	Heineken Holding N.V. "A" (Producer and distributor of beers, spirits, wines and soft drinks)	3,130	132,420
Muenchener Rueckversicherungs-Gesellschaft AG (Registered) (Provider of insurance services)	600	214,354	Heineken N.V. (Producer of beer and soft drinks)	400	24,237
ProSieben Sat.1 Media AG (Preferred) (Producer and broadcaster of television programming)	4,940	147,226	ING Groep N.V. (Provider of insurance and financial services)	1,850	147,978
SAP AG (Manufacturer of computer software)	729	84,849	Qiagen N.V.* (Provider of biopharmaceutical products and technologies)	1,985	68,669
Schering AG (Producer of pharmaceutical and chemical products)	1,680	95,557	Royal Dutch Petroleum Co. (Producer, explorer, refiner and marketer of petroleum products)	5,530	339,289
Siemens AG (Developer of electrical products)	1,508	197,421	VNU N.V. (Provider of international publishing services)	3,114	153,261
		<u>2,479,149</u>			<u>1,178,858</u>
Hong Kong 1.0%			Spain 4.8%		
HSBC Holdings plc (Operator of an international banking and financial services company)	8,489	126,252	Banco Popular Espanol S.A. (Provider of commercial banking services throughout Europe)	4,980	173,700
Ireland 1.6%			Cortefiel S.A. (Owner and operator of various retail clothing stores)	3,970	66,063
Irish Life & Permanent plc (Operator of retail financial services group)	17,166	213,030	Grupo Dragados S.A. (Operator of a construction company)	5,500	59,982
Italy 10.1%			Recoletos Compania Editorial S.A.* (Publisher of financial, sports, women's and health publications)	800	5,633
Alleanza Assicurazioni SpA (Provider of life insurance services)	6,100	97,322	Telefonica S.A.* (Provider of telecommunication services)	11,727	194,042
Assicurazioni Generali (Provider of insurance and financial services)	5,100	202,819	Union Electrica Fenosa S.A. (Producer and distributor of electrical energy)	7,151	131,435
Banco Intesa SpA (Provider of banking services)	34,925	168,114			<u>630,855</u>
Bulgari SpA (Manufacturer and retailer of fine jewelry, luxury watches and perfumes)	9,400	115,770	Sweden 0.3%		
ENI SpA (Explorer and distributor of petroleum products)	24,300	155,350	Ericsson LM "B" (Producer of advanced systems and products for wired and mobile communications)	3,355	38,210
Gruppo Coin SpA* (Operator of department stores selling clothing, accessories and furnishings)	8,230	108,324	Switzerland 6.1%		
Mediobanca SpA (Provider of loans and credit to manufacturing and service firms)	9,100	103,349	Julius Baer Holding AG (Holding company for international bank)	15	82,297
Riunione Adriatica di Sicurtà SpA (Provider of insurance services)	8,920	139,294	Nestle S.A. (Registered) (Producer of food products)	110	257,191
Saipem SpA (International contractor in oil and gas exploration and drilling, construction of refineries and pipelines)	19,500	106,514	Novartis AG (Registered) (Operator of a pharmaceutical company)	64	113,416
San Paolo — IMI SpA (Provider of commercial banking services)	4,090	66,215	Roche Holding AG (PC) (Manufacturer of pharmaceutical and chemical products)	9	91,909
Unicredito Italiano SpA (Provider of commercial bank services)	11,400	59,698	Serono S.A. "B" (Developer and marketer of biotechnology products)	106	102,282
		<u>1,322,769</u>	UBS AG (Registered) (Provider of banking and asset management services)	966	158,042
Netherlands 9.0%					<u>805,137</u>
ABN AMRO Holding N.V. (Provider of financial services)	5,244	119,408	United Kingdom 22.9%		
Akzo Nobel N.V. (Producer and marketer of health care products, coatings, chemicals and fibers)	3,600	193,596	ARM Holdings plc* (Designer of RISC microprocessors and related technology)	5,360	40,525
			BOC Group plc* (Producer of chemical products)	8,808	133,847

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

	Shares	Value (\$)		Shares	Value (\$)
BP Amoco plc (Provider of oil internationally)	18,700	150,884	Reed International plc* (Publisher of scientific, professional and business-to-business materials)	16,326	170,760
Bae Systems plc* (Producer of military aircraft)	21,838	124,648	Reuters Group plc* (Provider of international news and information)	3,960	67,040
Barclays plc* (Provider of commercial and investment banking, insurance and other financial services)	4,200	130,031	Rio Tinto plc* (Developer of mining products)	4,420	77,799
British Telecom plc* (Provider of telecommunication services)	5,455	46,623	Royal & Sun Alliance Insurance Group plc* (Provider of insurance services)	15,815	135,404
Cable and Wireless plc* (Provider of telecommunication services)	19,770	266,743	SEMA Group plc* (Provider of information technology)	4,620	20,347
Diageo plc* (Producer and distributor of food products, beer and liquor; owner of fast food restaurants)	17,611	197,358	Serco Group plc* (Provider of management support services)	10,790	86,255
EMI Group plc* (Producer of music recording)	22,456	184,546	Shire Pharmaceuticals Group plc* (Operator of a pharmaceutical company)	6,758	106,532
GlaxoSmithKline plc* (Developer, manufacturer and marketer of vaccines, prescription and over-the-counter medicines)	8,100	228,738	Taylor Nelson Sofres plc* (Operator of a market research company)	24,530	91,265
Granada Compass plc* (Provider of an assortment of hospitality and media services)	11,330	123,330	Vodafone Group plc* (Provider of mobile telecommunication services) ..	116,405	427,004
J Sainsbury plc* (Retail distributor of food through supermarkets)	16,840	99,895			3,000,726
RM plc* (Provider of information technology solutions to educational markets)	10,759	91,152	Total Common Stocks (Cost \$12,387,682)		12,591,035
			Total Investment Portfolio — 100.0% (Cost \$12,899,744) (a)		13,093,920

At December 31, 2000, the Kemper New Europe Portfolio had the following industry diversification:

Industry	Value	Percent
Financial	\$ 3,837,693	29.3%
Communications	1,412,331	10.8
Manufacturing	1,261,655	9.6
Energy	1,102,296	8.4
Consumer Discretionary	884,552	6.8
Service Industries	805,296	6.2
Consumer Staples	802,765	6.1
Health	766,697	5.9
Technology	591,573	4.5
Utilities	475,673	3.6
Media	411,972	3.1
Construction	146,788	1.1
Durables	116,830	0.9
Metals and Minerals	77,799	0.6
Total	12,693,920	96.9
Money Market Instruments	400,000	3.1
Total Investment Portfolio	\$13,093,920	100.0%

Notes to Kemper New Europe Portfolio of Investments

* Non-income producing security.

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

(a) The cost for federal income tax purposes was \$12,930,076. At December 31, 2000, net unrealized appreciation for all securities based on tax cost was \$163,844. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$971,630 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$807,786.

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

Financial Statements

Statement of Assets and Liabilities as of December 31, 2000

Assets

Investments in securities, at value (cost \$12,899,744)	\$ 13,093,920
Cash	677,480
Receivable for investments sold	9,895
Dividends receivable	6,445
Interest receivable	1,838
Receivable for Portfolio shares sold	433
Foreign taxes recoverable	14,120
Due from Advisor	214,942
Total assets	14,019,073

Liabilities

Payable for investments purchased	466,459
Payable for Portfolio shares redeemed	9,247
Accrued Trustees' fees and expenses	4,587
Other accrued expenses and payables	52,707
Total liabilities	533,000
Net assets, at value	\$ 13,486,073

Net Assets

Net assets consist of:	
Undistributed net investment income	293,182
Net unrealized appreciation (depreciation) on:	
Investments	194,176
Foreign currency related transactions	248
Accumulated net realized gain (loss)	(278,569)
Paid-in capital	13,277,036
Net assets, at value	\$ 13,486,073

Net Asset Value

Net Asset Value and redemption price per share (\$13,486,073 ÷ 13,973,925 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$.965
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The accompanying notes are an integral part of the financial statements.

Statement of Operations for the year ended December 31, 2000

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$18,364)	\$ 392,982
Interest	25,803
Total Income	<u>418,785</u>
Expenses:	
Management fee	97,861
Custodian and accounting fees	132,929
Auditing	2,428
Legal	3,464
Trustees' fees and expenses	6,260
Reports to shareholders	14,230
Registration fees	456
Other	1,946
Total expenses, before expense reductions	259,574
Expense reductions	<u>(148,399)</u>
Total expenses, after expense reductions	111,175
Net investment income (loss)	307,610

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	(252,174)
Foreign currency related transactions	(5,388)
	<u>(257,562)</u>
Net unrealized appreciation (depreciation) during the period on:	
Investments	(493,056)
Foreign currency related transactions	501
	<u>(492,555)</u>
Net gain (loss) on investment transactions	(750,117)
Net increase (decrease) in net assets resulting from operations	\$ (442,507)

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

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2000	1999
Operations:		
Net investment income (loss)	\$ 307,610	\$ 68,621
Net realized gain (loss) on investment transactions	(257,562)	93,869
Net unrealized appreciation (depreciation) on investment transactions during the period	(492,555)	633,738
Net increase (decrease) in net assets resulting from operations	(442,507)	796,228
Distributions to shareholders from:		
Net investment income	(23,685)	(51,177)
Net realized gains	(23,647)	—
Portfolio share transactions:		
Proceeds from shares sold	15,004,778	9,523,749
Reinvestment of distributions	47,332	51,177
Cost of shares redeemed	(7,752,735)	(6,646,496)
Net increase (decrease) in net assets from Portfolio share transactions	7,299,375	2,928,430
Increase (decrease) in net assets	6,809,536	3,673,481
Net assets at beginning of period	6,676,537	3,003,056
Net assets at end of period (including undistributed net investment income of \$293,182 and \$18,398, respectively)	\$ 13,486,073	\$ 6,676,537
Other Information		
Shares outstanding at beginning of period	6,453,838	3,294,058
Shares sold	15,347,023	10,350,608
Shares issued to shareholders in reinvestment of distributions	45,722	56,319
Shares redeemed	(7,872,658)	(7,247,147)
Net increase (decrease) in Portfolio shares	7,520,087	3,159,780
Shares outstanding at end of period	13,973,925	6,453,838

Financial Highlights

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

Years Ended December 31,	2000	1999	1998(a)
Net asset value, beginning of period	\$ 1.035	.912	1.000
<i>Income (loss) from investment operations:</i>			
Net investment income (loss)	.031(b)	.013(b)	.003
Net realized and unrealized gain (loss) on investment transactions	(.095)	.115	(.091)
Total from investment operations	(.064)	.128	(.088)
<i>Less distributions from:</i>			
Net investment income	(.003)	(.005)	—
Net realized gains on investment transactions	(.003)	—	—
Total distributions	(.006)	(.005)	—
Net asset value, end of period	\$.965	1.035	.912
Total Return (%)	(6.17)	14.09	(8.80)**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period (\$ millions)	13	7	3
Ratio of expenses before expense reductions (%)	2.65	4.30	19.55*
Ratio of expenses after expense reductions (%)	1.14	1.10	1.13*
Ratio of net investment income (loss) (%)	3.14	1.44	1.13*
Portfolio turnover rate (%)	105	146	100*

(a) For the period from May 5, 1998 (commencement of operations) to December 31, 1998.

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

* Annualized

** Not annualized

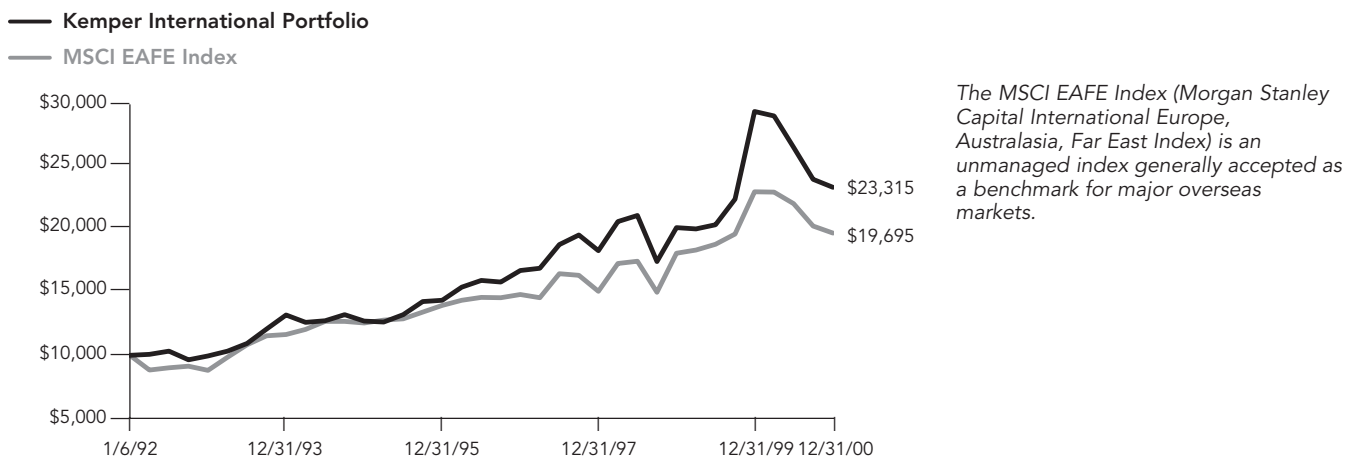
The accompanying notes are an integral part of the financial statements.

Kemper International Portfolio

The broad correction in global equity markets that began in the first quarter continued throughout 2000. For the first time since the 1998 financial crisis, the outlook for global economic growth deteriorated as interest-rate hikes in the United States, Europe and Japan began to affect demand. This led to a sharp rise in stock market volatility and a reduced appetite for risk among international investors. Perceived “high-risk” segments of the market such as the highly valued “new economy” companies and emerging markets suffered a sharp sell-off, while previously unloved “old economy” sectors such as financials, health care, utilities and consumer staples benefited from this sharp swing in sentiment. Against this challenging backdrop, the Kemper International Portfolio lagged both its benchmark and its average peer. This underperformance owes largely to the global sell-off in higher-growth, higher-valuation technology, media and telecom (TMT) stocks, in which the portfolio was previously overweighted. This was perhaps most painful among our Japanese holdings, as that country’s tentative economic upturn proved unsustainable during the latter half of the year. The portfolio’s Korean and Taiwanese tech holdings hurt as well, despite their attractive valuations. Not surprisingly, however, a number of the portfolio’s more defensive holdings, particularly blue chips, provided good support. European insurance holdings, which were significantly increased earlier in the year, also helped. Finally, there was a rebound in some cyclical commodity stocks with strong valuation support. We anticipate the environment for international equity markets will remain challenging in the months to come, and we expect the current period of uncertainty for corporate profitability to continue. As the market wrestles with declining corporate earnings against an easing interest-rate environment, we would expect the high volatility in global equity markets witnessed in the past year to persist.

Irene Cheng
Lead Portfolio Manager

Growth of an assumed \$10,000 investment in Kemper International Portfolio from 1/6/1992 to 12/31/2000



Average Annual Total Returns¹

For the periods ended December 31, 2000	1-year	5-year	Life of portfolio
Kemper International Portfolio	-20.49%	10.20%	9.89% (Since 1/6/1992)

¹ Average annual total return and total return measure net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Average annual total return reflects annualized change while total return reflects aggregate change. Performance is net of the portfolio’s management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details.

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

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

Kemper International Portfolio

	Principal Amount (\$)	Value (\$)	Shares	Value (\$)
Repurchase Agreements 3.1%				
Salomon Brothers, 6.3%, to be repurchased at \$5,689,980, 1/2/2001** (Cost \$5,686,000)	5,686,000	5,686,000		
Bonds 0.0%				
United Kingdom				
British Aerospace plc, 7.45%, 11/30/2003 (Producer of military aircraft) (Cost \$23,350)	20,439	27,486		
			Shares	
Common Stocks 96.9%				
Australia 1.3%				
Broken Hill Proprietary Co., Ltd. (Producer of petroleum, mineral and steel products)	134,109	1,418,149		
WMC Ltd. (Developer of mineral products)	209,200	893,589		
		<u>2,311,738</u>		
Belgium 1.2%				
Interbrew (Operator of brewing business)	87,900	2,212,787		
Canada 1.7%				
Canadian National Railway Co. (Operator of railroad services)	63,400	1,873,278		
Nortel Networks Corp. (Provider of telephone, data and wireless products for the Internet)	36,307	1,164,093		
		<u>3,037,371</u>		
Denmark 0.3%				
Infineon Technologies AG (Manufacturer and marketer of semiconductors)	13,890	517,124		
France 18.6%				
AXA S.A. (Provider of insurance, finance and real estate services)	12,466	1,804,866		
Accor S.A. (Operator of hotels, travel agencies and restaurants)	16,190	684,946		
Alcatel S.A. (Manufacturer of transportation, telecommunication and energy equipment)	43,090	2,450,919		
Aventis S.A. (Manufacturer of life science products)	58,469	5,139,661		
Banque Nationale de Paris (Provider of banking services)	19,668	1,728,896		
Bouygues S.A. (Developer of large public projects, real estate, offshore oil platforms and energy networks) ..			24,110	1,093,684
Christian Dior (Manufacturer of luxury products)			26,451	1,269,507
Compagnie Generale d'Industrie et de Participations (Producer of automobile components, diagnostic equipment and abrasive pellets)			8,767	416,236
Credit Lyonnais S.A. (Provider of diversified banking services)			43,110	1,507,711
Etablissements Economiques du Casino Guichard-Perrachon S.A. (Operator of supermarkets and convenience stores)			20,900	1,365,615
European Aeronautic Defence* (Manufacturer of airplanes and military equipment)			1,864	41,463
Eurotunnel S.A.* (Designer, financier and constructor of a tunnel that runs under the English Channel and connects England to France)			1,665,168	1,659,438
Lagardere S.A. (Producer of audiovisual and telecommunication services)			9,713	564,338
Pinault-Printemps-Redoute S.A. (Operator of department stores)			4,525	973,782
Rhodia S.A. (Manufacturer of drugs and chemical products)			99,182	1,538,558
STMicroelectronics NV (Manufacturer of semiconductor integrated circuits)			17,937	784,151
Schneider Electric S.A. (Manufacturer of electronic components and automated manufacturing systems)			16,314	1,191,732
Societe BIC S.A. (Manufacturer of office supplies)			32,999	1,299,596
Suez Lyonnaise des Eaux S.A. (Developer of water and electric utility)			16,325	2,985,176
Total Fina ELF S.A. "B" (Explorer of oil and natural gas)			27,859	4,148,756
Vivendi Universal S.A. (Provider of various public services)			19,927	1,313,279
				<u>33,962,310</u>
Germany 14.0%				
Allianz AG (Provider of multi-line insurance services)			6,622	2,494,627
Bayer AG (Producer of chemical products)			67,306	3,549,881
Bayerische Hypo-und Vereinsbank (Provider of banking services)			34,075	1,915,730
Celanese AG (Manufacturer and distributor of industrial chemicals) ...			5,076	92,103
Commerzbank AG (Provider of banking services)			23,720	680,161

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

	Shares	Value (\$)		Shares	Value (\$)
Deutsche Bank AG (Registered) (Provider of financial services)	21,322	1,780,074	Kyocera Corp. (Manufacturer of ceramic packaging)	4,700	511,869
Deutsche Post AG* (Provider of mail delivery and other services to the public and to businesses)	33,084	712,591	Matsushita Electric Industrial Co., Ltd. (Manufacturer of consumer electronic products)	116,000	2,765,764
Deutsche Telekom AG (Provider of telecommunication services)	25,221	761,140	Mitsubishi Estate Co., Ltd. (Provider of real estate services)	153,000	1,630,218
Dresdner Bank AG (Provider of banking services)	31,882	1,387,790	Mitsui Fudosan Co., Ltd. (Real estate company)	180,000	1,784,279
E.On AG (Distributor of oil and chemicals)	91,212	5,556,792	Mizuho Holdings, Inc. (Provider of financial services)	391	2,417,712
ERGO Versicherungs Gruppe AG (Provider of insurance services)	8,432	1,411,067	NEC Corp. (Manufacturer of telecommunication and computer equipment)	88,000	1,606,288
Metro AG (Operator of building, clothing, electronic and food stores)	26,762	1,232,854	NTT Docomo, Inc. (Provider of various telecommunication services and equipment)	112	1,926,987
Muenchener Rueckversicherungs- Gesellschaft AG (Registered) (Provider of insurance services)	4,390	1,568,358	Nikko Securities Co., Ltd. (Provider of broker and dealer services)	134,000	1,035,721
SAP AG — Vorzug (Manufacturer of computer software)	5,688	806,414	Nintendo Co., Ltd. (Manufacturer of game equipment)	10,200	1,602,603
Siemens AG (Developer of electrical products)	11,580	1,516,006	Nippon Telegraph & Telephone Corp. (Provider of telecommunication services)	216	1,552,559
		<u>25,465,588</u>	Nissan Motor Co., Ltd.* (Manufacturer of motor vehicles)	233,000	1,338,987
Hong Kong 1.2%			Nomura Securities Co., Ltd. (Provider of financial services)	105,000	1,884,498
China Telecom Ltd.* (Provider of cellular telecommunication services)	158,000	862,956	Sakura Bank Ltd. (Provider of banking services)	292,000	1,759,651
Hutchison Whampoa Ltd. (Provider of investment services)	70,200	875,284	Sankyo Co., Ltd. (Producer of over-the-counter drugs)	66,000	1,579,389
Legend Holdings Ltd. (Manufacturer of computers and related products)	440,000	276,421	Sanyo Electric Co., Ltd. (Manufacturer of consumer electronics)	105,000	871,179
MTR Corp.* (Provider of public transport services in Hong Kong)	99,500	174,770	Sony Corp. (Manufacturer of consumer and industrial electronic equipment)	21,000	1,448,908
		<u>2,189,431</u>	Sumitomo Electric Industries Ltd. (Manufacturer of electric wires and cables)	91,000	1,489,380
Italy 6.2%			Takeda Chemical Industries Ltd. (Manufacturer of pharmaceuticals) ...	15,000	885,590
Alleanza Assicurazioni SpA (Provider of life insurance)	61,100	974,811	Toshiba Corp. (Manufacturer of electric machinery)	125,000	834,061
Assicurazioni Generali (Provider of insurance and financial services)	80,400	3,197,375	Yamanouchi Pharmaceutical Co., Ltd. (Manufacturer and marketer of pharmaceuticals)	29,000	<u>1,251,179</u>
Banco Intesa SpA (Provider of banking services)	471,064	2,267,499			<u>35,200,753</u>
Holding di Partecipazioni Industriali SpA (Producer of apparel and sports footwear)	410,300	508,796	Korea 0.6%		
Mediobanca SpA (Provider of loans and credit to manufacturing and service firms)	229,800	2,609,841	SK Telecom Co., Ltd. (Provider of mobile telecommunications services)	5,280	<u>1,056,000</u>
Riunione Adriatica di Sicurtà SpA (Provider of insurance services)	115,250	1,799,732			
		<u>11,358,054</u>	Netherlands 6.7%		
Japan 19.3%			ABN AMRO Holding NV (Provider of financial services)	90,290	2,055,943
Chugai Pharmaceutical Co., Ltd. (Pharmaceutical company)	89,000	1,476,856	Akzo Nobel NV (Producer and marketer of health care products, coatings, chemicals and fibers)	23,280	1,251,919
DDI Corp. (Provider of telecommunication services)	82	394,603	Elsevier NV (International publisher of scientific, professional, business and consumer information books)	39,900	587,438
Daiwa Securities Group, Inc. (Provider of brokerage and other financial services)	106,000	1,104,437			
East Japan Railway Co. (Operator of railroad services)	350	2,048,035			

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

	Shares	Value (\$)		Shares	Value (\$)
Equant NV* (Provider of international data network services)	28,300	740,984			
Fortis (NL) NV (Provider of banking and insurance services)	22,100	718,895			
Gucci Group NV (New York shares) (Designer and producer of personal luxury accessories and apparel)	17,400	1,539,900			
Heineken NV (Producer of beer and soft drinks)	32,000	1,938,965			
Laurus NV (Operator of supermarkets and liquor stores)	42,810	406,503			
Unilever NV (Manufacturer of branded and packaged consumer goods)	33,100	2,097,418			
VNU NV (Provider of international publishing services)	19,820	975,478			
		<u>12,313,443</u>			
New Zealand 0.4%					
ASM Lithography Holding NV* (Developer, manufacturer and marketer of photolithography projections systems)	33,100	752,768			
Spain 0.8%					
Telefonica S.A. (Provider of telecommunication services)	86,538	1,431,913			
Sweden 0.7%					
Ericsson LM "B" (Producer of advanced systems and products for wired and mobile communications)	115,700	1,317,698			
Switzerland 5.0%					
Nestle S.A. (Registered) (Producer of food products)	1,468	3,432,325			
Roche Holding AG (PC) (Manufacturer of pharmaceutical and chemical products)	139	1,419,490			
Schweizerische Rueckversicherungs-Gesellschaft AG (Registered) (Provider of life insurance services)	609	1,463,453			
UBS AG (Registered) (Provider of banking and asset management services)	16,898	2,764,595			
		<u>9,079,863</u>			
Taiwan 0.0%					
GigaMedia Ltd.* (Provider of broadband Internet access services and content)	17,400	47,850			
			United Kingdom 18.9%		
			ARM Holdings plc* (Designer of RISC microprocessors and related technology)	57,650	435,872
			BOC Group plc (Producer of chemical products)	119,848	1,821,214
			BP Amoco plc (Provider of oil internationally)	349,728	2,821,845
			Bae Systems plc (Producer of military aircraft)	276,377	1,577,518
			British Airways plc (Provider of passenger and cargo airline services)	179,519	1,047,467
			British Telecom plc (Provider of telecommunication services)	140,070	1,197,154
			Cable and Wireless plc (Provider of telecommunication services)	121,703	1,642,095
			Diageo plc (Producer and distributor of food products, beer and liquor; owner of fast food restaurants)	119,399	1,338,046
			EMI Group plc (Producer of music recording)	190,259	1,563,569
			GlaxoSmithKline plc (Developer, manufacturer and marketer of vaccines, prescription and over-the-counter medicines)	72,553	2,048,920
			Granada Media plc* (Producer of TV programs, feature films and made-for-TV movies)	113,834	722,886
			Prudential Corp. plc (Provider of a broad range of financial services)	58,625	943,425
			Reed International plc (Publisher of scientific, professional and business-to-business materials)	433,315	4,532,218
			Reuters Group plc (Provider of international news and information)	160,822	2,722,603
			Rio Tinto plc (Developer of mining products)	118,633	2,088,141
			Shell Transport & Trading plc (Provider of oil internationally)	382,181	3,135,093
			Vodafone Group plc (Provider of mobile telecommunication services)	1,346,408	4,938,979
					<u>34,577,045</u>
			Total Common Stocks (Cost \$169,188,551)		176,831,736
			Total Investment Portfolio — 100.0% (Cost \$174,897,901) (a)		182,545,222

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

At December 31, 2000, the Kemper International Portfolio had the following industry diversification:

Industry	Value	Percent
Financial	\$ 47,200,161	25.9%
Manufacturing	22,472,069	12.3
Communications	18,246,177	10.0
Consumer Staples	16,651,646	9.1
Service Industries	10,891,457	6.0
Energy	10,105,694	5.5
Technology	9,360,198	5.1
Health	8,661,424	4.7
Utilities	8,541,868	4.7
Consumer Discretionary	7,327,261	4.0
Transportation	5,143,550	2.8
Metals and Minerals	4,399,879	2.4
Durables	3,789,906	2.1
Construction	2,753,122	1.5
Media	1,287,224	0.7
Total Common Stocks	176,831,636	96.9
Money Market Instruments and Bonds	5,713,486	3.1
Total Investment Portfolio	\$182,545,122	100.0%

Notes to Kemper International Portfolio of Investments

* Non-income producing security.

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

(a) The cost for federal income tax purposes was \$175,022,383. At December 31, 2000, net unrealized appreciation for all securities based on tax cost was \$7,522,839. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$22,450,696 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$14,927,857.

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

Financial Statements

Statement of Assets and Liabilities as of December 31, 2000

Assets

Investments in securities, at value (cost \$174,897,901)	\$ 182,545,222
Cash	52,230
Foreign currency, at value (cost \$6,283)	6,283
Receivable for investments sold	754,227
Dividends receivable	106,796
Interest receivable	3,191
Receivable for Portfolio shares sold	7,513
Foreign taxes recoverable	323,492
Other assets	1,000
Total assets	183,799,954

Liabilities

Payable for investments purchased	65,173
Payable for Portfolio shares redeemed	4,197,896
Accrued management fee	118,945
Accrued Trustees' fees and expenses	40,222
Other accrued expenses and payables	88,534
Total liabilities	4,510,770

Net assets, at value \$ 179,289,184

Net Assets

Net assets consist of:	
Undistributed net investment income	1,130,287
Net unrealized appreciation (depreciation) on:	
Investments	7,647,321
Foreign currency related transactions	(4,471)
Accumulated net realized gain (loss)	23,686,559
Paid-in capital	146,829,488
Net assets, at value	\$ 179,289,184

Net Asset Value

Net Asset Value and redemption price per share ($\$179,289,184 \div 121,747,989$ outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized) \$ 1.473

Statement of Operations for the year ended December 31, 2000

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$177,033)	\$ 2,313,955
Interest (net of foreign taxes withheld of \$569)	447,879
Total Income	<u>2,761,834</u>
Expenses:	
Management fee	1,583,641
Custodian fees	65,207
Auditing	39,286
Legal	9,942
Trustees' fees and expenses	33,602
Reports to shareholders	22,923
Registration fees	8,859
Other	16,677
Total expenses, before expense reductions	<u>1,780,137</u>
Expense reductions	(11,387)
Total expenses, after expense reductions	<u>1,768,750</u>
Net investment income (loss)	993,084

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	24,988,523
Foreign currency related transactions	(113,972)
	<u>24,874,551</u>
Net unrealized appreciation (depreciation) during the period on:	
Investments	(69,699,234)
Foreign currency related transactions	5,673
	<u>(69,693,561)</u>
Net gain (loss) on investment transactions	(44,819,010)
Net increase (decrease) in net assets resulting from operations	\$ (43,825,926)

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

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2000	1999
Operations:		
Net investment income (loss)	\$ 993,084	\$ 794,530
Net realized gain (loss) on investment transactions	24,874,551	32,048,866
Net unrealized appreciation (depreciation) on investment transactions during the period	(69,693,561)	48,070,654
Net increase (decrease) in net assets resulting from operations	(43,825,926)	80,914,050
Distributions to shareholders from:		
Net investment income	—	(2,324,133)
Net realized gains	(32,378,429)	(24,984,428)
Portfolio share transactions:		
Proceeds from shares sold	469,913,549	161,883,485
Reinvestment of distributions	32,378,429	27,308,561
Cost of shares redeemed	(498,429,555)	(204,365,528)
Net increase (decrease) in net assets from Portfolio share transactions	3,862,423	(15,173,482)
Increase (decrease) in net assets	(72,341,932)	38,432,007
Net assets at beginning of period	251,631,116	213,199,109
Net assets at end of period (including undistributed net investment income of \$1,130,287 and \$271,481, respectively)	\$ 179,289,184	\$ 251,631,116
Other Information		
Shares outstanding at beginning of period	117,313,812	125,410,668
Shares sold	286,320,067	99,135,352
Shares issued to shareholders in reinvestment of distributions	17,687,525	17,966,513
Shares redeemed	(299,573,415)	(125,198,721)
Net increase (decrease) in Portfolio shares	4,434,177	(8,096,856)
Shares outstanding at end of period	121,747,989	117,313,812

Financial Highlights

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

Years Ended December 31,	2000	1999	1998	1997	1996
Net asset value, beginning of period	\$ 2.145	1.700	1.615	1.564	1.371
<i>Income (loss) from investment operations:</i>					
Net investment income (loss)	.008(a)	.007(a)	.017	.011	.011
Net realized and unrealized gain (loss) on investment transactions	(.390)	.673	.148	.130	.212
Total from investment operations	(.382)	.680	.165	.141	.223
<i>Less distributions from:</i>					
Net investment income	—	(.020)	(.020)	(.020)	(.020)
Net realized gains on investment transactions	(.290)	(.215)	(.060)	(.070)	(.010)
Total distributions	(.290)	(.235)	(.080)	(.090)	(.030)
Net asset value, end of period	\$ 1.473	2.145	1.700	1.615	1.564
Total Return (%)	(20.49)	45.71	10.02	9.46	16.49

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	179	252	213	200	163
Ratio of expenses before expense reductions (%)	.84	.94	.93	.91	.96
Ratio of expenses after expense reductions (%)	.84	.94	.93	.91	.96
Ratio of net investment income (loss) (%)	.47	.40	.96	.71	.89
Portfolio turnover rate (%)	87	136	90	79	87

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

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

Notes to Financial Statements

A. Significant Accounting Policies

Kemper Variable Series (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-six portfolios (the “portfolio(s)”).

The Trust’s financial statements are prepared in accordance with accounting principles generally accepted in the United States which require the use of management estimates. The policies described below are followed consistently by the Trust in the preparation of its financial statements.

Security Valuation. Investments are stated at value determined as of the close of regular trading on the New York Stock Exchange. Securities which are traded on U.S. or foreign stock exchanges are valued at the most recent sale price reported on the exchange on which the security is traded most extensively. If no sale occurred, the security is then valued at the calculated mean between the most recent bid and asked quotations. If there are no such bid and asked quotations, the most recent bid quotation is used. Securities quoted on the Nasdaq Stock Market (“Nasdaq”), for which there have been sales, are valued at the most recent sale price reported. If there are no such sales, the value is the most recent bid quotation. Securities which are not quoted on Nasdaq but are traded in another over-the-counter market are valued at the most recent sale price, or if no sale occurred, at the calculated mean between the most recent bid and asked quotations on such market. If there are no such bid and asked quotations, the most recent bid quotation shall be used.

Portfolio debt securities purchased with an original maturity greater than sixty days are valued by pricing agents approved by the officers of the Trust, whose quotations reflect broker/dealer-supplied valuations and electronic data processing techniques. If the pricing agents are unable to provide such quotations, the most recent bid quotation supplied by a bona fide market maker shall be used. Money market instruments purchased with an original maturity of sixty days or less are valued at amortized cost.

All other securities are valued at their fair value as determined in good faith by the Valuation Committee of the Board of Trustees.

Foreign Currency Translation. The books and records of the Trust are maintained in U.S. dollars. Investment securities and other assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the prevailing exchange rates at period end. Purchases and sales of investment securities, income and expenses are translated into U.S. dollars at the prevailing exchange rates on the respective dates of the transactions.

Net realized and unrealized gains and losses on foreign currency transactions represent net gains and losses between trade and settlement dates on securities transactions, the disposition of forward foreign currency exchange contracts and foreign currencies, and the difference between the amount of net investment income accrued and the U.S. dollar amount actually received. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed but is included with net realized and unrealized gains and losses on investment securities.

Repurchase Agreements. The portfolios may enter into repurchase agreements with certain banks and broker/dealers whereby the portfolios, through their custodian or sub-custodian bank, receive delivery of the underlying securities, the amount of which at the time of purchase and each subsequent business day is required to be maintained at such a level that the market value is equal to at least the principal amount of the repurchase price plus accrued interest.

Options. An option contract is a contract in which the writer of the option grants the buyer of the option the right to purchase from (call option), or sell to (put option), the writer a designated instrument at a specified price within a specified period of time. Certain options, including options on indices, will require cash settlement by the portfolio if the option is exercised. During the period, the Kemper Government Securities Portfolio purchased put options on securities as a hedge against potential adverse price movements in the value of portfolio assets. In addition, during the period, the Kemper Government Securities Portfolio wrote put options on securities as a temporary substitute for purchasing selected investments and to enhance potential gain.

The liability representing the portfolio’s obligation under an exchange traded written option or investment in a purchased option is valued at the last sale price or, in the absence of a sale, the mean between the closing bid and asked prices or at the most recent asked price (bid for purchased options) if no bid and asked price are available.

Over-the-counter written or purchased options are valued using dealer-supplied quotations. Gain or loss is recognized when the option contract expires or is closed.

If the portfolio writes a covered call option, the portfolio foregoes, in exchange for the premium, the opportunity to profit during the option period from an increase in the market value of the underlying security above the exercise price. If the portfolio writes a put option it accepts the risk of a decline in the market value of the underlying security below the exercise price. Over-the-counter options have the risk of the potential inability of counterparties to meet the terms of their contracts. The portfolio's maximum exposure to purchased options is limited to the premium initially paid. In addition, certain risks may arise upon entering into option contracts including the risk that an illiquid secondary market will limit the portfolio's ability to close out an option contract prior to the expiration date and that a change in the value of the option contract may not correlate exactly with changes in the value of the securities or currencies hedged.

Futures Contracts. A futures contract is an agreement between a buyer or seller and an established futures exchange or its clearinghouse in which the buyer or seller agrees to take or make a delivery of a specific amount of a financial instrument at a specified price on a specific date (settlement date). During the period, the Kemper Government Securities Portfolio purchased interest rate futures to manage the duration of the portfolio; the KVS Index 500 Portfolio purchased securities index futures as a temporary substitute for purchasing selected investments. In addition, the Kemper Government Securities Portfolio, Kemper High Yield Portfolio and KVS Dreman High Return Equity Portfolio sold interest rate futures to hedge against declines in the value of portfolio securities.

Upon entering into a futures contract, the portfolio is required to deposit with a financial intermediary an amount ("initial margin") equal to a certain percentage of the face value indicated in the futures contract. Subsequent payments ("variation margin") are made or received by the portfolio dependent upon the daily fluctuations in the value of the underlying security and are recorded for financial reporting purposes as unrealized gains or losses by the portfolio. When entering into a closing transaction, the portfolio will realize a gain or loss equal to the difference between the value of the futures contract to sell and the futures contract to buy. Futures contracts are valued at the most recent settlement price.

Certain risks may arise upon entering into futures contracts, including the risk that an illiquid secondary market will limit the portfolio's ability to close out a futures contract prior to the settlement date and that a change in the value of a futures contract may not correlate exactly with the changes in the value of the securities or currencies hedged. When utilizing futures contracts to hedge, the portfolio gives up the opportunity to profit from favorable price movements in the hedged positions during the term of the contract.

Forward Foreign Currency Exchange Contracts. A forward foreign currency exchange contract (forward contract) is a commitment to purchase or sell a foreign currency at the settlement date at a negotiated rate. During the period, the Kemper Strategic Income Portfolio and Kemper International Portfolio utilized forward contracts as a hedge against changes in the exchange rates relating to foreign currency denominated assets.

Forward contracts are valued at the prevailing forward exchange rate of the underlying currencies and unrealized gain/loss is recorded daily. Sales and purchases of forward contracts having the same settlement date and broker are offset and any gain (loss) is realized on the date of offset; otherwise, gain (loss) is realized on settlement date. Realized and unrealized gains and losses which represent the difference between the value of a forward contract to buy and a forward contract to sell are included in net realized and unrealized gain (loss) from foreign currency related transactions.

Certain risks may arise upon entering into forward contracts from the potential inability of counterparties to meet the terms of their contracts. Additionally, when utilizing forward contracts to hedge, the portfolio gives up the opportunity to profit from favorable exchange rate movements during the term of the contract.

When-Issued/Delayed Delivery Securities. Several of the portfolios may purchase securities with delivery or payment to occur at a later date beyond the normal settlement period. At the time the portfolio enters into a commitment to purchase a security, the transaction is recorded and the value of the security is reflected in the net asset value. The value of the security may vary with market fluctuations. No interest accrues to the portfolio until payment takes place. At the time the portfolio enters into this type of transaction it is required to segregate cash or other liquid assets at least equal to the amount of the commitment.

Federal Income Taxes. The portfolios' policy is to comply with the requirements of the Internal Revenue Code, as amended, which are applicable to regulated investment companies and to distribute all of its taxable income to its shareholders. Accordingly, the portfolios paid no federal income taxes and no federal income tax provision was required.

At December 31, 2000 the following portfolios had an approximate net tax basis capital loss carryforward which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until the following expiration dates:

Portfolio	Capital Loss Carryforward (\$)	Expiration Date
Kemper Government Securities Portfolio	2,526,000	12/31/2002
	524,000	12/31/2004
	116,000	12/31/2006
	1,797,000	12/31/2007
	933,000	12/31/2008
Kemper Investment Grade Bond Portfolio	946,000	12/31/2007
	2,780,000	12/31/2008
Kemper High Yield Portfolio	6,999,000	12/31/2002
	2,026,000	12/31/2003
	12,052,000	12/31/2007
	16,113,000	12/31/2008
Kemper Technology Growth Portfolio	8,613,000	12/31/2008
Kemper Blue Chip Portfolio	2,007,000	12/31/2006
	2,837,000	12/31/2008
Kemper Aggressive Growth Portfolio	3,153,000	12/31/2008
Kemper Contrarian Value Portfolio	20,400,000	12/31/2008
KVS Dreman High Return Equity Portfolio	771,000	12/31/2008
KVS Focused Large Cap Growth Portfolio	1,336,000	12/31/2008
KVS Growth and Income Portfolio	3,871,000	12/31/2008
KVS Growth Opportunities Portfolio	2,379,000	12/31/2008
KVS Index 500 Portfolio	448,000	12/31/2008
Kemper Small Cap Value Portfolio	3,910,000	12/31/2007
Kemper Strategic Income Portfolio	177,000	12/31/2007
	153,000	12/31/2008
Kemper New Europe Portfolio	131,000	12/31/2008

In addition, from November 1, 2000 through December 31, 2000, the following portfolios approximately incurred net realized capital losses as follows:

Portfolio	Net Realized Capital Loss (\$)
Kemper Investment Grade Bond Portfolio	13,000
Kemper High Yield Portfolio	1,722,000
Kemper Blue Chip Portfolio	353,000
Kemper Growth Portfolio	11,701,000
Kemper Aggressive Growth Portfolio	1,007,000
Kemper Horizon 20+ Portfolio	101,000
Kemper Horizon 10+ Portfolio	359,000
Kemper Horizon 5 Portfolio	205,000
Kemper Small Cap Growth Portfolio	17,300,000
Kemper Technology Growth Portfolio	33,192,000
Kemper Value+Growth Portfolio	72,000
KVS Focused Large Cap Growth Portfolio	276,000
KVS Growth and Income Portfolio	1,400,000
KVS Growth Opportunities Portfolio	45,000
KVS Index 500 Portfolio	175,000
Kemper Small Cap Value Portfolio	730,000
Kemper Global Blue Chip Portfolio	653,000
Kemper New Europe Portfolio	118,000
Kemper International Portfolio	1,507,000

As permitted by tax regulations, the portfolios intend to elect to defer these losses and treat them as arising in the fiscal year ended December 31, 2001.

Distribution of Income and Gains. Distributions of net investment income, if any, for all portfolios except the Kemper Money Market Portfolio, are made annually. Net realized gains from investment transactions, in excess of available capital loss carryforwards, would be taxable to the portfolio if not distributed, and, therefore, will be distributed to shareholders at least annually.

All the net investment income of the Kemper Money Market Portfolio is declared as a daily dividend and is distributed to shareholders monthly. Net investment income includes all realized gains (losses) on portfolio securities.

The timing and characterization of certain income and capital gains distributions are determined annually in accordance with federal tax regulations which may differ from accounting principles generally accepted in the United States. As a result, net investment income (loss) and net realized gain (loss) on investment transactions for a reporting period may differ significantly from distributions during such period. Accordingly, a portfolio may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the portfolio.

Investment Transactions and Investment Income. Investment transactions are accounted for on the trade date. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date. Certain dividends from foreign securities may be recorded subsequent to the ex-dividend date as soon as the portfolio is informed of such dividends. Realized gains and losses from investment transactions are recorded on an identified-cost basis.

Expenses. Expenses arising in connection with a specific portfolio are allocated to that portfolio. Other Trust expenses are allocated between the portfolios in proportion to their relative net assets.

B. Investment Transactions

For the year ended December 31, 2000, investment transactions (excluding short-term instruments) are as follows:

Portfolio	Purchases (\$)	Proceeds from sales (\$)
Kemper Government Securities Portfolio	238,956,523	239,527,202
Kemper Investment Grade Bond Portfolio	213,547,425	205,005,521
Kemper High Yield Portfolio	170,964,993	198,329,451
Kemper Total Return Portfolio	936,229,199	999,239,581
Kemper Blue Chip Portfolio	236,919,734	173,731,247
Kemper Growth Portfolio	443,077,837	461,742,659
Kemper Aggressive Growth Portfolio	75,083,980	29,846,157
Kemper Horizon 20+ Portfolio	24,160,000	30,118,868
Kemper Horizon 10+ Portfolio	39,682,217	49,384,673
Kemper Horizon 5 Portfolio	22,356,718	27,818,207
Kemper Small Cap Growth Portfolio	462,901,932	376,539,945
Kemper Technology Growth Portfolio	458,157,464	205,176,086
Kemper Value+Growth Portfolio	60,155,947	85,303,578
Kemper Contrarian Value Portfolio	105,419,479	151,725,365
KVS Dreman High Return Equity Portfolio	61,256,412	36,390,139
KVS Focused Large Cap Growth Portfolio	77,075,050	47,722,168
KVS Growth and Income Portfolio	104,986,649	18,726,575
KVS Growth Opportunities Portfolio	146,853,935	10,502,592
KVS Index 500 Portfolio	94,370,841	14,073,795
Kemper Small Cap Value Portfolio	29,782,292	42,922,099
KVS Dreman Financial Services Portfolio	29,659,734	4,539,619
Kemper Strategic Income Portfolio	13,440,165	9,659,479
Kemper Global Blue Chip Portfolio	26,615,828	12,434,473
Kemper New Europe Portfolio	16,773,710	9,387,731
Kemper International Portfolio	178,534,254	192,634,080

For the year ended December 31, 2000, transactions for written options were as follows for the Kemper Government Securities Portfolio:

	Contracts	Premium (\$)
Beginning of period	9	930
Written	26	17,069
Expired	4	414
Closed	31	17,585
End of period	—	—

C. Transactions with Affiliates

Management Agreement. Under the Trust's management agreement with Zurich Scudder Investments, Inc., formerly Scudder Kemper Investments, Inc., ("Scudder") the portfolios pay a monthly investment management fee, based on the average daily net assets of each portfolio, payable monthly, at the annual rates shown below:

Portfolio	Annual Management Fee Rate
Kemper Money Market Portfolio	0.50%
Kemper Government Securities Portfolio	0.55%
Kemper Investment Grade Bond Portfolio	0.60%
Kemper High Yield Portfolio	0.60%
Kemper Total Return Portfolio	0.55%
Kemper Blue Chip Portfolio	0.65%
Kemper Growth Portfolio	0.60%
Kemper Horizon 20+ Portfolio	0.60%
Kemper Horizon 10+ Portfolio	0.60%
Kemper Horizon 5 Portfolio	0.60%
Kemper Small Cap Growth Portfolio	0.65%
Kemper Value+Growth Portfolio	0.75%
Kemper Contrarian Value Portfolio	0.75%
Kemper Small Cap Value Portfolio	0.75%
Kemper International Portfolio	0.75%

From December 31, 1999 to April 30, 2000, the Kemper Strategic Income Portfolio paid Scudder a monthly investment management fee, based on an annual rate of 0.75% of the average daily net assets of the portfolio. Effective May 1, 2000, the portfolio's Board of Trustees approved a new investment management fee, based on an annual rate of 0.65% of the average daily net assets of the portfolio.

The Kemper Aggressive Growth Portfolio, Kemper Technology Growth Portfolio, KVS Dreman High Return Equity Portfolio and KVS Dreman Financial Services Portfolio each pay Scudder a graduated investment management fee, based on the average daily net assets of the portfolio, payable monthly, at the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annual Management Fee Rate
\$0-\$250 million	0.75%
\$250 million-\$1 billion	0.72%
\$1 billion-\$2.5 billion	0.70%
\$2.5 billion-\$5 billion	0.68%
\$5 billion-\$7.5 billion	0.65%
\$7.5 billion-\$10 billion	0.64%
\$10 billion-\$12.5 billion	0.63%
Over \$12.5 billion	0.62%

For the year ended December 31, 2000, the portfolios incurred the following management fees:

Portfolio	Management Fee Imposed (\$)	Fees Waived by Scudder (\$)	Effective Rate (%)
Kemper Aggressive Growth Portfolio	323,018	—	0.75
Kemper Technology Growth Portfolio	1,713,634	—	0.75
KVS Dreman High Return Equity Portfolio	894,029	—	0.75
KVS Dreman Financial Services Portfolio	283,626	—	0.75

KVS Focused Large Cap Growth Portfolio, KVS Growth and Income Portfolio and KVS Growth Opportunities Portfolio each pay Scudder a graduated investment management fee based on the average daily net assets of the portfolio, payable monthly, at the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annual Management Fee Rate
\$0–\$250 million	0.950%
\$250 million–\$500 million	0.925%
\$500 million–\$1 billion	0.900%
\$1 billion–\$2.5 billion	0.875%
Over \$2.5 billion	0.850%

For the year ended December 31, 2000, the portfolios incurred the following management fees:

Portfolio	Management Fee Imposed (\$)	Fees Waived by Scudder (\$)	Effective Rate (%)
KVS Focused Large Cap Portfolio	148,329	—	0.95
KVS Growth and Income Portfolio	634,219	—	0.95
KVS Growth Opportunities Portfolio	822,347	—	0.95

From December 31, 1999 to July 31, 2000, the KVS Index 500 Portfolio pays Scudder a graduated investment management fee based on the average daily net assets of the portfolio, payable monthly, at the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annual Management Fee Rate
\$0–\$200 million	0.450%
\$200 million–\$750 million	0.420%
\$750 million–\$2 billion	0.400%
\$2 billion–\$5 billion	0.380%
Over \$5 billion	0.350%

Effective August 1, 2000, the portfolio's Board of Trustees approved a new investment management fee, based on the average daily net assets of the portfolio, payable monthly, at the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annual Management Fee Rate
\$0–\$200 million	0.440%
\$200 million–\$750 million	0.400%
\$750 million–\$2 billion	0.380%
\$2 billion–\$5 billion	0.365%
Over \$5 billion	0.335%

For the year ended December 31, 2000, KVS Index 500 Portfolio paid Scudder its management fee amounting to \$250,557, which was equivalent to an annual effective rate of 0.34%.

From December 31, 1999 to May 31, 2000, the Kemper Global Blue Chip Portfolio paid Scudder a graduated investment management fee, based on the average daily net assets of the portfolio, payable monthly, at the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annual Management Fee Rate
\$0–\$250 million	1.00%
\$250 million–\$1 billion	0.95%
Over \$1 billion	0.90%

Effective June 1, 2000, the portfolio's Board of Trustees approved a new investment management fee, based on the average daily net assets of the portfolio, payable monthly, at the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annual Management Fee Rate
\$0-\$250 million	1.00%
\$250 million-\$750 million	0.95%
\$750 million-\$1.5 billion	0.90%
\$1.5-\$3 billion	0.85%
Over \$3 billion	0.80%

For the year ended December 31, 2000, Kemper Global Blue Chip Portfolio paid Scudder its management fee amounting to \$220,642, after an expense reduction of \$38,937, which was equivalent to an annual effective rate of 0.85%.

From December 31, 1999 to May 31, 2000, the Kemper New Europe Portfolio paid the investment manager an investment management fee, payable monthly, based on an annual rate of 1% of the average daily net assets of the portfolio. Effective June 1, 2000, the portfolio's Board of Trustees approved a new investment management fee, based on the average daily net assets of the portfolio, payable monthly, at the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annual Management Fee Rate
\$0-\$250 million	1.00%
\$250 million-\$750 million	0.95%
\$750 million-\$1.5 billion	0.90%
\$1.5-\$3 billion	0.85%
Over \$3 billion	0.80%

For the year ended December 31, 2000, Scudder did not impose any of its management fee amounting to \$97,861.

In addition, Scudder has temporarily agreed to absorb certain operating expenses of the portfolio. Under these arrangements, Scudder waived and absorbed expenses of \$7,521 for the year ended December 31, 2000.

Dreman Value Management, L.L.C. serves as sub-advisor with respect to the investment and reinvestment of assets in the KVS Dreman High Return Equity and KVS Dreman Financial Services Portfolios, and is paid by Scudder for its services.

Eagle Asset Management, Inc., serves as sub-advisor with respect to the investment and reinvestment of assets in the KVS Focused Large Cap Growth Portfolio, and is paid by Scudder for its services.

Janus Capital Corporation serves as sub-advisor with respect to investment and reinvestment of assets in the KVS Growth and Income and KVS Growth Opportunities Portfolios, and is paid by Scudder for its services.

Bankers Trust Company serves as sub-advisor with respect to investment and reinvestment of assets in the KVS Index 500 Portfolio, and is paid by Scudder for its services.

Scudder Investments Ltd. (U.K.), serves as sub-advisor with respect to foreign securities investments in the Kemper International and Kemper Strategic Income Portfolios, and is paid by Scudder for its services.

Fund Accounting Agent. Scudder Fund Accounting Corporation (SFAC), is responsible for determining the daily net asset value per share and maintaining the general accounting records of each portfolio. For the year ended December 31, 2000, SFAC received the following fee for its services for the following portfolios:

Portfolio	Fee Imposed (\$)	Fees Waived by Scudder (\$)	Unpaid at December 31, 2000
Kemper Aggressive Growth Portfolio	40,349	—	—
Kemper Technology Growth Portfolio	38,043	—	4,576
KVS Dreman High Return Equity Portfolio	44,664	—	4,307
KVS Focused Large Cap Growth Portfolio	—	37,564	—
KVS Growth and Income Portfolio	—	40,110	—
KVS Growth Opportunities Portfolio	—	37,637	—
KVS Index 500 Portfolio	—	171,846	—
KVS Dreman Financial Services Portfolio	32,084	—	—
Kemper Global Blue Chip Portfolio	18,875	30,777	—
Kemper New Europe Portfolio	—	41,336	—

Officers and Trustees. Certain officers or trustees of the Trust are also officers or directors of Scudder. For the year ended December 31, 2000, the Trust made no direct payments to its officers and incurred trustees' fees of \$468,043 to independent trustees. In addition, a one-time fee was accrued for payment to those trustees not affiliated with the Advisor who are not standing for re-election. Inasmuch as the Advisor will also benefit from administrative efficiencies of a consolidated Board, the Advisor has agreed to bear a portion of such costs.

Portfolio	Fee Imposed (\$)	Fees Waived by Scudder (\$)
Kemper Money Market Portfolio	10,252	5,126
Kemper Government Securities Portfolio	8,380	4,190
Kemper Investment Grade Bond Portfolio	6,574	3,287
Kemper High Yield Portfolio	11,318	5,659
Kemper Total Return Portfolio	16,974	8,487
Kemper Blue Chip Portfolio	9,690	4,845
Kemper Growth Portfolio	14,950	7,475
Kemper Aggressive Growth Portfolio	5,210	2,605
Kemper Small Cap Growth Portfolio	10,556	5,278
Kemper Technology Growth Portfolio	9,490	4,745
Kemper Value+Growth Portfolio	8,832	4,416
Kemper Contrarian Value Portfolio	9,740	4,870
KVS Dreman High Return Equity Portfolio	7,830	3,915
KVS Focused Large Cap Growth Portfolio	3,476	1,738
KVS Growth and Income Portfolio	6,180	3,090
KVS Growth Opportunities Portfolio	6,574	3,287
KVS Index 500 Portfolio	6,506	3,253
Kemper Small Cap Value Portfolio	7,050	3,525
KVS Dreman Financial Services Portfolio	4,994	2,497
Kemper Strategic Income Portfolio	2,966	1,483
Kemper Global Blue Chip Portfolio	4,632	2,316
Kemper New Europe Portfolio	3,362	1,681
Kemper International Portfolio	9,932	4,966

D. Expense Off-Set Arrangements

The portfolios have entered into arrangements with their custodian whereby credits realized as a result of uninvested cash balances were used to reduce a portion of the portfolio's expenses. During the year ended December 31, 2000, the portfolios' custodian fees were reduced as follows under these arrangements:

Portfolio	Amount (\$)
Kemper Money Market Portfolio	11,909
Kemper Government Securities Portfolio	835
Kemper Investment Grade Bond Portfolio	366
Kemper High Yield Portfolio	4,422
Kemper Total Return Portfolio	4,910
Kemper Blue Chip Portfolio	673
Kemper Growth Portfolio	1,588
Kemper Aggressive Growth Portfolio	636
Kemper Horizon 20+ Portfolio	234
Kemper Horizon 10+ Portfolio	346
Kemper Horizon 5 Portfolio	316
Kemper Small Cap Growth Portfolio	9,082
Kemper Technology Growth	5,970
Kemper Value+Growth Portfolio	400
Kemper Contrarian Value Portfolio	541
KVS Dreman High Return Equity Portfolio	847
KVS Focused Large Cap Growth Portfolio	9,727
KVS Growth and Income Portfolio	16,721
KVS Growth Opportunities Portfolio	9,211
KVS Index 500 Portfolio	401
Kemper Small Cap Value Portfolio	452
KVS Dreman Financial Services Portfolio	2,007
Kemper Strategic Income Portfolio	1,615
Kemper International Portfolio	6,421

E. Commitments

As of December 31, 2000, the portfolio had entered into the following forward foreign currency exchange contracts resulting in the following:

Kemper Strategic Income Portfolio:

Contracts to Deliver		In Exchange For		Settlement Date	Net Unrealized Appreciation (Depreciation) (U.S.\$)
GBP	157,236	USD	226,734	1/30/01	(8,328)
JPY	16,788,017	USD	158,079	1/30/01	10,773
EUR	499,360	USD	433,170	2/8/01	(37,111)
					(34,666)

Abbreviations

USD	United States Dollar
GBP	Great British Pound
EUR	Euro
JPY	Japanese Yen

F. Line of Credit

The Trust and several Kemper funds (the “Participants”) share in a \$750 million revolving credit facility with Chase Manhattan 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, pro rata based upon net assets, among each of the Participants. Interest is calculated based on the market rates at the time of the borrowing. Under the agreement the following portfolios may borrow up to a maximum percentage of their net assets.

Portfolio	Facility Borrowing Limit
Kemper Money Market Portfolio	33%
Kemper Government Securities Portfolio	33
Kemper Investment Grade Bond Portfolio	33
Kemper High Yield Portfolio	33
Kemper Total Return Portfolio	33
Kemper Blue Chip Portfolio	33
Kemper Growth Portfolio	33
Kemper Aggressive Growth Portfolio	5
Kemper Horizon 20+ Portfolio	33
Kemper Horizon 10+ Portfolio	33
Kemper Horizon 5 Portfolio	33
Kemper Small Cap Growth Portfolio	33
Kemper Technology Growth	5
Kemper Value+Growth Portfolio	33
Kemper Contrarian Value Portfolio	33
KVS Dreman High Return Equity Portfolio	33
KVS Focused Large Cap Growth Portfolio	5
KVS Growth and Income Portfolio	5
KVS Growth Opportunities Portfolio	5
KVS Index 500 Portfolio	5
Kemper Small Cap Value Portfolio	33
KVS Dreman Financial Services Portfolio	33
Kemper Strategic Income Portfolio	33
Kemper Global Blue Chip Portfolio	5
Kemper New Europe Portfolio	5
Kemper International Portfolio	33

G. Plan of Reorganization

The Boards of each Portfolio (identified in the chart below under the heading “Acquired Portfolio”) recently approved an Agreement and Plan of Reorganization (the “Reorganization”) between each Acquired Portfolio and the corresponding Acquiring Portfolio identified in the chart below, pursuant to which Acquiring Portfolio would

acquire all or substantially all of the assets and liabilities of the Acquired Portfolio in exchange for shares of the corresponding Acquiring Portfolio. Each Reorganization can be consummated only if, among other things, it is approved by a majority vote of the shareholders of the applicable Acquired Portfolio. A special meeting of the shareholders of each Acquired Portfolio to approve the Reorganization will be held on or about March 14, 2001.

As a result of the Reorganization, each shareholder of the Acquired Portfolio will become a shareholder of the corresponding Acquiring Fund and would hold, immediately after the closing of the Reorganization (the “Closing”), that number of full and fractional voting shares of the Acquiring Fund having an aggregate net asset value equal to the aggregate net asset value of such shareholder’s shares held in the applicable Acquired Portfolio as of the close of business on the business day preceding the Closing. The Closing is expected to take place during the second quarter of 2001. In the event the shareholders of the Acquired Portfolio fail to approve the Reorganization, the Acquired Portfolio will continue to operate and the Portfolio’s Trustees may resubmit the Plan for shareholder approval or consider other proposals.

Acquired Portfolio	Acquiring Portfolio	Proposed Reorganization Date
Kemper Horizon 20+	Kemper Total Return Portfolio	April 30, 2001
Kemper Horizon 10+	Kemper Total Return Portfolio	April 30, 2001
Kemper Horizon 5	Kemper Total Return Portfolio	April 30, 2001
Kemper Growth Portfolio	Scudder Variable Life Large Company Growth	May 1, 2001

H. Adoption of New Accounting Principle

The Trust will adopt the provisions of the AICPA Audit and Accounting Guide for Investment Companies, as revised, effective for fiscal years beginning after December 15, 2000. The revised Audit and Accounting Guide will require the Trust to amortize premium and discount on all fixed-income securities. Upon initial adoption, the Trust will be required to adjust the cost of its fixed-income securities by the cumulative amount of amortization that would have been recognized had amortization been in effect from the purchase date of each holding. The adoption of this accounting principle will not affect the Trust’s net asset value, but will change the classification of certain amounts between interest income and realized and unrealized gain (loss) in the Statement of Operations. The Trust estimates that the initial adjustment required upon adoption of premium amortization will decrease the recorded cost of Kemper High Yield Portfolio’s investments (but not the market value) by approximately \$771,000. Additionally, had this principle been in effect during the fiscal year ended December 31, 2000, the Portfolio estimates that net investment income would have decreased by approximately \$367,000 or \$.001 per share (.11% of average net assets), and realized and unrealized gain (loss) per share would have increased (decreased) by the same amount.

Report of Independent Auditors

The Board of Trustees and the Shareholders of Kemper Variable Series:

We have audited the accompanying statements of assets and liabilities, including the portfolios of investments, of the Kemper Money Market, Kemper Government Securities, Kemper Investment Grade Bond, Kemper High Yield, Kemper Total Return, Kemper Blue Chip, Kemper Growth, Kemper Aggressive Growth, Kemper Horizon 20+, Kemper Horizon 10+, Kemper Horizon 5, Kemper Small Cap Growth, Kemper Technology Growth, Kemper Value+Growth, Kemper Contrarian Value, KVS Dreman High Return Equity, KVS Focused Large Cap Growth, KVS Growth and Income, KVS Growth Opportunities, KVS Index 500, Kemper Small Cap Value, KVS Dreman Financial Services, Kemper Strategic Income, Kemper Global Blue Chip, Kemper New Europe and Kemper International Portfolios, comprising the Kemper Variable Series (the “Trust”) as of December 31, 2000, and the related statements of operations and changes in net assets and the financial highlights for the periods indicated therein. These financial statements and financial highlights are the responsibility of the Trust’s management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2000, by correspondence with the custodian and other audit procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of each of the portfolios of the Kemper Variable Series at December 31, 2000, the results of their operations, the changes in their net assets and the financial highlights for the periods indicated therein in conformity with accounting principles generally accepted in the United States.

Chicago, Illinois
February 8, 2001

ERNST & YOUNG LLP

The following portfolios paid distributions from net long-term capital gains during the year ended December 31, 2000:

Portfolio	Distribution per share (\$)	% representing 20% rate gains
Kemper Total Return Portfolio	.135	100%
Kemper Growth Portfolio	.340	100%
Kemper Horizon 20+ Portfolio	.065	100%
Kemper Horizon 10+ Portfolio	.050	100%
Kemper Horizon 5 Portfolio	.030	100%
Kemper Small Cap Growth Portfolio	.120	100%
Kemper Value+Growth Portfolio	.075	100%
Kemper Contrarian Value Portfolio	.140	100%
KVS Dreman High Return Equity Portfolio	.010	100%
KVS Index 500 Portfolio	.005	100%
KVS Dreman Financial Services Portfolio	.002	100%
Kemper Global Blue Chip Portfolio	.008	100%
Kemper International Portfolio	.190	100%

Pursuant to Section 852 of the Internal Revenue Code, the following portfolios designate capital gain dividends for the year ended December 31, 2000 as follows:

Portfolio	Capital Gain Dividends (\$)	% representing 20% rate gains
Kemper Total Return Portfolio	32,609,000	100%
Kemper Growth Portfolio	46,500,000	100%
Kemper Horizon 20+ Portfolio	169,000	100%
Kemper Horizon 10+ Portfolio	573,000	100%
Kemper Small Cap Growth Portfolio	30,500,000	100%
Kemper Value+Growth Portfolio	10,335,000	100%
Kemper Global Blue Chip Portfolio	824,000	100%
Kemper International Portfolio	12,110,000	100%

For corporate shareholders, the following percentage of income dividends paid during the following portfolios' fiscal year ended December 31, 2000 qualified for the dividends received deduction:

Portfolio	%
Kemper Total Return Portfolio	16
Kemper Horizon 20+ Portfolio	15
Kemper Horizon 10+ Portfolio	10
Kemper Horizon 5 Portfolio	5
Kemper Contrarian Value Portfolio	62
KVS Dreman High Return Equity Portfolio	91
KVS Index 500 Portfolio	100
Kemper Small Cap Value Portfolio	100
KVS Dreman Financial Services Portfolio	100
Kemper Global Blue Chip Portfolio	100

Kemper International Portfolio paid foreign taxes of \$318,882 and earned \$1,047,928 of foreign source income during the year ended December 31, 2000. Pursuant to section 853 of the Internal Revenue Code, Kemper International Portfolio designates \$0.003 per share as foreign taxes paid and \$0.009 per share as income earned from foreign sources for the year ended December 31, 2000.

Please consult a tax advisor if you have questions about federal or state income tax laws, or on how to prepare your tax returns. If you have specific questions about your account, please call 1-800-621-1048.

This annual report must be preceded or accompanied by the current prospectus.

These portfolios are only available as variable subaccount options in a variety of variable annuities and life products and are not available for direct investment. Variable annuities and variable universal life are long-term, tax-deferred vehicles that have insurance features, such as annuitization options and death benefits.

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



Annual
Report

**Scudder Variable Life
Investment Fund**

Annual Report
December 31, 2000

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

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Letter from the Fund's President



Linda C. Coughlin, President
Scudder Variable Life
Investment Fund

Dear Shareholders,

You have probably heard many warnings about the dire state of the U.S. economy in the past few months. Contrary to popular belief, however, during the first half of 2000 the global economy grew faster than it has in over a decade, and is expected to make a solid advance of 2.5% in 2001.

Unfortunately, however, the economy and the financial markets are not one and the same, and 2000 was one of the worst years for equity investors. While the U.S. economy surged about 5%, the S&P 500 lost roughly 10% and the Nasdaq fell nearly 40%.

Why was it such a difficult year for the markets? For many investors, the strong performance of the stock market — and technology stocks in particular — diminished the attractiveness of diversification. At the start of 2000, investors focused their interest almost completely in large-company growth stocks, particularly technology, media, and telecommunications issues. In March, these stocks reached historic valuation levels, and investors became skittish that such values would not last. They subsequently began moving assets away from these market leaders into value stocks and cash. This retreat continued throughout the remainder of the year, causing many large-company growth stocks to endure losses after several years of outstanding performance.

International markets also struggled. A broad correction in global equity markets began at the end of the first quarter and continued throughout the year.

As a result of these challenging market conditions, all of the Scudder Variable Life Investment Fund portfolios (except the Money Market Portfolio and the Bond Portfolio) presented negative returns for the year. On the following pages, you will find summaries of each portfolio's performance and investment strategy for the 12-month period ending December 31, 2000.

We believe that the most important lesson to be learned from the past 12 months is that no matter what is taking place in the financial markets, it is essential to maintain a diversified portfolio and invest for the long term. Scudder Variable Life Investment Fund provides access to a wide range of investment products that can help you build a well-rounded portfolio.

Thank you for your continued investment in Scudder Variable Life Investment Fund.

Sincerely,

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

Linda C. Coughlin

President

Scudder Variable Life Investment Fund

Growth and Income Portfolio

Dear Shareholders,

For the 12 months ended December 31, 2000, Class A shares of the portfolio provided a total return of -2.10%, compared with a -9.09% return for its unmanaged benchmark, the S&P 500. We believe the portfolio was correctly structured for a slowing economy, with a bias against cyclical stocks, particularly "late cycle" capital goods industries such as technology and consumer discretionary businesses that would be vulnerable to a slowdown. At the same time, we maintained full weightings in defensive groups such as health care and consumer staples. Meanwhile, the combination of the portfolio's underweight positions in technology and consumer discretionary companies helped performance. For example, the portfolio benefited from its low exposure to retail stocks, which underperformed as earnings troubles for these companies increased. The only retail stock held in the portfolio throughout the year was Wal-Mart. While this stock underperformed the market, the portfolio's neutral weighting relative to the S&P 500, and the lack of other retail exposure, helped minimize the negative impact. We did increase the portfolio's weighting in retail stocks in the fall, adding Home Depot at what we saw as an advantageous price on a weak earnings announcement. We also added May Department Stores, believing that much of the economic downturn is now reflected in its stock. Media stocks, which also fall into this category, were a mixed bag. McGraw-Hill was the portfolio's best media stock, as good performance by the company's educational business caused earnings to be above original forecasts. However, early outperformance by Disney was nearly erased by year end, and Interpublic Group, an advertising company, and Comcast, a cable television company, also had negative returns. These companies were hurt by rising interest rates and slowing advertising spending.

The portfolio was correctly structured for a slowing economy, with a bias against cyclical stocks and consumer discretionary businesses that would be vulnerable to a slowdown.

The consumer staples group was a performance standout for the portfolio in 2000, thanks to stock selection that hugely outperformed the index sector. The portfolio held three stocks: Avon, Pepsi, and Anheuser-Busch. Pepsi was also a top ten holding until its acquisition of Quaker Oats. Our expectation that unit volume growth would be the determining factor in performance was proven correct, as all three companies benefited from strong growth and good execution by financially disciplined managements. We were able to add Unilever and Procter & Gamble after their prices fell to levels that we felt were attractive despite slower growth rates.

While the portfolio benefited from an underweighting in technology, overweightings in Corning, Oracle, and Intel, which all outperformed, contributed positively. The portfolio captured most of its gains in these stocks by reducing its positions in them in the summer and early fall.

Our strategy within financial services was to increase the weighting in insurance stocks based on our view that the property and casualty insurance outlook was improving. Top ten holdings American International Group (up 37% for the year) and Marsh & McLennan (up 25%) were the portfolio's most spectacular performers. Another holding, Washington Mutual, soared 113% as investors began to anticipate a more favorable interest-rate environment.

The portfolio tends to invest in stocks with attractive valuations, and this year, after several years of huge underperformance, value stocks came back with a vengeance as logic returned to the market and systematic factors other than momentum were once again rewarded. The portfolio benefited from this return to a more balanced investment environment, and we look forward to being able to continue finding opportunities among U.S. stocks.

Sincerely,

Your Portfolio Management Team

Kathleen T. Millard

Kathleen T. Millard
Lead Portfolio Manager

Gregory S. Adams

Gregory S. Adams
Portfolio Manager

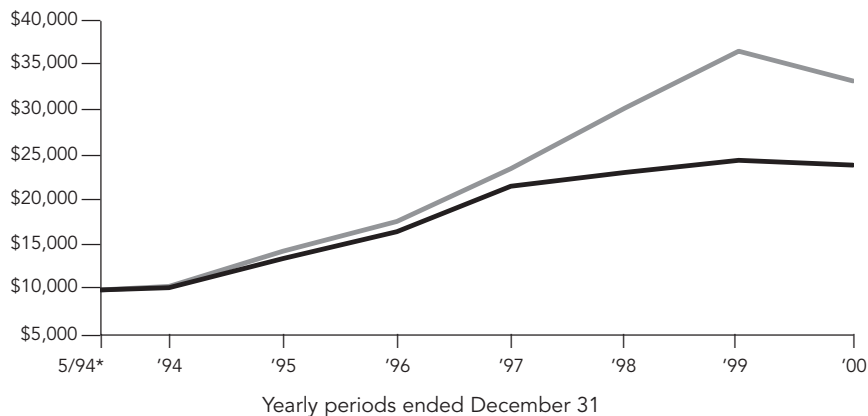
Performance Update

December 31, 2000

Growth and Income Portfolio

Growth of a \$10,000 Investment

— Growth and Income Portfolio — Class A*
— S&P 500 Index



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

Growth and Income Portfolio — Class A*

Period Ended 12/31/2000	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 9,790	-2.10%	-2.10%
5 Year	\$ 17,695	76.95%	12.09%
Life of Portfolio*	\$ 24,454	144.54%	14.37%

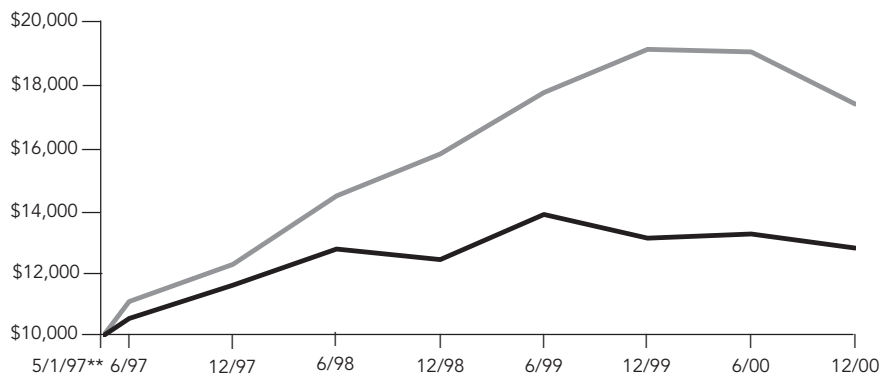
S&P 500 Index

Period Ended 12/31/2000	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 9,091	-9.09%	-9.09%
5 Year	\$ 23,206	132.06%	18.31%
Life of Portfolio*	\$ 33,194	231.94%	19.69%

* The Portfolio commenced operations on May 2, 1994. On May 1, 1997, existing shares were redesignated as Class A shares.

Growth of a \$10,000 Investment

— Growth and Income Portfolio — Class B
— S&P 500 Index



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

Growth and Income Portfolio — Class B

Period Ended 12/31/2000	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 9,767	-2.33%	-2.33%
Life of Portfolio**	\$ 13,540	35.40%	8.62%

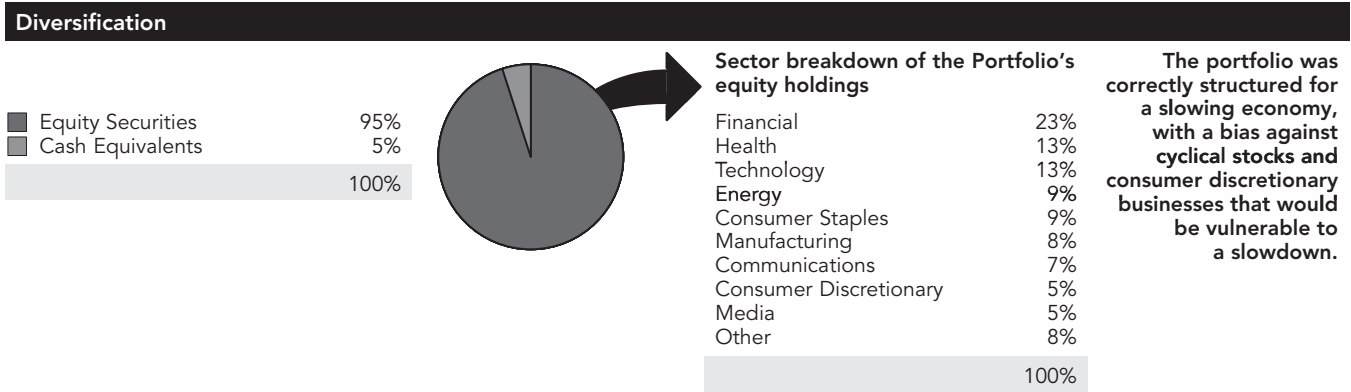
S&P 500 Index

Period Ended 12/31/2000	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 9,091	-9.09%	-9.09%
Life of Portfolio**	\$ 17,345	73.45%	16.17%

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

All performance is historical, assumes reinvestment of all dividends and capital gains, and is not indicative of future results. Investment return and principal value will fluctuate, so an investor's shares, when redeemed, may be worth more or less than when purchased. Total returns for the Life of the Portfolio for Class A would have been lower if the Portfolio's expenses were not maintained.

Growth and Income Portfolio



Ten Largest Equity Holdings

(26% of Portfolio)

1. Citigroup, Inc.
Provider of diversified financial services
2. American International Group, Inc.
Provider of insurance services
3. American Home Products Corp.
Manufacturer and retailer of pharmaceuticals and consumer health care products
4. General Electric Co.
Diversified manufacturing conglomerate
5. Wal-Mart Stores, Inc.
Operator of discount stores
6. Exxon Mobil Corp.
Provider of oil internationally
7. Marsh & McLennan Companies, Inc.
Provider of insurance, brokerage and investment management
8. Anheuser-Busch Companies, Inc.
Producer of brand name beers
9. SBC Communications, Inc.
Provider of telecommunication services
10. PepsiCo, Inc.
Provider of soft drinks, snack foods and food services

Growth and Income Portfolio

	Principal Amount (\$)	Value (\$)
Short-Term Investments 4.7%		
Federal Home Loan Mortgage Corp., Discount Note, 6.7%***, 1/2/2001 (Cost \$9,519,493)	9,521,000	9,519,493
	Shares	
Common Stocks 95.3%		
Consumer Discretionary 4.6%		
Department & Chain Stores		
Home Depot, Inc.	38,900	1,777,244
May Department Stores Co.	64,300	2,105,825
Wal-Mart Stores, Inc.	100,800	5,355,000
		<u>9,238,069</u>
Consumer Staples 8.2%		
Alcohol & Tobacco 2.3%		
Anheuser-Busch Companies, Inc.	100,500	4,572,750
Food & Beverage 3.2%		
PepsiCo, Inc.	81,600	4,044,300
Unilever N.V.	38,600	2,429,387
		<u>6,473,687</u>
Package Goods/Cosmetics 2.7%		
Avon Products, Inc.	69,200	3,312,950
Procter & Gamble Co.	26,600	2,086,437
		<u>5,399,387</u>
Health 12.8%		
Biotechnology 0.5%		
Genzyme Corp.*	11,500	1,034,281
Medical Supply & Specialty 1.6%		
Baxter International, Inc.	36,600	3,232,237
Pharmaceuticals 10.7%		
American Home Products Corp.	89,800	5,706,790
Bristol-Myers Squibb Co.	40,600	3,001,862
Eli Lilly & Co.	40,200	3,741,113
Johnson & Johnson	23,200	2,437,450
Merck & Co., Inc.	37,200	3,482,850
Pfizer, Inc.	70,900	3,261,400
		<u>21,631,465</u>
Communications 6.8%		
Cellular Telephone 0.8%		
Nokia Oyj (ADR)	37,700	1,639,950
Telephone/Communications 6.0%		
BellSouth Corp.	79,000	3,234,063
SBC Communications, Inc.	95,580	4,563,945
Sprint Corp.	68,000	1,381,250
Verizon Communications, Inc.	58,572	2,935,922
		<u>12,115,180</u>

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

	Shares	Value (\$)
Financial 22.1%		
Banks 5.5%		
Bank One Corp.	63,800	2,336,675
Bank of America Corp.	25,300	1,160,638
Chase Manhattan Corp.	36,300	1,649,381
FleetBoston Financial Corp.	57,200	2,148,575
Washington Mutual, Inc.	72,800	3,862,950
		<u>11,158,219</u>
Insurance 4.1%		
Allstate Corp.	46,400	2,021,300
American International Group, Inc.	64,100	6,317,856
		<u>8,339,156</u>
Consumer Finance 6.0%		
American Express Co.	36,300	1,994,231
Citigroup, Inc.	136,300	6,959,814
Mellon Financial Corp.	63,300	3,113,569
		<u>12,067,614</u>
Other Financial Companies 6.5%		
Federal National Mortgage Association	39,900	3,461,325
Lehman Brothers Holdings, Inc.	21,200	1,433,650
Marsh & McLennan Companies, Inc.	40,000	4,680,000
Morgan Stanley Dean Witter & Co.	43,700	3,463,225
		<u>13,038,200</u>
Media 4.4%		
Advertising 1.5%		
Interpublic Group of Companies, Inc.	71,500	3,043,219
Broadcasting & Entertainment 1.4%		
Walt Disney Co.	100,600	2,911,113
Cable Television 1.5%		
Comcast Corp. "A"*	71,900	3,001,825
Service Industries 1.7%		
Printing/Publishing		
McGraw-Hill, Inc.	57,100	3,347,488
Durables 3.6%		
Aerospace 1.9%		
Boeing Co.	57,400	3,788,400
Automobiles 0.6%		
Ford Motor Co.	58,039	1,360,289
Construction/Agricultural Equipment 1.1%		
Deere & Co.	47,200	2,162,350
Manufacturing 7.3%		
Chemicals 1.1%		
Dow Chemical Co.	59,500	2,179,188

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

	Shares	Value (\$)
Containers & Paper 1.4%		
International Paper Co.	71,900	<u>2,934,419</u>
Diversified Manufacturing 2.8%		
General Electric Co.	117,200	<u>5,618,275</u>
Industrial Specialty 2.0%		
Corning, Inc.	76,300	<u>4,029,594</u>
Technology 11.9%		
Computer Software 3.4%		
Intuit, Inc.*	20,100	792,694
Microsoft Corp.*	83,200	3,619,200
Oracle Corp.*	82,100	<u>2,386,031</u>
		<u>6,797,925</u>
Diverse Electronic Products 0.9%		
Applied Materials, Inc.*	50,200	<u>1,917,013</u>
EDP Peripherals 1.1%		
EMC Corp.*	34,500	<u>2,294,250</u>
Electronic Components/Distributors 1.5%		
Cisco Systems, Inc.*	77,400	<u>2,960,550</u>
Electronic Data Processing 2.8%		
Compaq Computer Corp.	103,000	1,550,150
Hewlett-Packard Co.	59,800	1,887,438
International Business Machines Corp.	9,500	807,500
Sun Microsystems, Inc.*	54,600	<u>1,521,975</u>
		<u>5,767,063</u>
Semiconductors 2.2%		
Intel Corp.	119,600	3,617,900
Linear Technology Corp.	16,300	<u>753,875</u>
		<u>4,371,775</u>
Energy 9.1%		
Oil & Gas Production 5.6%		
Burlington Resources, Inc.	45,200	2,282,600
Exxon Mobil Corp.	56,407	4,903,884
Royal Dutch Petroleum Co. (New York shares)	34,400	2,083,350
Total Fina ELF S.A. (ADR)	28,290	<u>2,056,329</u>
		<u>11,326,163</u>
Oil Companies 1.0%		
Chevron Corp.	24,500	<u>2,068,719</u>
Oilfield Services/Equipment 0.7%		
Schlumberger Ltd.	17,000	<u>1,358,938</u>
Miscellaneous 1.8%		
Exelon Corp.	50,350	<u>3,535,074</u>

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

	Shares	Value (\$)
Metals & Minerals 0.9%		
Steel & Metals		
Alcoa, Inc.	56,800	<u>1,902,800</u>
Transportation 0.5%		
Airlines		
AMR Corp.	26,200	<u>1,026,713</u>
Utilities 1.4%		
Electric Utilities		
FPL Group, Inc.	39,000	<u>2,798,250</u>
Total Common Stocks (Cost \$174,932,661)		192,441,588
Total Investment Portfolio — 100.0% (Cost \$184,452,154) (a)		201,961,081

* Non-income producing security.

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

(a) At December 31, 2000, the net unrealized appreciation on investments based on cost for federal income tax purposes of \$184,829,647 was as follows:

Aggregate gross unrealized appreciation for all investments in which there is an excess of value over tax cost	\$29,914,945
Aggregate gross unrealized depreciation for all investments in which there is an excess of tax cost over value	12,783,511
Net unrealized appreciation	<u>\$17,131,434</u>

Purchases and sales of investment securities (excluding short-term investments), for the year ended December 31, 2000, aggregated \$136,908,641 and \$125,717,170, respectively.

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

Financial Statements

Growth and Income Portfolio

Statement of Assets and Liabilities as of December 31, 2000

Assets

Investments in securities, at value (cost \$184,452,154)	\$ 201,961,081
Cash	10,714
Receivable for investments sold	248,368
Dividends receivable	166,367
Receivable for Portfolio shares sold	141,158
Foreign taxes recoverable	24,982
Total assets	202,552,670

Liabilities

Payable for investments purchased	4,366,794
Payable for Portfolio shares redeemed	201,379
Accrued management fee	77,883
Accrued accounting fees	6,139
Other accrued expenses and payables	124,151
Total liabilities	4,776,346

Net assets, at value \$ 197,776,324

Net Assets

Net assets consist of:	
Undistributed net investment income	2,108,206
Net unrealized appreciation (depreciation) on investments	17,508,927
Accumulated net realized gain (loss)	3,788,469
Paid-in capital	174,370,722

Net assets, at value \$ 197,776,324

Class A

Net Asset Value, offering and redemption price per share (\$184,810,800 / 17,799,855 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized) \$ 10.38

Class B

Net Asset Value, offering and redemption price per share (\$12,965,524 / 1,253,011 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized) \$ 10.35

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

Statement of Operations for the year ended December 31, 2000

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$5,352)	\$ 2,757,479
Interest	524,055
Total Income	<u>3,281,534</u>
Expenses:	
Management fee	959,668
Custodian fees	20,166
Accounting fees	73,430
Distribution fees (Class B)	32,965
Auditing	21,582
Legal	3,407
Trustees' fees and expenses	16,354
Reports to shareholders	15,179
Registration fees	1,125
Other	18,200
Total expenses, before expense reductions	1,162,076
Expense reductions	(649)
Total expenses, after expense reductions	<u>1,161,427</u>
Net investment income (loss)	2,120,107
Realized and unrealized gain (loss) on investment transactions	
Net realized gain (loss) from investments	7,828,329
Net unrealized appreciation (depreciation) during the period on investments	(14,888,551)
Net gain (loss) on investment transactions	(7,060,222)
Net increase (decrease) in net assets resulting from operations	\$ (4,940,115)

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

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2000	1999
Operations:		
Net investment income (loss)	\$ 2,120,107	\$ 4,053,528
Net realized gain (loss) on investment transactions	7,828,329	(425,923)
Net unrealized appreciation (depreciation) on investment transactions during the period	(14,888,551)	7,061,426
Net increase (decrease) in net assets resulting from operations	(4,940,115)	10,689,031
Distributions to shareholders from:		
Net investment income:		
Class A	(2,612,109)	(2,084,300)
Class B	(162,390)	(145,438)
Net realized gains:		
Class A	(3,459,899)	(13,310,859)
Class B	(256,077)	(1,061,031)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	63,758,174	84,060,024
Reinvestment of distributions	6,072,008	15,395,159
Cost of shares redeemed	(74,310,785)	(78,589,880)
Net increase (decrease) in net assets from Class A share transactions	(4,480,603)	20,865,303
Class B		
Proceeds from shares sold	3,915,299	2,289,092
Reinvestment of distributions	418,467	1,206,469
Cost of shares redeemed	(4,350,271)	(3,472,243)
Net increase (decrease) in net assets from Class B share transactions	(16,505)	23,318
Increase (decrease) in net assets	(15,927,698)	14,976,024
Net assets at beginning of period	213,704,022	198,727,998
Net assets at end of period (including undistributed net investment income of \$2,108,206 and \$2,764,198, respectively)	\$ 197,776,324	\$ 213,704,022
Other Information		
Class A		
Shares outstanding at beginning of period	18,237,831	16,394,977
Shares sold	5,960,868	7,593,339
Shares issued to shareholders in reinvestment of distributions	568,374	1,356,967
Shares redeemed	(6,967,218)	(7,107,452)
Net increase (decrease) in Portfolio shares	(437,976)	1,842,854
Shares outstanding at end of period	17,799,855	18,237,831
Class B		
Shares outstanding at beginning of period	1,266,642	1,267,444
Shares sold	356,199	207,208
Shares issued to shareholders in reinvestment of distributions	39,219	106,495
Shares redeemed	(409,049)	(314,505)
Net increase (decrease) in Portfolio shares	(13,631)	(802)
Shares outstanding at end of period	1,253,011	1,266,642

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

Financial Highlights

Growth and Income Portfolio

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

Class A (b)

Years Ended December 31,	2000	1999	1998	1997	1996
Net asset value, beginning of period	\$10.96	\$11.25	\$11.48	\$ 9.37	\$ 7.98
<i>Income (loss) from investment operations:</i>					
Net investment income (loss) (a)	.11	.22	.27	.27	.27
Net realized and unrealized gain (loss) on investment transactions	(.33)	.46	.54	2.47	1.46
Total from investment operations	(.22)	.68	.81	2.74	1.73
<i>Less distributions from:</i>					
Net investment income	(.15)	(.13)	(.25)	(.26)	(.23)
Net realized gains on investment transactions	(.21)	(.84)	(.79)	(.37)	(.11)
Total distributions	(.36)	(.97)	(1.04)	(.63)	(.34)
Net asset value, end of period	\$10.38	\$10.96	\$11.25	\$11.48	\$ 9.37
Total Return (%)	(2.10)	5.80	7.18	30.47	22.17
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period (\$ millions)	185	200	184	157	91
Ratio of expenses (%)	.56	.55	.56	.58	.66
Ratio of net investment income (loss) (%)	1.06	2.01	2.41	2.54	3.14
Portfolio turnover rate (%)	65	65	39	28	32

Class B

Years Ended December 31,	2000	1999	1998	1997(c)
Net asset value, beginning of period	\$10.93	\$11.24	\$11.47	\$ 9.44
<i>Income (loss) from investment operations:</i>				
Net investment income (loss) (a)	.09	.19	.25	.14
Net realized and unrealized gain (loss) on investment transactions	(.33)	.46	.54	2.02
Total from investment operations	(.24)	.65	.79	2.16
<i>Less distributions from:</i>				
Net investment income	(.13)	(.12)	(.23)	(.13)
Net realized gains on investment transactions	(.21)	(.84)	(.79)	—
Total distributions	(.34)	(.96)	(1.02)	(.13)
Net asset value, end of period	\$10.35	\$10.93	\$11.24	\$11.47
Total Return (%)	(2.33)	5.48	6.95	22.89**
Ratios to Average Net Assets and Supplemental Data				
Net assets, end of period (\$ millions)	13	14	14	7
Ratio of expenses (%)	.81	.80	.79	.80*
Ratio of net investment income (loss) (%)	.81	1.76	2.20	2.13*
Portfolio turnover rate (%)	65	65	39	28

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

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

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

* Annualized

** Not annualized

Capital Growth Portfolio

Dear Shareholders,

An ongoing battle for market dominance between “new economy” technology and Internet stocks and more conservative value-oriented stocks resulted in a volatile market environment during much of the past 12 months. Early in the period, a combination of strong economic momentum, moderate inflation, and an improving corporate profit outlook helped ease concerns about the impact of rising energy and labor prices and the threat of a more aggressive monetary tightening by the Federal Reserve Board (the Fed). In the spring, however, leadership shifted from technology and Internet stocks as financial and cyclical sectors responded favorably to a more benign economic outlook. At the same time, investors once again focused on valuation and earnings, shied away from companies with unproven business plans and no current earnings, and sought out more seasoned and reasonably valued companies.

While the rapid rotation from growth to value hindered performance, our conservative approach to growth investing enabled the portfolio to perform fairly well versus its peers.

In August, a strong rally in growth stocks gave way to profit-taking brought about by concerns as to how the now slowing economy, higher oil prices, and a weak Euro currency will impact corporate earnings. In September, the selling intensified. Many bellwether companies, across different economic sectors, pre-announced that earnings would likely fail to meet expectations. The most visible pre-announcements came in technology, which reinforced investor concerns that third-quarter revenues and earnings may be significantly lower than anticipated and not attributable to company-specific factors. Throughout the third quarter, however, the fund’s diversified approach and attention to risk management helped mitigate losses, particularly in the technology sector.

By the fourth quarter, investor concerns regarding the presidential election, a slowing economy, and continued downward revisions to corporate earnings resulted in volatile market conditions and declines for many broad averages. Growth-oriented sectors and companies felt the brunt of this uncertainty as investors aggressively sold shares in many fine companies. Profit warnings from bellwether companies such as Microsoft and Intel also contributed to the poor investor sentiment for growth stocks. As more profit warnings surfaced, investors shifted funds toward more value-oriented sectors and issues, which typically have more current earnings supporting stock valuations. This rapid rotation from growth to value had a large influence on the Fund’s performance for the fourth quarter and, therefore, the year as well. For the 12 months ended December 31, 2000, Class A shares returned –9.90% compared with a –9.09% return of the portfolio’s unmanaged benchmark, the S&P 500. The magnitude of the shift is evidenced by the fact that the Russell Large Cap Growth Index declined 21%, while the Russell Large Cap Value Index gained 4% in the fourth quarter. However, our more conservative approach to growth investing enabled the portfolio to perform fairly well versus its peers.

We are encouraged that the market has refocused its attention on fundamentals. This means that while investors are looking for growth, they want growth at a reasonable price. This renewed focus on valuation is the reason many high-flying stocks came crashing down. We don’t think this is a temporary situation. We believe a market focused on fundamentals should benefit the portfolio. We also continue to believe the market will remain very selective, rewarding only those companies that are able to consistently demonstrate above-average earnings growth. In this environment, we believe our focus on risk control and identifying companies with dominant competitive positions and the ability to sustain superior earnings growth is particularly important.

Sincerely,

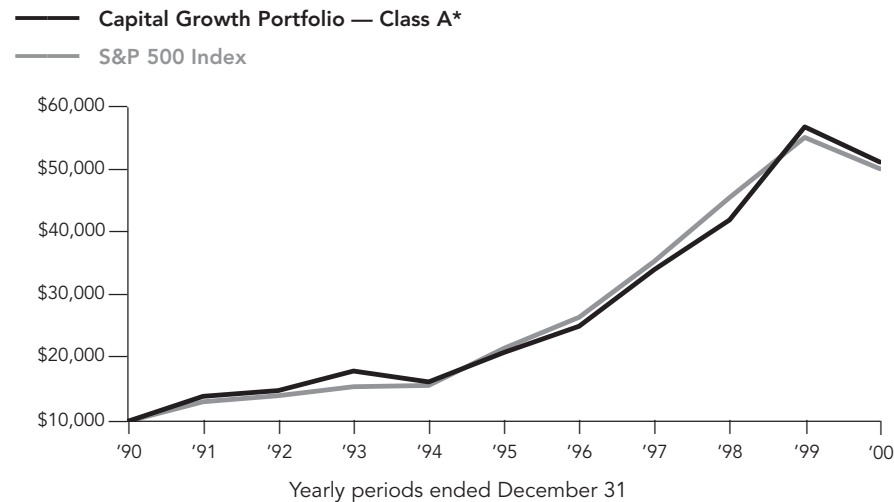
Your Portfolio Manager



William F. Gadsden
Lead Portfolio Manager

Capital Growth Portfolio

Growth of a \$10,000 Investment



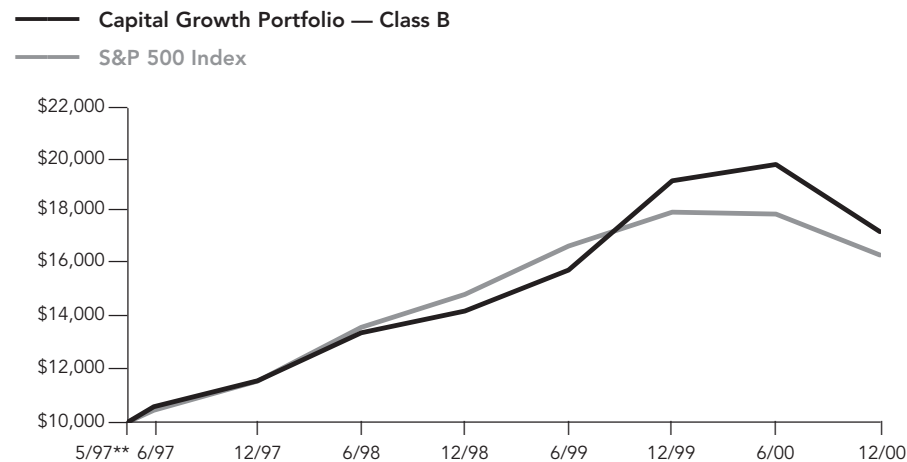
The Standard & Poor's 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Index returns assume reinvestment of dividends and,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

Period Ended 12/31/2000	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 9,010	-9.90%	-9.90%
5 Year	\$ 24,486	144.86%	19.61%
10 Year	\$ 51,085	410.85%	17.71%

Period Ended 12/31/2000	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 9,091	-9.09%	-9.09%
5 Year	\$ 23,206	132.06%	18.31%
10 Year	\$ 50,001	400.01%	17.45%

* On May 12, 1997, existing shares were redesignated as Class A shares.

Growth of a \$10,000 Investment



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

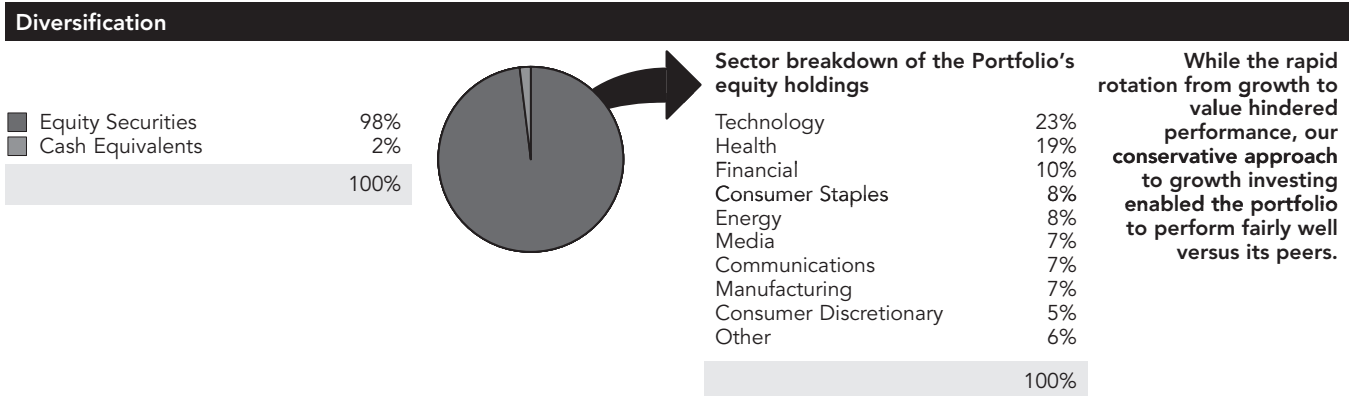
Period Ended 12/31/2000	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 8,987	-10.13%	-10.13%
Life of Portfolio**	\$ 17,584	75.84%	16.81%

Period Ended 12/31/2000	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 9,091	-9.09%	-9.09%
Life of Portfolio**	\$ 16,350	63.50%	14.68%

** The Portfolio commenced selling Class B shares on May 12, 1997. Index comparisons begin May 31, 1997.

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

Capital Growth Portfolio



Ten Largest Equity Holdings

(30% of Portfolio)

- General Electric Co.
Diversified manufacturing conglomerate
- Pfizer, Inc.
Manufacturer of prescription pharmaceuticals and non-prescription self-medications
- Cisco Systems, Inc.
Manufacturer of computer network products
- Schlumberger Ltd.
Provider of oil field services
- American International Group, Inc.
Provider of insurance services
- Citigroup, Inc.
Provider of diversified financial services
- PepsiCo, Inc.
Provider of soft drinks, snack foods and food services
- Baxter International, Inc.
Manufacturer and distributor of hospital and laboratory products and services
- United Technologies Corp.
Manufacturer of aerospace equipment, climate control systems and elevators
- Intel Corp.
Producer of semiconductor memory circuits

Capital Growth Portfolio

	Principal Amount (\$)	Value (\$)
Repurchase Agreements 2.1%		
State Street Bank and Trust Company, 5.95%, to be repurchased at \$23,786,715 on 1/2/2001** (Cost \$23,771,000)	23,771,000	23,771,000
	Shares	
Common Stocks 97.9%		
Consumer Discretionary 5.3%		
Department & Chain Stores		
Home Depot, Inc.	492,250	22,489,672
Target Corp.	423,200	13,648,200
Wal-Mart Stores, Inc.	454,400	24,140,000
		<u>60,277,872</u>
Consumer Staples 7.8%		
Alcohol & Tobacco 1.1%		
Anheuser-Busch Companies, Inc.	255,800	11,638,900
Food & Beverage 4.1%		
Coca-Cola Co.	266,300	16,227,656
PepsiCo, Inc.	612,000	30,332,250
		<u>46,559,906</u>
Package Goods/Cosmetics 2.6%		
Colgate-Palmolive Co.	282,900	18,261,195
Gillette Co.	302,000	10,909,750
		<u>29,170,945</u>
Health 18.4%		
Biotechnology 2.6%		
Genentech, Inc.*	180,000	14,670,000
Immunex Corp.*	167,900	6,820,938
MedImmune, Inc.*	161,200	7,687,225
		<u>29,178,163</u>
Medical Supply & Specialty 5.0%		
Applera Corp. — Applied Biosystems Group	113,500	10,676,094
Baxter International, Inc.	320,100	28,268,831
Becton Dickinson & Co.	511,400	17,707,225
		<u>56,652,150</u>
Pharmaceuticals 10.8%		
Abbott Laboratories	328,000	15,887,500
Bristol-Myers Squibb Co.	172,100	12,724,644
Eli Lilly & Co.	240,200	22,353,613
Merck & Co., Inc.	222,800	20,859,650
Pfizer, Inc.	1,086,075	49,959,450
		<u>121,784,857</u>
Communications 6.7%		
Cellular Telephone 2.4%		
Nokia Oyj (ADR)	322,800	14,041,800
Vodafone Group plc (ADR)	348,800	12,491,400
		<u>26,533,200</u>
Telephone/Communications 4.3%		
AT&T Wireless Group*	406,700	7,040,994

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

	Shares	Value (\$)
BroadWing, Inc.*	458,200	10,452,688
JDS Uniphase Corp.*	156,500	6,524,094
Qwest Communications International, Inc.*	299,588	12,283,108
Verizon Communications, Inc.	244,600	12,260,575
		<u>48,561,459</u>
Financial 9.4%		
Insurance 2.8%		
American International Group, Inc.	323,102	31,845,741
Consumer Finance 5.1%		
American Express Co.	481,400	26,446,913
Citigroup, Inc.	602,233	30,751,523
		<u>57,198,436</u>
Other Financial Companies 1.5%		
Marsh & McLennan Companies, Inc.	140,200	16,403,400
Media 7.3%		
Advertising 1.8%		
Interpublic Group of Companies, Inc.	169,200	7,201,575
Omnicom Group, Inc.	160,200	13,276,575
		<u>20,478,150</u>
Broadcasting & Entertainment 2.5%		
Infinity Broadcasting Corp.*	279,900	7,819,706
Viacom, Inc. "B"*	230,400	10,771,200
Walt Disney Co.	322,000	9,317,875
		<u>27,908,781</u>
Cable Television 3.0%		
AT&T Corp. — Liberty Media Group "A"*	1,138,000	15,434,125
Comcast Corp. "A"*	445,300	18,591,275
		<u>34,025,400</u>
Service Industries 3.4%		
EDP Services 1.1%		
Electronic Data Systems Corp.	216,700	12,514,425
Investment 1.5%		
Goldman Sachs Group, Inc.	62,900	6,726,369
Merrill Lynch & Co., Inc.	143,700	9,798,544
		<u>16,524,913</u>
Miscellaneous Commercial Services 0.8%		
Siebel Systems, Inc.*	137,500	9,315,625
Durables 2.5%		
Aerospace		
United Technologies Corp.	356,700	28,045,538
Manufacturing 6.6%		
Diversified Manufacturing 5.6%		
General Electric Co.	1,082,000	51,868,375
Tyco International Ltd.	205,800	11,421,900
		<u>63,290,275</u>
Industrial Specialty 1.0%		
Corning, Inc.	218,700	11,550,094

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

	Shares	Value (\$)
Technology 22.8%		
Computer Software 7.4%		
America Online, Inc.*	377,400	13,133,520
i2 Technologies, Inc.*	106,200	5,774,625
Intuit, Inc.*	333,400	13,148,463
Microsoft Corp.*	618,500	26,904,750
Oracle Corp.*	827,500	24,049,213
		<u>83,010,571</u>
Diverse Electronic Products 1.8%		
Applied Materials, Inc.*	366,400	13,991,900
Dell Computer Corp.*	362,900	6,328,069
		<u>20,319,969</u>
EDP Peripherals 2.2%		
EMC Corp.*	371,800	24,724,700
Electronic Components/Distributors 4.2%		
Applied Micro Circuits Corp.*	105,600	7,924,950
Cisco Systems, Inc.*	867,000	33,162,750
Juniper Networks, Inc.*	51,000	6,429,188
		<u>47,516,888</u>
Electronic Data Processing 3.4%		
International Business Machines Corp.	240,800	20,468,000
Sun Microsystems, Inc.*	650,400	18,129,900
		<u>38,597,900</u>
Semiconductors 3.8%		
Intel Corp.	896,100	27,107,025
Vitesse Semiconductor Corp.*	157,800	8,728,313
Xilinx, Inc.*	147,000	6,780,375
		<u>42,615,713</u>
Energy 7.6%		
Oil & Gas Production 4.7%		
Anadarko Petroleum Corp.	271,300	19,284,004
Exxon Mobil Corp.	231,941	20,164,371
Nabors Industries, Inc.*	235,500	13,929,825
		<u>53,378,200</u>
Oilfield Services/Equipment 2.9%		
Schlumberger Ltd.	405,900	32,446,631
Utilities 0.1%		
Electric Utilities		
Southern Energy, Inc.*	56,300	1,593,994
Total Common Stocks (Cost \$927,140,339)		1,103,662,796
Total Investment Portfolio — 100.0% (Cost \$950,911,339) (a)		1,127,433,796

* Non-income producing security.

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

(a) At December 31, 2000, the net unrealized appreciation on investments based on cost for federal income tax purposes of \$951,647,000 was as follows:

Aggregate gross unrealized appreciation for all investments in which there is an excess of value over tax cost	\$ 262,683,351
Aggregate gross unrealized depreciation for all investments in which there is an excess of tax cost over value	86,896,555
Net unrealized appreciation	<u>\$ 175,786,796</u>

Purchases and sales of investment securities (excluding short-term investments), for the year ended December 31, 2000, aggregated \$679,754,752 and \$667,744,654, respectively.

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

Financial Statements

Capital Growth Portfolio

Statement of Assets and Liabilities as of December 31, 2000

Assets	
Investments in securities, at value (cost \$950,911,339)	\$ 1,127,433,796
Cash	965
Dividends receivable	928,750
Interest receivable	11,786
Receivable for Portfolio shares sold	471,551
Other assets	146
Total assets	1,128,846,994
Liabilities	
Payable for Portfolio shares redeemed	745,181
Accrued management fee	437,501
Accrued accounting fee	12,720
Other accrued expenses and payables	94,351
Total liabilities	1,289,753
Net assets, at value	\$ 1,127,557,241

Net Assets	
Net assets consist of:	
Undistributed net investment income	3,651,924
Net unrealized appreciation (depreciation) on investments	176,522,457
Accumulated net realized gain (loss)	115,448,001
Paid-in capital	831,934,859
Net assets, at value	\$ 1,127,557,241

Class A

Net Asset Value , offering and redemption price per share (\$1,126,398,515 / 48,831,124 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	\$ 23.07
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Class B

Net Asset Value , offering and redemption price per share (\$1,158,726 / 50,385 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	\$ 23.00
--	-----------------

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

Statement of Operations for the year ended December 31, 2000

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$41,423)	\$ 7,761,457
Interest	2,082,982
Total Income	<u>9,844,439</u>
Expenses:	
Management fee	5,692,473
Custodian fees	59,538
Accounting fees	163,280
Distribution fees (Class B)	3,530
Auditing	19,270
Legal	10,030
Trustees' fees and expenses	19,379
Reports to shareholders	35,589
Registration fees	44,393
Other	34,494
Total expenses, before expense reductions	6,081,976
Expense reductions	(3,424)
Total expenses, after expense reductions	<u>6,078,552</u>
Net investment income (loss)	3,765,887
Realized and unrealized gain (loss) on investment transactions	
Net realized gain (loss) from investments	116,658,634
Net unrealized appreciation (depreciation) during the period on investments	(245,068,780)
Net gain (loss) on investment transactions	(128,410,146)
Net increase (decrease) in net assets resulting from operations	\$ (124,644,259)

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

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2000	1999
Operations:		
Net investment income (loss)	\$ 3,765,887	\$ 4,335,201
Net realized gain (loss) on investment transactions	116,658,634	149,905,463
Net unrealized appreciation (depreciation) on investment transactions during the period	(245,068,780)	170,488,185
Net increase (decrease) in net assets resulting from operations	(124,644,259)	324,728,849
Distributions to shareholders from:		
Net investment income:		
Class A	(3,035,225)	(2,669,192)
Class B	—	(1,420)
Net realized gains:		
Class A	(149,151,554)	(95,714,159)
Class B	(177,202)	(90,868)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	255,484,175	250,685,427
Reinvestment of distributions	152,186,779	98,383,351
Cost of shares redeemed	(258,368,143)	(221,798,743)
Net increase (decrease) in net assets from Class A share transactions	149,302,811	127,270,035
Class B		
Proceeds from shares sold	370,040	147,712
Reinvestment of distributions	177,202	92,288
Cost of shares redeemed	(370,753)	(15,571)
Net increase (decrease) in net assets from Class B share transactions	176,489	224,429
Increase (decrease) in net assets	(127,528,940)	353,747,674
Net assets at beginning of period	1,255,086,181	901,338,507
Net assets at end of period (including undistributed net investment income of \$3,651,924 and \$2,921,261, respectively)	\$ 1,127,557,241	\$ 1,255,086,181
Other Information		
Class A		
Shares outstanding at beginning of period	43,044,031	37,591,894
Shares sold	9,593,674	10,268,993
Shares issued to shareholders in reinvestment of distributions	5,968,108	4,293,111
Shares redeemed	(9,774,689)	(9,109,967)
Net increase (decrease) in Portfolio shares	5,787,093	5,452,137
Shares outstanding at end of period	48,831,124	43,044,031
Class B		
Shares outstanding at beginning of period	44,161	34,617
Shares sold	13,466	6,164
Shares issued to shareholders in reinvestment of distributions	6,957	4,032
Shares redeemed	(14,199)	(652)
Net increase (decrease) in Portfolio shares	6,224	9,544
Shares outstanding at end of period	50,385	44,161

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

Financial Highlights

Capital Growth Portfolio

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

Class A (b)

Years Ended December 31,	2000	1999	1998	1997	1996
Net asset value, beginning of period	\$29.13	\$23.95	\$20.63	\$16.50	\$15.08
<i>Income (loss) from investment operations:</i>					
Net investment income (loss) (a)	.08	.10	.16	.18	.19
Net realized and unrealized gain (loss) on investment transactions	(2.63)	7.64	4.46	5.39	2.68
Total from investment operations	(2.55)	7.74	4.62	5.57	2.87
<i>Less distributions from:</i>					
Net investment income	(.07)	(.07)	(.17)	(.19)	(.19)
Net realized gains on investment transactions	(3.44)	(2.49)	(1.13)	(1.25)	(1.26)
Total distributions	(3.51)	(2.56)	(1.30)	(1.44)	(1.45)
Net asset value, end of period	\$23.07	\$29.13	\$23.95	\$20.63	\$16.50
Total Return (%)	(9.90)	35.23	23.23	35.76	20.13
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period (\$ millions)	1,126	1,254	901	676	440
Ratio of expenses (%)	.49	.49	.50	.51	.53
Ratio of net investment income (loss) (%)	.30	.43	.75	.96	1.27
Portfolio turnover rate (%)	55	66	55	42	66

Class B

Years Ended December 31,	2000	1999	1998	1997(c)
Net asset value, beginning of period	\$29.05	\$23.92	\$20.61	\$17.54
<i>Income (loss) from investment operations:</i>				
Net investment income (loss) (a)	.01	.04	.11	.08
Net realized and unrealized gain (loss) on investment transactions	(2.62)	7.62	4.45	3.08
Total from investment operations	(2.61)	7.66	4.56	3.16
<i>Less distributions from:</i>				
Net investment income	—	(.04)	(.12)	(.09)
Net realized gains on investment transactions	(3.44)	(2.49)	(1.13)	—
Total distributions	(3.44)	(2.53)	(1.25)	(.09)
Net asset value, end of period	\$23.00	\$29.05	\$23.92	\$20.61
Total Return (%)	(10.13)	34.88	22.94	18.00**
Ratios to Average Net Assets and Supplemental Data				
Net assets, end of period (\$ millions)	1.16	1.28	.83	.55
Ratio of expenses (%)	.74	.74	.75	.75*
Ratio of net investment income (loss) (%)	.05	.18	.49	.64*
Portfolio turnover rate (%)	55	66	55	42

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

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

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

* Annualized

** Not annualized

21st Century Growth Portfolio

Dear Shareholders,

The year 2000 proved to be as interesting as most people expected, although for completely different reasons. Whether large or small, growth underperformed value for the year as the ratcheting down of earnings estimates was too much even for quality names that met expectations. In many cases, analysts and investors reacted to how they thought a stock might behave as opposed to understanding the fundamental outlook and historical and industry valuation comparisons. For the 12 months ended December 31, 2000, Class A shares of the portfolio provided a total return of -22.39%, compared with a -22.44% return for its unmanaged benchmark, the Russell 2000 Growth Index.

The biggest contributor to performance was the portfolio's overweighting in energy. A year ago, natural gas was selling at \$2.50 per thousand cubic feet (mcf); by the end of the year, it was close to \$10 per mcf. Meanwhile, 1.56 trillion cubic feet of gas were in storage at the end of 2000, which is only 47% of capacity. So, while prices will fluctuate primarily as a function of the current and short-term weather outlook, the long-term dynamics suggest that shortages could continue for some time as incremental drilling fails to catch up with demand.

Other positive contributors to returns were select consumer stocks such as Gildan Activewear, a maker of T-shirts, golf shirts, and fleece tops for the wholesale market; and Rent-A-Center, the largest chain of rent-to-own retail stores. With investors focusing once again on earnings growth, we believe leading niche companies with no technology exposure such as these should fare well again in 2001. The primary risk to the stocks is more market sector rotation since fundamentals remain strong.

In technology, several companies continue to show good growth prospects, namely those in business-to-business software applications, electronic marketplaces, fiber optics, and Internet security and infrastructure. However, as we enter into a slower economic period in 2001, many capital spending plans are "back-end loaded," meaning that we believe spending will increase in the second half of the year. Add to this the fact that much of the spending in 2000 was "front-end loaded" because many companies deferred 1999 spending until after Y2K, it suggests that technology as a group will have a difficult time of it early on in the year but should end strongly as quarterly comparisons improve.

Much of the health care representation in the benchmark comes from biotechnology where the valuation and expectation levels have been quite high. Biotech has changed much since the early 1980s when it was a cottage industry with a few companies whose fortunes were tied to one or two blockbuster discoveries. Today, there are literally hundreds of companies with their own proprietary technologies that act as subcontractors to larger global, pharmaceutical firms. Many of these firms limit their risks (and in return, part of their potential upside) through joint ventures with larger firms. On balance, we expect health care to be a positive contributor to small-cap returns in 2001.

The portfolio's cash position was relatively high during the year. As we trimmed holdings, we opted to keep the proceeds in cash rather than buy stocks we believed to be expensive.


As 2001 unfolds, we believe economic weakness will be increasingly evident, yet declining interest rates will help spark a recovery later in the year. As this happens, we think investors' appetite for risk will improve, bringing them back to small-cap stocks.

Sincerely,

Your Portfolio Management Team



Peter Chin
Lead Portfolio Manager

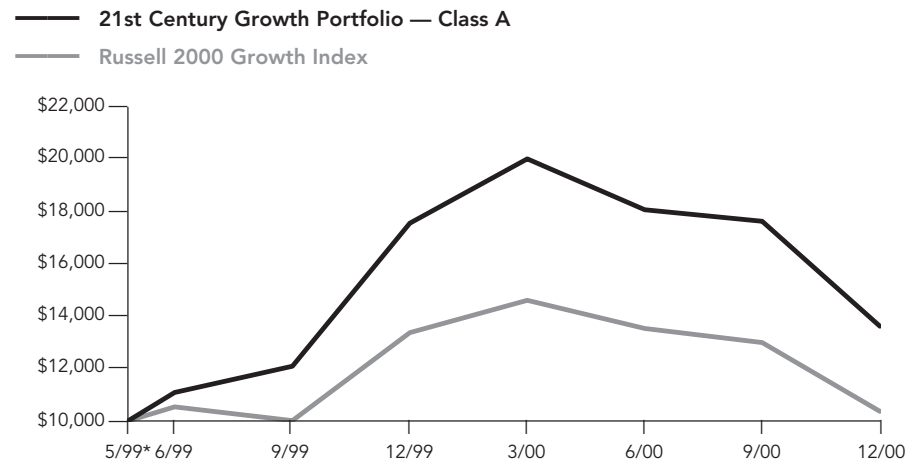


Roy C. McKay
Portfolio Manager

Although technology stocks make up the largest sector, the biggest contributor to performance was the portfolio's overweighting in energy.

21st Century Growth Portfolio

Growth of a \$10,000 Investment



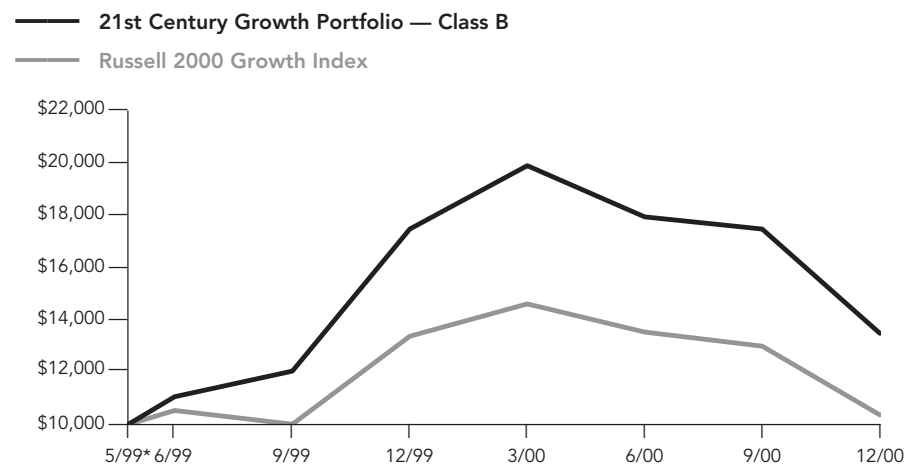
The Russell 2000 Growth Index is an unmanaged capitalization-weighted measure of the 2000 smallest capitalized U.S. companies with a greater-than-average growth orientation and whose common stocks trade on the NYSE, AMEX, and Nasdaq. Index returns assume reinvestment of dividends and, unlike Portfolio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

21st Century Growth Portfolio — Class A			
Period Ended 12/31/2000	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 7,761	-22.39%	-22.39%
Life of Portfolio*	\$ 13,710	37.10%	20.95%

Russell 2000 Growth Index			
Period Ended 12/31/2000	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 7,756	-22.44%	-22.44%
Life of Portfolio*	\$ 10,357	3.57%	2.23%

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

Growth of a \$10,000 Investment



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

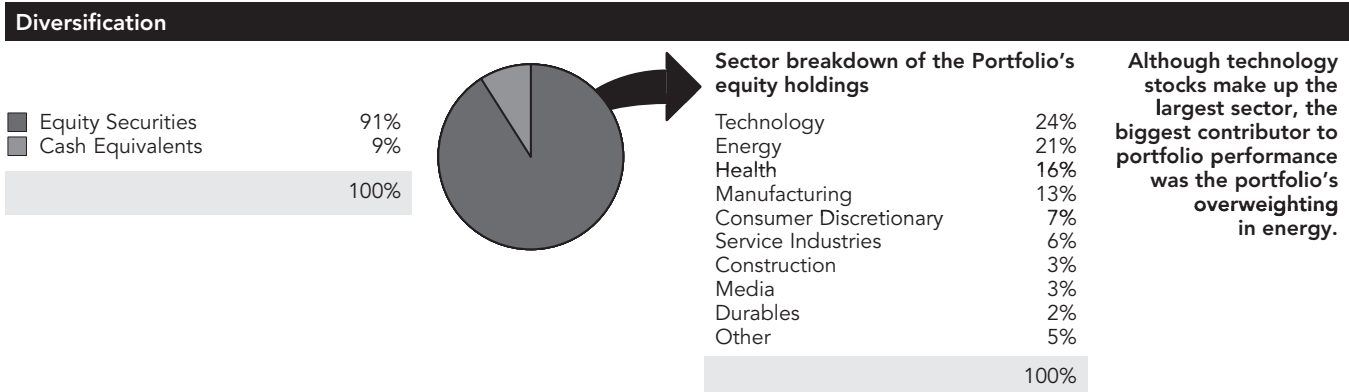
21st Century Growth Portfolio — Class B			
Period Ended 12/31/2000	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 7,721	-22.79%	-22.79%
Life of Portfolio*	\$ 13,576	35.76%	20.23%

Russell 2000 Growth Index			
Period Ended 12/31/2000	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 7,756	-22.44%	-22.44%
Life of Portfolio*	\$ 10,357	3.57%	2.23%

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

All performance is historical, assumes reinvestment of all dividends and capital gains, and is not indicative of future results. Investment return and principal value will fluctuate, so an investor's shares, when redeemed, may be worth more or less than when purchased. Total returns would have been lower if the Portfolio's expenses were not maintained.

21st Century Growth Portfolio



Ten Largest Equity Holdings

(24% of Portfolio)

- Albany Molecular Research, Inc.
Outsourcer of integrated chemistry products
- Copart, Inc.
Auctioneer of damaged vehicles for insurance companies
- CryoLife, Inc.
Provider of cryopreservation of viable human tissue for transplants
- Internet Security Systems
Provider of security management solutions for the Internet
- Manugistics Group, Inc.
Provider of solutions for enterprises and evolving e-business trading networks
- Stone Energy Corp.
Oil and gas company
- Barrett Resources Corp.
Explorer and producer of oil and gas
- Swift Energy Co.
Oil and gas exploration and production
- Rent-A-Center, Inc.
Owner and operator of rent-to-own stores and franchises
- Polycom, Inc.
Manufacturer of audio and data conferencing products

21st Century Growth Portfolio

	Principal Amount (\$)	Value (\$)
Short-Term Investments 9.2%		
Federal Home Loan Mortgage Corp., Discount Note, 6.7%** 1/2/2001 (Cost \$2,475,608)	2,476,000	2,475,608
	Shares	
Common Stocks 90.8%		
Consumer Discretionary 6.1%		
Apparel & Shoes 0.4%		
Too, Inc.*	7,525	94,062
Department & Chain Stores 2.6%		
Pacific Sunwear of California, Inc.*	6,000	153,750
Rent-A-Center, Inc.*	15,900	548,550
		<u>702,300</u>
Specialty Retail 3.1%		
Cost Plus, Inc.*	12,600	370,125
Gildan Activewear, Inc. "A"	11,700	457,762
		<u>827,887</u>
Consumer Staples 1.9%		
Farming 0.5%		
Eden Bioscience Corp.*	4,800	143,700
Food & Beverage 0.4%		
Wild Oats Markets, Inc.*	27,000	114,750
Miscellaneous 1.0%		
Hain Celestial Group, Inc.*	8,185	266,013
Health 13.4%		
Biotechnology 6.1%		
Alexion Pharmaceuticals, Inc.*	6,700	435,081
Arena Pharmaceuticals*	1,700	26,350
CryoLife, Inc.*	21,600	653,400
QLT, Inc.*	7,100	198,904
Regeneration Technologies*	22,000	313,500
		<u>1,627,235</u>
Medical Supply & Specialty 2.0%		
ArthroCare Corp.*	15,800	308,100
Inverness Medical Technology, Inc.*	5,900	229,731
		<u>537,831</u>
Pharmaceuticals 5.3%		
Charles River Laboratories International, Inc.*	8,900	243,638
Corvas International Inc.*	13,100	188,313
NPS Pharmaceuticals, Inc.*	10,900	523,200
OSI Pharmaceuticals, Inc.*	5,500	440,687
Specialty Laboratories, Inc.*	600	19,875
		<u>1,415,713</u>

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

	Shares	Value (\$)
Communications 1.4%		
Cellular Telephone 0.0%		
OmniSky Corp.*	1,500	<u>12,469</u>
Telephone/Communications 1.4%		
SBA Communications Corp.*	8,000	328,500
Sunrise Telecom, Inc.*	12,400	<u>48,437</u>
		<u>376,937</u>
Media 2.7%		
Broadcasting & Entertainment 1.4%		
Radio One, Inc.*	34,300	<u>377,300</u>
Print Media 1.1%		
Penton Media, Inc.	10,500	<u>282,187</u>
Miscellaneous 0.2%		
Entravision Communications Corp. "A"*	3,300	<u>60,638</u>
Service Industries 5.1%		
Investment 0.1%		
Multex.com, Inc.*	3,200	<u>42,400</u>
Miscellaneous Commercial Services 5.0%		
Copart, Inc.*	36,900	793,350
Korn/Ferry International*	14,100	299,625
PurchasePro.com, Inc.*	13,800	<u>241,500</u>
		<u>1,334,475</u>
Durables 2.2%		
Telecommunications Equipment		
Spectrasite Holdings, Inc.*	25,200	333,900
UTStarcom, Inc.*	16,500	<u>255,750</u>
		<u>589,650</u>
Manufacturing 11.8%		
Chemicals 4.7%		
Albany Molecular Research, Inc.*	15,300	942,863
Cabot Microelectronics Corp.*	6,200	<u>322,013</u>
		<u>1,264,876</u>
Electrical Products 2.4%		
ATMI, Inc.*	8,400	163,800
Power-One, Inc.*	11,800	<u>463,887</u>
		<u>627,687</u>
Industrial Specialty 2.9%		
American Superconductor Corp.*	8,200	234,213
Polycom, Inc.*	16,600	<u>534,312</u>
		<u>768,525</u>
Machinery/Components/Controls 0.6%		
RadiSys Corp.*	6,500	<u>168,187</u>
Miscellaneous 1.2%		
Concord Camera Corp.*	11,200	184,800
Jakks Pacific, Inc.*	14,600	<u>133,225</u>
		<u>318,025</u>

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

	Shares	Value (\$)
Technology 22.5%		
Computer Software 9.5%		
Advent Software, Inc.*	11,200	448,700
BSQUARE Corp.*	16,800	100,800
Documentum, Inc.*	9,800	486,938
I-many, Inc.*	15,200	189,050
Inrange Technologies Corp.*	9,400	159,212
Manugistics Group, Inc.*	11,000	627,000
PLATO Learning, Inc.*	7,300	109,956
Precise Software Solutions Ltd.*	7,200	178,200
WatchGuard Technologies, Inc.*	7,800	246,675
		<u>2,546,531</u>
Diverse Electronic Products 0.1%		
RADVision Ltd.*	1,700	20,931
EDP Peripherals 1.3%		
Mercury Interactive Corp.*	3,900	351,975
Electronic Data Processing 2.3%		
Internet Security Systems, Inc.*	8,000	627,500
Office/Plant Automation 2.0%		
Mercury Computer Systems, Inc.*	5,400	250,762
Pinnacle Systems, Inc.*	37,400	275,825
		<u>526,587</u>
Precision Instruments 2.2%		
Molecular Devices Corp.*	5,600	383,250
Zygo Corp.*	7,000	197,969
		<u>581,219</u>
Semiconductors 5.1%		
Advanced Power Technologies*	10,600	133,825
Oak Technology, Inc.*	14,700	127,706
Silicon Storage Technology, Inc.*	26,500	313,031
Therma-Wave, Inc.*	7,900	110,600
Transwitch Corp.*	11,400	446,025
Tripath Technology Inc.*	16,700	239,019
		<u>1,370,206</u>
Energy 19.0%		
Oil & Gas Production 8.4%		
3TEC Energy Corporation*	11,300	200,575
Barrett Resources Corp.*	10,200	579,488
Energy Partners Ltd.*	12,000	150,750
Key Production Co., Inc.*	14,900	500,081
Swift Energy Co.*	15,300	575,662
W-H Energy Services, Inc.*	12,100	238,219
		<u>2,244,775</u>
Oil Companies 3.7%		
Newfield Exploration Co.*	8,400	398,475
Stone Energy Corp.*	9,400	606,770
		<u>1,005,245</u>
Oilfield Services/Equipment 6.4%		
Cal Dive International, Inc.*	11,600	308,850
National-Oilwell, Inc.*	13,600	526,150

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

	Shares	Value (\$)
Precision Drilling Corp. "A"*	9,900	371,869
Universal Compression Holdings, Inc.*	13,300	501,244
		<u>1,708,113</u>
Miscellaneous 0.5%		
Active Power, Inc.*	5,700	125,044
Construction 2.9%		
Building Materials 0.6%		
Simpson Manufacturing Co., Inc.*	3,000	153,000
Building Products 2.3%		
CoStar Group, Inc.*	11,300	266,963
Trex Company, Inc.*	13,900	350,106
		<u>617,069</u>
Transportation 1.8%		
Air Freight 0.9%		
EGL, Inc.*	10,200	244,163
Miscellaneous 0.9%		
Frontline Ltd.*	16,600	224,748
Total Common Stocks (Cost \$24,503,689)		24,299,953
Total Investment Portfolio — 100.0% (Cost \$26,979,297) (a)		26,775,561

* Non-income producing security.

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

(a) At December 31, 2000, the net unrealized depreciation on investments based on cost for federal income tax purposes of \$27,084,487 was as follows:

Aggregate gross unrealized appreciation for all investments in which there is an excess of value over tax cost	\$ 4,652,968
Aggregate gross unrealized depreciation for all investments in which there is an excess of tax cost over value	4,961,894
Net unrealized depreciation	<u>\$ 308,926</u>

Purchases and sales of investment securities (excluding short-term investments), for the year ended December 31, 2000, aggregated \$41,213,438 and \$23,528,129, respectively.

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

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

Financial Statements

21st Century Growth Portfolio

Statement of Assets and Liabilities as of December 31, 2000

Assets

Investments in securities, at value (cost \$26,979,297)	\$ 26,775,561
Cash	2,114
Receivable for investments sold	14,894
Dividends receivable	315
Receivable for Portfolio shares sold	21,389
Total assets	26,814,273

Liabilities

Due to Advisor	22,368
Payable for Portfolio shares redeemed	103,653
Accrued management fee	188,349
Accrued accounting fees	54,067
Other accrued expenses and payables	36,600
Total liabilities	405,037

Net assets, at value	\$ 26,409,236
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Net Assets

Net assets consist of:	
Net unrealized appreciation (depreciation) on investments	(203,736)
Accumulated net realized gain (loss)	(3,461,012)
Paid-in capital	30,073,984
Net assets, at value	\$ 26,409,236

Class A

Net Asset Value , offering and redemption price per share (\$26,408,424 / 3,253,589 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	\$ 8.12
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Class B

Net Asset Value , offering and redemption price per share (\$812 / 101 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	\$ 8.04
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The accompanying notes are an integral part of the financial statements.

Statement of Operations for the year ended December 31, 2000

Investment Income

Income:	
Dividends	\$ 7,910
Interest	45,222
Total Income	<u>53,132</u>
Expenses:	
Management fee	204,230
Custodian fees	16,587
Accounting fees	54,067
Auditing	14,825
Legal	483
Trustees' fees and expenses	13,997
Reports to shareholders	8,400
Registration fees	3,343
Total expenses, before expense reductions	<u>315,932</u>
Expense reductions	(15,482)
Total expenses, after expense reductions	<u>300,450</u>
Net investment income (loss)	(247,318)

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	(3,461,012)
Foreign currency related transactions	1,998
	<u>(3,459,014)</u>
Net unrealized appreciation (depreciation) during the period on investments	(4,639,135)
Net gain (loss) on investment transactions	(8,098,149)
Net increase (decrease) in net assets resulting from operations	\$ (8,345,467)

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

Statements of Changes in Net Assets

	Year Ended December 31, 2000	For the Period May 3, 1999 (commencement of operations) to December 31, 1999
Increase (Decrease) in Net Assets		
Operations:		
Net investment income (loss)	\$ (247,318)	\$ (38,859)
Net realized gain (loss) on investment transactions	(3,459,014)	245,202
Net unrealized appreciation (depreciation) on investment transactions during the period	(4,639,135)	4,435,399
Net increase (decrease) in net assets resulting from operations	<u>(8,345,467)</u>	<u>4,641,742</u>
Distributions to shareholders from:		
Net realized gains:		
Class A	(222,315)	—
Class B	<u>(12)</u>	<u>—</u>
Portfolio share transactions:		
Class A		
Proceeds from shares sold	45,192,048	12,105,114
Reinvestment of distributions	222,315	—
Cost of shares redeemed	(25,874,881)	(3,309,320)
Net increase (decrease) in net assets from Class A share transactions	<u>19,539,482</u>	<u>8,795,794</u>
Class B		
Reinvestment of distributions	12	—
Net increase (decrease) in net assets from Class B share transactions	<u>12</u>	<u>—</u>
Increase (decrease) in net assets	10,971,700	13,437,536
Net assets at beginning of period (original capital)	15,437,536	2,000,000
Net assets at end of period	<u>\$ 26,409,236</u>	<u>\$ 15,437,536</u>
Other Information		
Class A		
Shares outstanding at beginning of period	1,462,745	333,233
Shares sold	4,310,964	1,569,398
Shares issued to shareholders in reinvestment of distributions	24,217	—
Shares redeemed	(2,544,337)	(439,886)
Net increase (decrease) in Portfolio shares	1,790,844	1,129,512
Shares outstanding at end of period	<u>3,253,589</u>	<u>1,462,745</u>
Class B		
Shares outstanding at beginning of period	100	100
Shares issued to shareholders in reinvestment of distributions	1	—
Net increase (decrease) in Portfolio shares	1	—
Shares outstanding at end of period	<u>101</u>	<u>100</u>

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

Financial Highlights

21st Century Growth Portfolio

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

Class A

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

Class B

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

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

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

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

(d) Original capital.

* Annualized

** Not annualized

*** Net assets less than one million.

Global Discovery Portfolio

Dear Shareholders,

The year 2000 proved to be as exciting as most people expected, although for completely different reasons. This was certainly true for the portfolio, which saw its strongest returns in absolute and relative terms in the previous year. The good fortune continued into the first quarter but the rest of the year was clearly affected by the global collapse in technology stocks. This reversal was most prominent in the fourth quarter of 2000. For the 12-month period ended December 31, 2000, Class A shares returned -5.29% , which compares to a -2.28% return for the unmanaged Salomon Brothers World Equity Extended Market Index (EMI).

Most of the underperformance versus the EMI came from the portfolio's lack of representation in such value sectors as utilities and its underweighting in financial stocks. Early in the year we cut the portfolio's position in technology. While we believe this was a correct move and helped the portfolio's performance, in hindsight we could have been even more aggressive. The portfolio's pure technology holdings actually performed better than the average technology stock, but both had poor returns. Health care stocks ran counter to the decline in much of the year, but lagged by the end of the period.

Often, a decision to under- or overweight a sector is a by-product of the stock selection process, but occasionally we will make a specific call which appears truly compelling. In 2000, this was the case in energy, which has been a huge benefit to the portfolio. The spot price of natural gas in the United States was \$2.50 per thousand cubic feet (mcf) a year ago and by the end of the year, it was close to \$10 per mcf. If the winter of 2000–2001 sees no more gas usage than the previous winter, it would be nearly impossible to replenish inventories over the summer back to "normal," creating a favorable pricing environment that could continue for some time.

Because of the portfolio's energy emphasis on gas in North America, the portfolio's relatively large health care position, and the success of these initiatives, the portfolio's U.S. holdings are at the high end of the normal range. We think this will change as we are encouraged by improving profitability, structural reforms and corporate restructuring in Europe. Maturing capital markets are turning savers into investors.

Our most significant additions to the portfolio have been in key areas such as health care. For example, Invitrogen and Medarex are two very different but attractive biotech firms. Invitrogen develops, manufactures and markets research tools in kit form that improve gene cloning, expression and analysis techniques, and also provides research services to corporate, academic and government entities. Medarex develops antibody-based therapeutics to fight cancer and other life-threatening and debilitating diseases. The company has several products in clinical development for the treatment of cancers and leukemia, autoimmune diseases, and ophthalmic conditions.

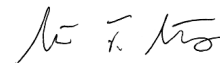
We are enthusiastic about what the portfolio owns today and what we think the next 12 months hold. Over the last several years, the markets have been characterized by rotation from one sector to another with a speed and intensity that have been unprecedented. With much of the speculative excesses out of the market today, we believe things should be a bit more rational and that this is an environment that will favor careful stock selection.

Sincerely,

Your Portfolio Management Team



Gerald J. Moran
Lead Portfolio Manager



Steven T. Stokes
Portfolio Manager

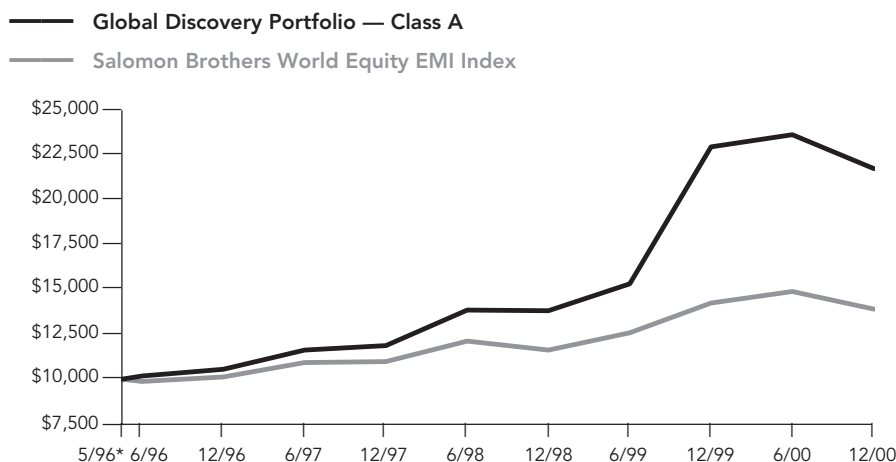
Because of the strong performance of our holdings in North American energy and health care, the portfolio's U.S. holdings are at the high end of the normal range.

Performance Update

December 31, 2000

Global Discovery Portfolio

Growth of a \$10,000 Investment



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

Global Discovery Portfolio — Class A

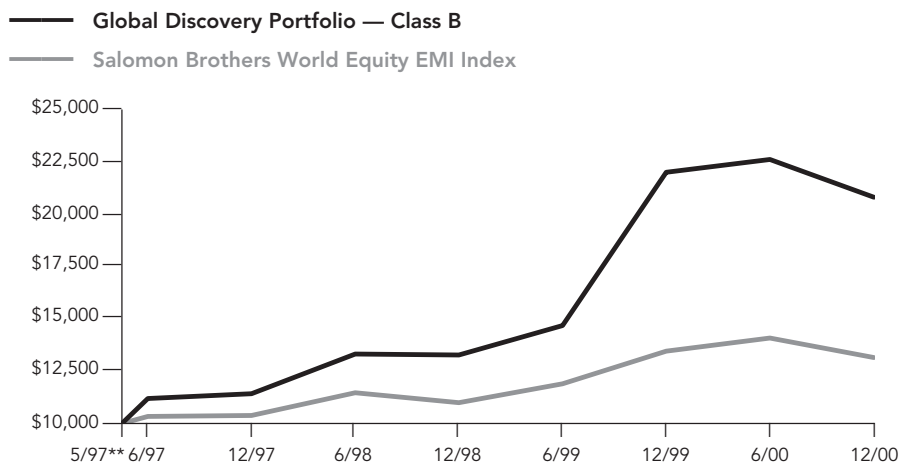
Period Ended 12/31/2000	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 9,471	-5.29%	-5.29%
Life of Portfolio*	\$ 21,692	116.92%	18.07%

Salomon Brothers World Equity EMI Index

Period Ended 12/31/2000	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 9,772	-2.28%	-2.28%
Life of Portfolio*	\$ 13,892	38.92%	7.43%

* The Portfolio commenced operations on May 1, 1996. On May 2, 1997, existing shares were redesignated as Class A shares. Index comparisons begin May 31, 1996.

Growth of a \$10,000 Investment



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

Global Discovery Portfolio — Class B

Period Ended 12/31/2000	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 9,458	-5.42%	-5.42%
Life of Portfolio**	\$ 20,754	107.54%	22.08%

Salomon Brothers World Equity EMI Index

Period Ended 12/31/2000	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 9,772	-2.28%	-2.28%
Life of Portfolio**	\$ 13,134	31.34%	7.89%

** The Portfolio commenced selling Class B shares on May 12, 1997. Index comparisons begin May 31, 1997.

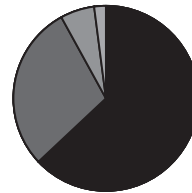
All performance is historical, assumes reinvestment of all dividends and capital gains, and is not indicative of future results. Investment return and principal value will fluctuate, so an investor's shares, when redeemed, may be worth more or less than when purchased. Total returns would have been lower if the Portfolio's expenses were not maintained.

Global Discovery Portfolio

Diversification

By Region (Excluding 9% Cash Equivalents)

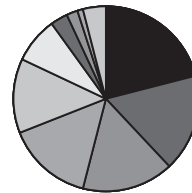
■ U.S. & Canada	63%
■ Europe	29%
■ Japan	6%
■ Other	2%
<hr/>	
	100%



Because of the strong performance of our holdings in North American energy and health care, the portfolio's U.S. holdings are at the high end of the normal range.

By Sector (Excluding 9% Cash Equivalents)

■ Health	21%
■ Service Industries	17%
■ Technology	16%
■ Energy	15%
■ Financial	13%
■ Consumer Discretionary	8%
■ Manufacturing	3%
■ Consumer Staples	2%
■ Media	1%
■ Other	4%
<hr/>	
	100%



Ten Largest Equity Holdings

(31% of Portfolio)

1. Nabors Industries, Inc.
Contractor of land drilling
2. Symbol Technologies, Inc.
Manufacturer of bar code laser scanners
3. Biomet, Inc.
Manufacturer of surgical implant devices
4. Irish Life & Permanent plc
Operator of retail financial services group
5. S&P Mid-Cap 400 Depository Receipts
Security that represents ownership in the Mid-Cap SPDR Trust
6. St. Jude Medical, Inc.
Manufacturer of heart valves
7. Altran Technologies S.A.
Provider of engineering and consulting services
8. Legg Mason, Inc.
Provider of various financial services
9. Concord EFS, Inc.
Provider of electronic transaction authorization, processing, settlement and transfer services
10. Anglo Irish Bank Corporation
Provider of a range of financial services for the business and private sectors

Investment Portfolio

December 31, 2000

Global Discovery Portfolio

	Principal Amount (\$)	Value (\$)
Repurchase Agreements 3.4%		
Salomon Brothers, 6.3%, to be repurchased at \$5,777,041 on 1/2/2001** (Cost \$5,773,000)	5,773,000	5,773,000
Short-Term Investments 5.8%		
Federal Home Loan Mortgage Corp., Discount Note, 6.7%***, 1/2/2001 (Cost \$9,998,417)	10,000,000	9,998,417
	Shares	
Common Stocks 90.8%		
Austria 0.1%		
Schoeller-Bleckmann Oilfield Equipment AG (Manufacturer of parts for drilling technology)	13,008	97,836
Canada 2.8%		
Mosaic Group Inc.* (Provider of sales, marketing and corporate communications services)	105,000	678,548
QLT Inc.* (Developer of pharmaceutical products)	33,100	927,285
Talisman Energy Inc.* (Explorer and producer of oil and gas)	87,700	3,251,502
		<u>4,857,335</u>
Denmark 0.2%		
Genmab A/S* (Developer of commercialized human antibody-based products)	13,400	309,015
Finland 0.8%		
JOT Automation Group Oyj (Manufacturer of high technology production automation systems and equipment)	554,600	1,345,231
France 4.5%		
Altran Technologies S.A. (Provider of engineering and consulting services)	20,345	4,609,692
Dassault Systemes S.A. (Manufacturer of software products)	16,486	1,131,450
Galleries Lafayette (Operator of department store chain)	5,626	1,079,014
Penauille Polyservices (Provider of industrial cleaning services)	463	29,208
Trader.com N.V., NY Reg. "A"*** (Publisher of advertising newspapers)	16,600	95,450
Transiciel S.A. (Designer, developer and installer of computer software)	24,775	887,433
		<u>7,832,247</u>
Germany 1.3%		
Epcos AG* (Producer of electronic components and integrated circuits)	20,817	1,820,113
Pfeiffer Vacuum Technology AG (ADR) (Manufacturer of various pumps and vacuum systems)	9,372	393,038
		<u>2,213,151</u>
Hong Kong 2.0%		
Legend Holdings Ltd. (Manufacturer of computers and related products)	2,377,300	1,493,489
Li & Fung, Ltd. (Exporter of consumer products)	1,114,000	2,020,988
		<u>3,514,477</u>
Ireland 6.9%		
Anglo Irish Bank Corporation plc (Provider of financial services for business and private sectors)	1,486,829	4,431,160
Irish Continental Group plc (Transporter of passengers, freight and containers between Ireland, the U.K. and the continent)	45,060	262,652
Irish Life & Permanent plc (Operator of retail financial services group)	460,076	5,709,534
Jurys Doyle Hotel Group (Operator of hotel chain)	127,250	1,081,492
Ryan Hotels (Owner and operator of hotel chain)	324,456	315,714
		<u>11,800,552</u>

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

	Shares	Value (\$)
Israel 0.1%		
Ceragon Networks, Ltd.* (Developer and manufacturer of wireless networking systems)	11,300	<u>136,306</u>
Italy 1.4%		
Bulgari SpA (Manufacturer and retailer of fine jewelry, luxury watches and perfumes)	192,570	<u>2,371,686</u>
Japan 5.5%		
Benesse Corp. (Provider of educational services)	26,400	977,607
Chugai Pharmaceutical Co., Ltd. (Developer of pharmaceutical products)	109,000	1,808,734
Kyorin Pharmaceutical Co., Ltd. (Retailer of prescription medicines)	45,000	1,587,773
Shinko Securities Co., Ltd. (Provider of financial services)	1,032,000	3,118,533
Trend Micro Inc.* (Developer of anti-virus software)	7,000	505,590
Uni-Charm Co. (Manufacturer of sanitary napkins, diapers and body care goods)	29,700	<u>1,504,454</u>
		<u>9,502,691</u>
Luxembourg 0.5%		
Millicom International Cellular S.A.* (Developer and operator of cellular telephone networks)	40,200	<u>924,600</u>
Norway 0.2%		
Stepstone ASA* (Provider of job listings on the Internet)	194,200	<u>342,469</u>
Portugal 0.2%		
PT Multimedia Servicos* (Provider of cable television, Internet and e-commerce services)	15,600	<u>366,659</u>
Spain 0.1%		
Sogecable S.A.* (Provider of cable television)	9,540	<u>188,350</u>
Sweden 1.2%		
Au System AB* (Delivers consulting services and solutions for the development of advanced Internet and wireless technologies, applications and related services)	42,200	228,011
Eniro AB* (Publisher of catalogues and telephone directories)	50,000	503,231
Telelogic AB* (Developer of software for the telecommunications industry)	238,000	<u>1,336,370</u>
		<u>2,067,612</u>
Taiwan 0.1%		
GigaMedia Ltd.* (Provider of broadband Internet access services and content)	42,900	<u>117,975</u>
United Kingdom 8.7%		
Guardian IT plc* (Provider of business continuity and disaster recovery services)	22,128	319,065
Matalan plc (Retailer of clothing)	360,457	3,770,166
Misys plc (Provider of computer, support and data services)	183,027	1,804,962
NDS Group plc (ADR)* (Provider of open solutions that enable data to be transferred digitally)	14,100	770,213
PizzaExpress plc (Operator of pizza restaurants)	80,265	762,768
RM plc (Information technology solutions to educational markets)	138,307	1,171,753
Regus plc* (Owner and operator of international business center network)	85,700	464,961
Serco Group plc (Provider of management support services)	540,203	4,318,369
Shire Pharmaceuticals Group plc* (Developer of pharmaceutical products)	44,297	698,290
Taylor Nelson Sofres plc (Provider of market research data)	242,936	<u>903,858</u>
		<u>14,984,405</u>
United States 54.2%		
Alexion Pharmaceuticals, Inc.* (Developer of immunoregulatory compounds)	31,000	2,013,062
Alkermes, Inc.* (Developer of pharmaceutical products)	86,800	2,723,350
Alpharma Inc. (Manufacturer and marketer of human pharmaceutical and animal health products)	60,700	2,663,212
Anadarko Petroleum Corp. (Explorer and producer of oil and natural gas)	34,800	2,473,584
Barrett Resources Corp.* (Explorer and producer of oil and gas)	53,800	3,056,512

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

	Shares	Value (\$)
Biomet, Inc. (Manufacturer of surgical implant devices)	155,150	6,157,516
CTS Corp. (Manufacturer of electronic and electromechanical components)	11,400	415,387
Celgene Corp.* (Developer of pharmaceutical products)	33,700	1,095,250
Concord EFS, Inc.* (Provider of electronic transaction authorization, processing, settlement and transfer services)	103,150	4,532,153
Diamond Offshore Drilling, Inc. (Explorer and producer of oil and gas)	79,900	3,196,000
Documentum, Inc.* (Developer of software products)	42,500	2,111,719
EOG Resources, Inc. (Explorer and producer of oil and gas)	62,500	3,417,969
Fiserv Inc.* (Provider of data processing services)	83,500	3,961,031
Garmin Ltd.* (Provider of navigation, communication and information devices)	30,800	608,300
H & R Block, Inc. (Operator of tax consulting and preparation chain)	39,300	1,626,037
Hain Celestial Group, Inc.* (Distributor of natural, organic and specialty food products)	23,100	750,750
ITXC Corp.* (Provider of Internet-based voice and fax services)	29,900	207,431
Internet Security Systems, Inc.* (Provider of security management solutions for the Internet)	33,600	2,635,500
Invitrogen Corp.* (Developer and provider of technologies for molecular biology research)	22,500	1,943,437
Legg Mason, Inc. (Provider of various financial services)	84,300	4,594,350
MIH Ltd.* (Provider of pay-TV services)	27,800	361,400
Manugistics Group, Inc.* (Provider of solutions for enterprises and evolving e-business trading networks)	24,600	1,402,200
Medarex, Inc.* (Developer of pharmaceutical products)	18,100	737,575
NPS Pharmaceuticals, Inc.* (Developer of small molecule drugs)	35,900	1,723,200
Nabors Industries, Inc.* (Contractor of land drilling)	110,800	6,553,820
OpenTV Corp.* (Developer of interactive television software)	5,100	52,913
Polycom, Inc.* (Manufacturer of audio and data conferencing products)	52,100	1,676,969
PurchasePro.com, Inc.* (Provider of Internet business-to-business e-commerce services)	98,200	1,718,500
Radio One, Inc.* (Operator of radio broadcasting business targeting African-Americans)	61,900	680,900
Rational Software Corp.* (Developer of software products and services for software applications)	56,400	2,196,075
Regeneron Pharmaceuticals, Inc.* (Developer of pharmaceutical products)	22,500	793,477
S&P Mid-Cap 400 Depository Receipts (Security that represents ownership in the Mid-Cap SPDR Trust)	57,000	5,379,375
St. Jude Medical, Inc.* (Manufacturer of heart valves)	81,700	5,019,444
Symbol Technologies, Inc. (Manufacturer of bar code laser scanners)	177,263	6,381,450
Tiffany & Co. (Retailer of jewelry and gift items)	39,300	1,242,862
Veritas DGC Inc.* (Provider of integrated geophysical technologies designed to enhance drilling success)	38,700	1,250,010
WatchGuard Technologies, Inc.* (Provider of Internet security products)	46,800	1,480,050
Waters Corp.* (Provider of high-performance liquid chromatography products and services)	32,600	2,722,100
Zions Bancorp (Provider of commercial banking services)	28,900	1,804,444
		93,359,314
Total Common Stocks (Cost \$148,128,097)		156,331,911
Total Investment Portfolio — 100.0% (Cost \$163,899,514) (a)		172,103,328

* Non-income producing security.

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

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

(a) At December 31, 2000, the net unrealized appreciation on investments based on cost for federal income tax purposes of \$164,018,006 was as follows:

Aggregate gross unrealized appreciation for all investments in which there is an excess of value over tax cost	\$	26,292,231
Aggregate gross unrealized depreciation for all investments in which there is an excess of tax cost over value		18,206,909
Net unrealized appreciation	\$	8,085,322

Purchases and sales of investment securities (excluding short-term investments), for the year ended December 31, 2000, aggregated \$184,139,619 and \$81,716,670, respectively.

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

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

Financial Statements

Global Discovery Portfolio

Statement of Assets and Liabilities as of December 31, 2000

Assets

Investments in securities, at value (cost \$163,899,514)	\$ 172,103,328
Cash	6,565
Dividends receivable	93,084
Interest receivable	3,031
Receivable for Portfolio shares sold	87,026
Foreign taxes recoverable	36,501
Other assets	678
Total assets	172,330,213

Liabilities

Payable for investments purchased	698,952
Payable for Portfolio shares redeemed	1,731,009
Accrued management fee	132,831
Accrued accounting fees	29,817
Other accrued expenses and payables	84,747
Total liabilities	2,677,356

Net assets, at value	\$ 169,652,857
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Net Assets

Net assets consist of:

Net unrealized appreciation (depreciation) on:

Investments	8,203,814
Foreign currency related transactions	5,058
Accumulated net realized gain (loss)	866,118
Paid-in capital	160,577,867

Net assets, at value	\$ 169,652,857
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Class A

Net Asset Value , offering and redemption price per share (\$158,873,996 / 13,514,198 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	\$ 11.76
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Class B

Net Asset Value , offering and redemption price per share (\$10,778,861 / 921,916 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	\$ 11.69
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The accompanying notes are an integral part of the financial statements.

Statement of Operations for the year ended December 31, 2000

Investment Income

Dividends (net of foreign taxes withheld of \$38,181)	\$ 529,064
Interest	900,351
Total Income	<u>1,429,415</u>
Expenses:	
Management fee	1,359,123
Custodian fees	186,614
Accounting fees	169,756
Distribution fees (Class B)	23,354
Auditing	13,806
Legal	4,234
Trustees' fees and expenses	14,754
Reports to shareholders	2,602
Registration fees	32,908
Total expenses	<u>1,807,151</u>
Net investment income (loss)	(377,736)

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	2,078,749
Foreign currency related transactions	(42,617)
	<u>2,036,132</u>
Net unrealized appreciation (depreciation) during the period on:	
Investments	(16,429,811)
Foreign currency related transactions	5,227
	<u>(16,424,584)</u>
Net gain (loss) on investment transactions	(14,388,452)
Net increase (decrease) in net assets resulting from operations	\$ (14,766,188)

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

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2000	1999
Operations:		
Net investment income (loss)	\$ (377,736)	\$ (267,553)
Net realized gain (loss) on investment transactions	2,036,132	6,427,361
Net unrealized appreciation (depreciation) on investment transactions during the period	(16,424,584)	18,887,330
Net increase (decrease) in net assets resulting from operations	(14,766,188)	25,047,138
Distributions to shareholders from:		
Net investment income:		
Class A	(986,284)	—
Class B	(49,881)	—
Net realized gains:		
Class A	(5,917,706)	(336,073)
Class B	(438,954)	(38,072)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	177,758,322	47,977,272
Reinvestment of distributions	6,903,990	336,073
Cost of shares redeemed	(75,515,456)	(25,592,178)
Net increase (decrease) in net assets from Class A share transactions	109,146,856	22,721,167
Class B		
Proceeds from shares sold	6,835,369	2,115,662
Reinvestment of distributions	488,835	38,073
Cost of shares redeemed	(1,885,145)	(1,824,969)
Net increase (decrease) in net assets from Class B share transactions	5,439,059	328,766
Increase (decrease) in net assets	92,426,902	47,722,926
Net assets at beginning of period	77,225,955	29,503,029
Net assets at end of period (including undistributed net investment income of \$976,351 at December 31, 1999)	\$ 169,652,857	\$ 77,225,955
Other Information		
Class A		
Shares outstanding at beginning of period	5,348,352	3,172,540
Shares sold	13,444,650	4,926,169
Shares issued to shareholders in reinvestment of distributions	559,481	40,056
Shares redeemed	(5,838,285)	(2,790,413)
Net increase (decrease) in Portfolio shares	8,165,846	2,175,812
Shares outstanding at end of period	13,514,198	5,348,352
Class B		
Shares outstanding at beginning of period	512,155	500,409
Shares sold	510,443	217,938
Shares issued to shareholders in reinvestment of distributions	39,775	4,560
Shares redeemed	(140,457)	(210,752)
Net increase (decrease) in Portfolio shares	409,761	11,746
Shares outstanding at end of period	921,916	512,155

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

Financial Highlights

Global Discovery Portfolio

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

Class A (b)

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

Ratios to Average Net Assets and Supplemental Data

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

Class B

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

Ratios to Average Net Assets and Supplemental Data

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

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

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

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

(d) Original capital.

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

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

* Annualized

** Not annualized

International Portfolio

Dear Shareholders,

The broad correction in global equity markets that began at the end of the first quarter continued throughout the year 2000. The outlook for global economic growth deteriorated as interest rate hikes in the United States, as well as in Europe and Japan, started to affect demand. This more uncertain investment environment led to a sharp rise in stock market volatility and a reduced appetite for risk among international investors.

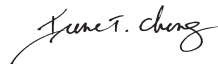
During the fourth quarter, Class A shares of the International Portfolio returned -2.73% , slightly underperforming its benchmark, the MSCI EAFE, which returned -2.68% . The peer group average as measured by the Morningstar Foreign Stock category returned an average of -4.75% . For the full year, the portfolio returned -21.70% , underperforming its benchmark return of -13.38% and peer universe of -14.75% . (All numbers are unadjusted for sales charges.) The underperformance for the full year reflects the global sell-off in higher growth, higher valuation technology, media and telecommunications (TMT) stocks.

However, the positive impact of a repositioning of the portfolio begun early in the year became more visible during the fourth quarter as the sell-off in TMT stocks deepened and worries about the health of the U.S. economy grew. Declines in the portfolio's technology holdings were more than offset by gains in the rest of the portfolio. Unsurprisingly in this tough environment, a number of the more defensive holdings provided good support, such as Nestle (Switzerland), Suez Lyonnaise (France), and East Japan Railway. However, of greater importance for returns was the solid performance of a number of the portfolio's heavyweights, such as Reed (U.K.), Bayer (Germany), Aventis (France), and E.On (Germany). The portfolio's positioning in European insurance stocks, which was significantly increased earlier in the year, also helped. Finally, there was a rebound in some cyclical commodity stocks with strong valuation support, like Rio Tinto (U.K.) and Rhodia (France).


We anticipate that the environment for international equity markets will remain challenging in the coming months. International equity markets are under pressure from the abrupt U.S. economic slowdown and its potential effect on global corporate earnings. The outlook for European economic growth is relatively positive compared to Japan and to the rapid deceleration in the United States. Overall, we expect the current period of uncertainty for corporate profitability to continue — and as the market wrestles with declining corporate earnings against an easing interest rate environment, we would expect the high volatility in global equity markets witnessed in the past year to persist. Meanwhile, our security selection remains focused on companies or industries undergoing secular change, which we believe should perform relatively well under a broad range of economic scenarios.

Sincerely,

Your Portfolio Management Team



Irene T. Cheng
Lead Portfolio Manager



Carol L. Franklin
Portfolio Manager



Nicholas Bratt
Portfolio Manager



Marc J. Slendebroek
Portfolio Manager

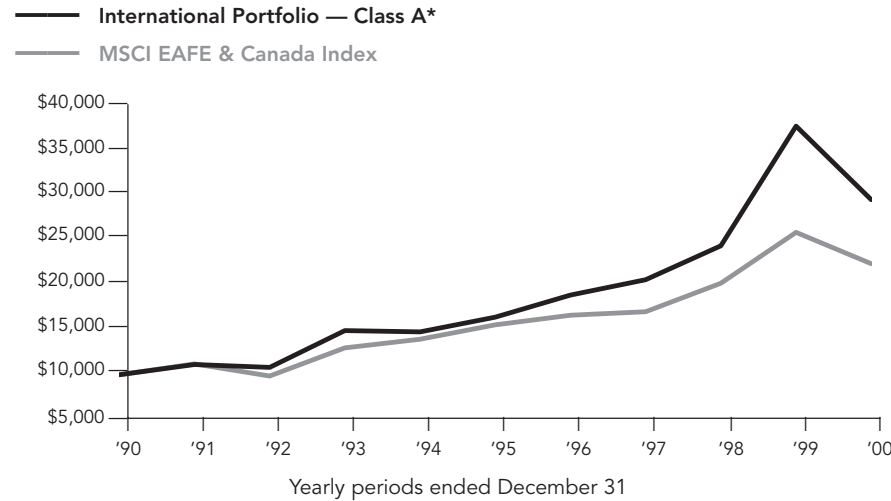
International equity markets have been under pressure from the U.S. economic slowdown.

Performance Update

December 31, 2000

International Portfolio

Growth of a \$10,000 Investment



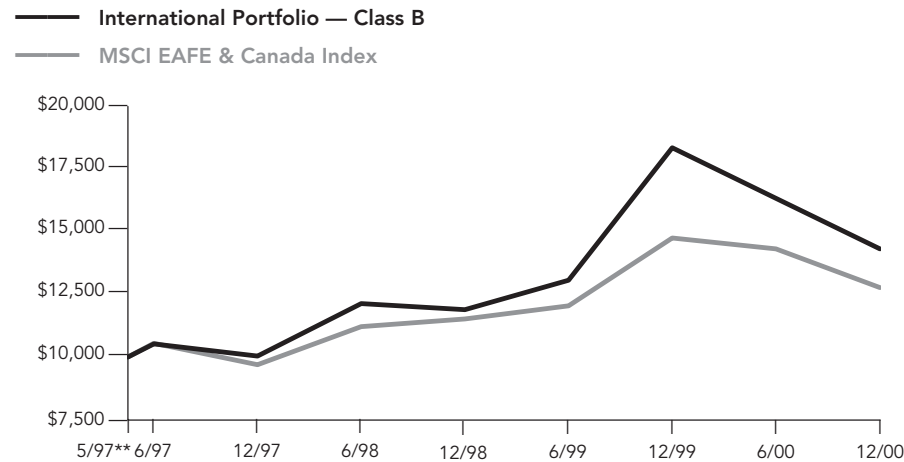
The Morgan Stanley Capital International (MSCI) Europe, Australia, the Far East (EAFE) & Canada Index is an unmanaged capitalization-weighted measure of stock markets in Europe, Australia, the Far East and Canada. Index returns assume reinvestment of dividends net of withholding tax and, unlike Portfolio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

International Portfolio — Class A*		Total Return	
Period Ended 12/31/2000	Growth of \$10,000	Cumulative	Average Annual
1 Year	\$ 7,830	-21.70%	-21.70%
5 Year	\$ 17,944	79.44%	12.41%
10 Year*	\$ 29,429	194.29%	11.40%

MSCI EAFE & Canada Index		Total Return	
Period Ended 12/31/2000	Growth of \$10,000	Cumulative	Average Annual
1 Year	\$ 8,662	-13.38%	-13.38%
5 Year	\$ 14,378	43.78%	7.52%
10 Year*	\$ 22,339	123.39%	8.36%

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

Growth of a \$10,000 Investment



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

International Portfolio — Class B		Total Return	
Period Ended 12/31/2000	Growth of \$10,000	Cumulative	Average Annual
1 Year	\$ 7,811	-21.89%	-21.89%
Life of Portfolio**	\$ 14,570	45.70%	10.88%

MSCI EAFE & Canada Index		Total Return	
Period Ended 12/31/2000	Growth of \$10,000	Cumulative	Average Annual
1 Year	\$ 8,662	-13.38%	-13.38%
Life of Portfolio**	\$ 12,744	27.44%	6.99%

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

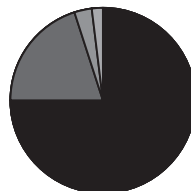
All performance is historical, assumes reinvestment of all dividends and capital gains, and is not indicative of future results. Investment return and principal value will fluctuate, so an investor's shares, when redeemed, may be worth more or less than when purchased.

International Portfolio

Diversification

By Region (Excluding 9% Cash Equivalents)

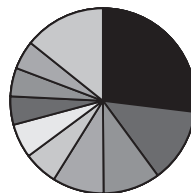
■ Europe	75%
■ Japan	20%
■ Pacific Basin	3%
■ U.S. & Canada	2%
<hr/>	
	100%



The portfolio is heavily weighted in Europe, where the outlook for economic growth is relatively stable.

By Sector (Excluding 9% Cash Equivalents)

■ Financial	27%
■ Manufacturing	13%
■ Communications	10%
■ Consumer Staples	9%
■ Service Industries	6%
■ Energy	6%
■ Technology	5%
■ Health	5%
■ Utilities	5%
■ Other	14%
<hr/>	
	100%



Ten Largest Equity Holdings

(21% of Portfolio)

1. E.On AG
Distributor of oil and chemicals
2. Aventis S.A.
Manufacturer of life science products
3. Vodafone Group plc
Provider of mobile telecommunication services
4. Reed International plc
Publisher of scientific, professional and business-to-business materials
5. Total Fina ELF S.A. "B"
Explorer of oil and natural gas
6. Bayer AG
Producer of chemical products
7. Nestle S.A.
Producer of food products
8. Assicurazioni Generali
Provider of insurance and financial services
9. Shell Transport & Trading plc
Provider of oil internationally
10. Matsushita Electric Industrial Co., Ltd.
Manufacturer of consumer electronic products

International Portfolio

	Principal Amount \$(c)	Value (\$)
Repurchase Agreements 3.2%		
Salomon Brothers, 6.3%, to be repurchased at \$24,091,853 on 1/2/2001** (Cost \$24,075,000)	24,075,000	24,075,000
Short-Term Investments 5.3%		
United States		
Federal Home Loan Mortgage Corp., Discount Note, 6.7%***, 1/2/2001 (Cost \$39,993,667)	40,000,000	39,993,667
Bonds 0.0%		
United Kingdom		
British Aerospace plc, 7.45%, 11/30/2003 (Producer of military aircraft) (Cost \$50,110)	GBP 63,943	85,989
Participating Loan Note 0.3%		
Luxembourg		
Eurotunnel Finance Ltd., Step-up coupon, 1.0% to 12/31/2005, 1% plus 26.45% of net available cash flow to 4/30/2040 (Cost \$2,218,612)	1,700(b)	2,013,801
	Shares	
Common Stocks 91.2%		
Australia 1.1%		
Broken Hill Proprietary Co., Ltd. (Producer of petroleum, mineral and steel products)	523,200	5,532,632
WMC Ltd. (Developer of mineral products)	717,583	3,065,125
		<u>8,597,757</u>
Belgium 1.2%		
Interbrew* (Distributor and developer of beer in Europe, North America and Asia)	253,100	8,832,777
Interbrew Strip* (Distributor and developer of beer in Europe, North America and Asia)	95,300	896
		<u>8,833,673</u>
Canada 1.6%		
Canadian National Railway Co. (Operator of railroad services)	247,300	7,306,965
Nortel Networks Corp. (Provider of telephone, data and wireless products for the Internet)	138,228	4,431,935
		<u>11,738,900</u>
Denmark 0.3%		
Infineon Technologies AG* (Manufacturer and marketer of semiconductors)	53,206	1,980,856
France 17.0%		
AXA S.A. (Provider of insurance, finance and real estate services)	49,441	7,158,222
Accor S.A. (Operator of hotels, travel agencies and restaurants)	62,286	2,635,118
Alcatel S.A. (Manufacturer of transportation, telecommunication and energy equipment)	169,670	9,650,673
Aventis S.A. (Manufacturer of life science products)	226,754	19,932,590
BNP Paribas S.A. (Provider of banking services)	75,229	6,612,932
Bouygues S.A. (Developer of large public projects, real estate, off-shore oil platforms and energy networks) ..	88,820	4,029,074
Christian Dior S.A. (Manufacturer of luxury products)	98,901	4,746,720
Compagnie Generale d'Industrie et de Participations* (Producer of automobile components, diagnostic equipment and abrasive pellets)	34,156	1,621,644
Credit Lyonnais S.A. (Provider of diversified banking services)	163,376	5,713,844
Etablissements Economiques du Casino Guichard-Perrachon S.A. (Operator of supermarkets and convenience stores)	68,800	4,495,421

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

	Shares	Value (\$)
European Aeronautic Defence and Space Co.* (Manufacturer of airplanes and military equipment)	7,468	166,118
Eurotunnel S.A.* (Designer, financier and constructor of a tunnel that runs under the English Channel and connects England to France)	3,989,287	3,975,560
Lagardere S.C.A. (Producer of audiovisual and telecommunication services)	36,995	2,149,457
Pinault-Printemps-Redoute S.A. (Operator of department stores)	17,766	3,823,249
Rhodia S.A. (Manufacturer of drugs and chemical products)	361,871	5,613,515
STMicroelectronics N.V. (Manufacturer of semiconductor integrated circuits)	68,709	3,003,750
Schneider Electric S.A. (Manufacturer of electronic components and automated manufacturing systems)	56,331	4,114,960
Societe BIC S.A. (Manufacturer of office supplies)	102,623	4,041,590
Suez Lyonnaise des Eaux S.A. (Developer of water and electric utility)	62,606	11,448,082
Total Fina ELF S.A. "B" (Explorer of oil and natural gas)	114,523	17,054,739
Vivendi Universal S.A. (Provider of various public services)	78,093	5,146,682
		<u>127,133,940</u>
Germany 13.5%		
Allianz AG (Provider of multi-line insurance services)	24,936	9,393,843
Bayer AG (Producer of chemical products)	295,757	15,598,939
Bayerische Hypo-und Vereinsbank AG (Provider of banking services)	131,569	7,396,937
Celanese AG (Manufacturer and distributor of industrial chemicals)	15,526	281,718
Commerzbank AG (Provider of banking services)	85,400	2,448,809
Deutsche Bank AG (Registered) (Provider of financial services)	83,529	6,973,446
Deutsche Post AG* (Provider of mail delivery and other services to the public and to businesses)	130,602	2,813,015
Deutsche Telekom AG (Provider of telecommunication services)	97,525	2,943,189
Dresdner Bank AG (Provider of banking services)	122,940	5,351,449
E.On AG (Distributor of oil and chemicals)	349,075	21,266,250
Ergo Versicherungs Gruppe AG (Provider of insurance services)	34,247	5,731,123
Heidelberger Druckmaschinen AG (Manufacturer of commercial printing presses)	20,125	1,226,050
Metro AG (Operator of building, clothing, electronic and food stores)	92,400	4,256,623
Muenchener Rueckversicherungs-Gesellschaft AG (Registered) (Provider of insurance services)	17,203	6,145,892
SAP AG (Manufacturer of computer software)	21,708	3,077,644
Siemens AG (Developer of electrical products)	44,299	5,799,443
		<u>100,704,370</u>
Hong Kong 1.1%		
China Mobile Ltd.* (Provider of cellular telecommunication services)	612,000	3,342,590
Hutchison Whampoa Ltd. (Provider of investment services)	271,400	3,383,931
Legend Holdings Ltd. (Manufacturer of computers and related products)	1,616,000	1,015,219
MTR Corp.* (Provider of public transport services in Hong Kong)	392,000	688,539
		<u>8,430,279</u>
Italy 5.8%		
Alleanza Assicurazioni SpA (Provider of life insurance services)	232,200	3,704,599
Assicurazioni Generali (Provider of insurance and financial services)	308,300	12,260,581
Banca Intesa SpA (Provider of banking services)	1,870,671	9,004,603
Holding di Partecipazioni Industriali SpA (Producer of apparel and sports footwear)	1,561,300	1,936,102
Mediobanca SpA (Provider of loans and credit to manufacturing and service firms)	869,500	9,874,922
Riunione Adriatica di Sicurtà SpA (Provider of insurance services)	440,450	6,878,020
		<u>43,658,827</u>
Japan 18.3%		
Chugai Pharmaceutical Co., Ltd. (Pharmaceutical company)	348,000	5,774,672
DDI Corp. (Provider of telecommunication services)	327	1,573,598
Daiwa Securities Group, Inc. (Provider of brokerage and other financial services)	399,000	4,157,266
East Japan Railway Co. (Operator of railroad services)	1,345	7,870,306
Kyocera Corp. (Manufacturer of ceramic packaging)	18,300	1,993,022
Matsushita Electric Industrial Co., Ltd. (Manufacturer of consumer electronic products)	509,000	12,135,983
Mitsubishi Estate Co., Ltd. (Provider of real estate services)	603,000	6,424,978

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

	Shares	Value (\$)
Mitsui Fudosan Co., Ltd. (Real estate company)	707,000	7,008,253
Mizuho Holdings, Inc. (Provider of financial services)	1,519	9,392,594
NEC Corp. (Manufacturer of telecommunication and computer equipment)	327,000	5,968,821
NTT DoCoMo, Inc. (Provider of various telecommunication services and equipment)	432	7,432,664
Nikko Securities Co., Ltd. (Provider of broker and dealer services)	503,000	3,887,817
Nintendo Co., Ltd. (Manufacturer of game equipment)	40,800	6,410,410
Nippon Telegraph & Telephone Corp. (Provider of telecommunication services)	794	5,707,092
Nissan Motor Co., Ltd.* (Manufacturer of motor vehicles)	869,000	4,993,904
Nomura Securities Co., Ltd. (Provider of financial services)	395,000	7,089,301
Sakura Bank, Ltd. (Provider of banking services)	1,141,000	6,875,895
Sankyo Co., Ltd. (Producer of over-the-counter drugs)	260,000	6,221,834
Sanyo Electric Co., Ltd. (Manufacturer of consumer electronics)	399,000	3,310,480
Sony Corp. (Manufacturer of consumer and industrial electronic equipment)	59,400	4,098,341
Sony Corp. (ADR) (Manufacturer of consumer and industrial electronic equipment)	18,600	1,297,350
Sumitomo Electric Industries, Ltd. (Manufacturer of electric wires and cables)	349,000	5,712,017
Takeda Chemical Industries, Ltd. (Leading pharmaceutical manufacturer)	60,000	3,542,358
Toshiba Corp. (Manufacturer of electric machinery)	477,000	3,182,777
Yamanouchi Pharmaceutical Co., Ltd. (Manufacturer and marketer of a wide variety of pharmaceuticals)	117,000	5,047,860
		<u>137,109,593</u>
Korea 0.5%		
SK Telecom Co., Ltd. (Provider of mobile telecommunications services)	20,250	<u>4,050,000</u>
Netherlands 6.7%		
ABN AMRO Holding N.V. (Provider of financial services)	345,600	7,869,462
ASM Lithography Holding N.V.* (Developer, manufacturer and marketer of photolithography projections systems)	126,700	2,881,441
Akzo Nobel N.V. (Producer and marketer of health care products, coatings, chemicals and fibers)	90,320	4,857,101
Elsevier N.V. (International publisher of scientific, professional, business and consumer information books)	156,900	2,309,999
Equant N.V.* (Provider of international data network services)	106,400	2,785,890
Fortis (NL) N.V. (Provider of banking and insurance services)	81,700	2,657,635
Gucci Group N.V. (New York shares) (Designer and producer of personal luxury accessories and apparel)	66,700	5,902,950
Heineken N.V. (Producer of beer and soft drinks)	124,600	7,549,847
Laurus N.V. (Operator of supermarkets and liquor stores)	136,520	1,296,328
Unilever N.V. (Manufacturer of branded and packaged consumer goods)	126,800	8,034,823
VNU N.V. (Provider of international publishing services)	75,320	3,707,014
		<u>49,852,490</u>
Spain 0.8%		
Telefonica S.A.* (Provider of telecommunication services)	366,007	<u>6,056,186</u>
Sweden 0.7%		
Telefonaktiebolaget LM Ericsson AB "B" (Producer of advanced systems and products for wired and mobile communications)	440,600	<u>5,017,957</u>
Switzerland 4.8%		
Nestle S.A. (Registered) (Producer of food products)	5,807	13,577,324
Roche Holding AG (Manufacturer of pharmaceutical and chemical products)	507	5,177,565
Swiss Re (Registered) (Provider of life insurance services)	2,385	5,731,258
UBS AG (Registered) (Provider of banking and asset management services)	67,545	11,050,691
		<u>35,536,838</u>

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

	Shares	Value (\$)
Taiwan 0.0%		
GigaMedia Ltd.* (Provider of broadband Internet access services and content)	65,200	179,300
Hon Hai Precision Industry Co., Ltd.* (Manufacturer of electronic products)	60	304
		<u>179,604</u>
United Kingdom 17.8%		
ARM Holdings plc* (Designer of RISC microprocessors and related technology)	206,955	1,564,716
BOC Group plc (Producer of chemical products)	469,253	7,130,786
BP Amoco plc (Provider of oil internationally)	1,358,269	10,959,445
BAE SYSTEMS plc (Producer of military aircraft)	1,004,588	5,734,035
British Airways plc (Provider of passenger and cargo airline services)	681,890	3,978,729
British Telecommunications plc (Provider of telecommunication services)	529,014	4,521,393
Cable and Wireless plc (Provider of telecommunication services)	475,811	6,419,944
Diageo plc (Producer and distributor of food products, beer and liquor; owner of fast-food restaurants)	476,551	5,340,472
EMI Group plc (Producer of music recordings)	740,558	6,085,984
GlaxoSmithKline plc* (Developer, manufacturer and marketer of vaccines, prescription and over-the-counter medicines)	286,068	8,078,671
Granada Media plc* (Producer of TV programs, feature films and made-for-TV movies)	446,504	2,835,459
Lasmo plc (Oil production and exploration)	5	15
Prudential Corp. plc (Provider of a broad range of financial services)	229,750	3,697,262
Reed International plc (Publisher of scientific, professional and business to business materials)	1,657,444	17,335,881
Reuters Group plc (Provider of international news and information)	610,913	10,342,328
Rio Tinto plc (Developer of mining products)	453,843	7,988,403
Shell Transport & Trading plc (Provider of oil internationally)	1,484,312	12,176,054
Vodafone Group plc (Provider of mobile telecommunication services)	5,152,810	18,901,865
		<u>133,091,442</u>
Total Common Stocks (Cost \$664,052,881)		681,972,712
Total Investment Portfolio — 100.0% (Cost \$730,390,270) (a)		748,141,169

* Non-income producing security.

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

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

(a) At December 31, 2000, the net unrealized appreciation on investments based on cost for federal income tax purposes of \$730,484,224 was as follows:

Aggregate gross unrealized appreciation for all investments in which there is an excess of value over tax cost	\$ 80,061,759
Aggregate gross unrealized depreciation for all investments in which there is an excess of tax cost over value	62,404,814
Net unrealized appreciation	<u>\$ 17,656,945</u>

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

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

Purchases and sales of investment securities (excluding short-term investments), for the year ended December 31, 2000, aggregated \$642,314,240 and \$601,800,582, respectively.

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

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

Financial Statements

International Portfolio

Statement of Assets and Liabilities as of December 31, 2000

Assets

Investments in securities, at value (cost \$730,390,270)	\$ 748,141,169
Cash	49,984
Receivable for investments sold	2,693,308
Dividends receivable	418,461
Interest receivable	12,897
Receivable for Portfolio shares sold	346,295
Foreign taxes recoverable	930,415
Total assets	752,592,529

Liabilities

Payable for investments purchased	232,320
Payable for Fund shares redeemed	31,061,849
Accrued management fee	485,982
Accrued accounting fees	48,791
Other accrued expenses and payables	213,172
Total liabilities	32,042,114

Net assets, at value \$ 720,550,415

Net Assets

Net assets consist of:	
Undistributed net investment income	3,102,624
Net unrealized appreciation (depreciation) on:	
Investments	17,750,899
Foreign currency related transactions	(187)
Accumulated net realized gain (loss)	114,540,266
Paid-in capital	585,156,813
Net assets, at value	\$ 720,550,415

Class A

Net Asset Value and redemption price per share (\$719,786,784 / 50,467,229 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized) \$ 14.26

Class B

Net Asset Value, offering and redemption price per share (\$763,631 / 53,819 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized) \$ 14.19

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

Statement of Operations for the year ended December 31, 2000

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$1,309,749)	\$ 8,642,031
Interest	3,160,439
Total Income	<u>11,802,470</u>
Expenses:	
Management fee	6,655,622
Custodian fees	506,175
Accounting fees	536,976
Distribution fees (Class B)	2,039
Auditing	21,065
Legal	14,863
Trustees' fees and expenses	11,664
Reports to shareholders	18,102
Registration fees	64,778
Other	15,310
Total expenses	<u>7,846,594</u>
Net investment income (loss)	3,955,876

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	121,766,652
Foreign currency related transactions	(215,940)
	<u>121,550,712</u>
Net unrealized appreciation (depreciation) during the period on:	
Investments	(292,599,009)
Foreign currency related transactions	17,259
	<u>(292,581,750)</u>
Net gain (loss) on investment transactions	(171,031,038)
Net increase (decrease) in net assets resulting from operations	\$ (167,075,162)

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

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2000	1999
Operations:		
Net investment income (loss)	\$ 3,955,876	\$ 4,542,149
Net realized gain (loss) on investment transactions	121,550,712	79,382,785
Net unrealized appreciation (depreciation) on investment transactions during the period	(292,581,750)	221,137,282
Net increase (decrease) in net assets resulting from operations	(167,075,162)	305,062,216
Distributions to shareholders from:		
Net investment income:		
Class A	(4,323,565)	(722,598)
Class B	(1,773)	—
Net realized gains:		
Class A	(87,912,485)	(53,833,552)
Class B	(81,114)	(42,651)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	4,177,908,200	2,032,640,835
Reinvestment of distributions	92,236,050	54,556,150
Cost of shares redeemed	(4,165,548,420)	(1,971,986,035)
Net increase (decrease) in net assets from Class A share transactions	104,595,830	115,210,950
Class B		
Proceeds from shares sold	492,244	116,161
Reinvestment of distributions	82,887	42,651
Cost of shares redeemed	(218,125)	(33,017)
Net increase (decrease) in net assets from Class B share transactions	357,006	125,795
Increase (decrease) in net assets	(154,441,263)	365,800,160
Net assets at beginning of period	874,991,678	509,191,518
Net assets at end of period (including undistributed net investment income of \$3,102,624 and \$3,778,734, respectively)	\$ 720,550,415	\$ 874,991,678
Other Information		
Class A		
Shares outstanding at beginning of period	42,980,529	34,950,563
Shares sold	257,448,566	130,483,172
Shares issued to shareholders in reinvestment of distributions	5,610,465	3,831,190
Shares redeemed	(255,572,331)	(126,284,396)
Net increase (decrease) in Portfolio shares	7,486,700	8,029,966
Shares outstanding at end of period	50,467,229	42,980,529
Class B		
Shares outstanding at beginning of period	33,910	25,342
Shares sold	28,073	7,601
Shares issued to shareholders in reinvestment of distributions	5,057	3,004
Shares redeemed	(13,221)	(2,037)
Net increase (decrease) in Portfolio shares	19,909	8,568
Shares outstanding at end of period	53,819	33,910

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

Financial Highlights

International Portfolio

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

Class A (b)

Years Ended December 31,	2000	1999	1998	1997	1996
Net asset value, beginning of period	\$20.34	\$14.56	\$14.11	\$13.25	\$11.82
<i>Income (loss) from investment operations:</i>					
Net investment income (loss) (a)	.08	.12(e)	.13	.14	.12
Net realized and unrealized gain (loss) on investment transactions	(4.24)	7.17	2.29	1.04	1.60
Total from investment operations	(4.16)	7.29	2.42	1.18	1.72
<i>Less distributions from:</i>					
Net investment income	(.09)	(.02)	(.26)	(.21)	(.29)
Net realized gains on investment transactions	(1.83)	(1.49)	(1.71)	(.11)	—
Total distributions	(1.92)	(1.51)	(1.97)	(.32)	(.29)
Net asset value, end of period	\$14.26	\$20.34	\$14.56	\$14.11	\$13.25
Total Return (%)	(21.70)	54.51	18.49	9.07	14.78

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	720	874	509	427	726
Ratio of expenses (%)	.96	1.03	1.04	1.00	1.05
Ratio of net investment income (loss) (%)	.48	.76	.90	.94	.95
Portfolio turnover rate (%)	79	86	71	61	33

Class B

Years Ended December 31,	2000	1999	1998	1997(c)
Net asset value, beginning of period	\$20.24	\$14.51	\$14.08	\$13.76
<i>Income (loss) from investment operations:</i>				
Net investment income (loss) (a)	.04	.08(e)	.10	(.00)(d)
Net realized and unrealized gain (loss) on investment transactions	(4.22)	7.14	2.29	.32
Total from investment operations	(4.18)	7.22	2.39	.32
<i>Less distributions from:</i>				
Net investment income	(.04)	—	(.25)	—
Net realized gains on investment transactions	(1.83)	(1.49)	(1.71)	—
Total distributions	(1.87)	(1.49)	(1.96)	—
Net asset value, end of period	\$14.19	\$20.24	\$14.51	\$14.08
Total Return (%)	(21.89)	54.13	18.28	2.33**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	.77	.69	.37	.35
Ratio of expenses (%)	1.21	1.28	1.28	1.24*
Ratio of net investment income (loss) (%)	.23	.53	.69	(.00)(d)*
Portfolio turnover rate (%)	79	86	71	61**

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

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

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

(d) Amount shown is less than one half of \$.005.

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

* Annualized

** Not annualized

Notes to Financial Statements

A. Significant Accounting Policies

Scudder Variable Life Investment Fund (the “Fund”) is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940 (the “1940 Act”), as amended, as an open-end, diversified management investment company. Its shares are divided into nine separate diversified series, called “Portfolios.” These financial statements report on five Portfolios which consist of the Growth and Income Portfolio, Capital Growth Portfolio, 21st Century Growth Portfolio (formerly Small Company Growth Portfolio), Global Discovery Portfolio and International Portfolio. The Fund is intended to be the funding vehicle for variable annuity contracts and variable life insurance policies to be offered by the separate accounts of certain life insurance companies (“Participating Insurance Companies”).

The Portfolios’ financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, which require the use of management estimates. The policies described below are followed consistently by the Fund in the preparation of the financial statements for the Portfolios.

Multiple Classes of Shares of Beneficial Interest. The Portfolios offer two classes of shares (Class A shares and Class B shares). Class B shares are subject to a Rule 12b-1 fee under the 1940 Act, equal to an annual rate of up to 0.25% of the average daily net asset value of the Class B shares of the applicable Portfolio. Class A shares are not subject to such fees.

Investment income, realized and unrealized gains and losses, and certain fund-level expenses and expense reductions, if any, are borne pro rata on the basis of relative net assets by the holders of all classes of shares except that each class bears certain expenses unique to that class (including the applicable 12b-1 fee). Differences in class expenses may result in payment of different per share dividends by class. All shares have equal rights with respect to voting subject to class-specific arrangements.

Security Valuation. Investments are stated at value determined as of the close of regular trading on the New York Stock Exchange. Securities which are traded on U.S. or foreign stock exchanges are valued at the most recent sale price reported on the exchange on which the security is traded most extensively. If no sale occurred, the security is then valued at the calculated mean between the most recent bid and asked quotations. If there are no such bid and asked quotations, the most recent bid quotation is used. Securities quoted on the Nasdaq Stock Market (“Nasdaq”), for which there have been sales, are valued at the most recent sale price reported. If there are no such sales, the value is the most recent bid quotation. Securities which are not quoted on Nasdaq but are traded in another over-the-counter market are valued at the most recent sale price, or if no sale occurred, at the calculated mean between the most recent bid and asked quotations on such market. If there are no such bid and asked quotations, the most recent bid quotation shall be used.

Portfolio debt securities purchased with an original maturity greater than sixty days are valued by pricing agents approved by the officers of the Fund, whose quotations reflect broker/dealer-supplied valuations and electronic data processing techniques. If the pricing agents are unable to provide such quotations, the most recent bid quotation supplied by a bona fide market maker shall be used. Money market instruments purchased with an original maturity of sixty days or less are valued at amortized cost.

All other securities are valued at their fair value as determined in good faith by the Valuation Committee of the Board of Trustees.

Foreign Currency Translations. The books and records of the Portfolios are maintained in U.S. dollars. Investment securities and other assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the prevailing exchange rates at period end. Purchases and sales of investment securities, income and expenses are translated into U.S. dollars at the prevailing exchange rates on the respective dates of the transactions.

Net realized and unrealized gains and losses on foreign currency transactions represent net gains and losses between trade and settlement dates on securities transactions, the disposition of forward foreign currency exchange contracts and foreign currencies, and the difference between the amount of net investment income accrued and the U.S. dollar amount actually received. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed but is included with net realized and unrealized gains and losses on investment securities.

Repurchase Agreements. Each of the Portfolios may enter into repurchase agreements with certain banks and broker/dealers whereby the Portfolio, through its custodian or sub-custodian bank, receives delivery of the underlying securities, the amount of which at the time of purchase and each subsequent business day is required to be maintained at such a level that the market value is equal to at least the principal amount of the repurchase price plus accrued interest.

Forward Foreign Currency Exchange Contracts. A forward foreign currency exchange contract (forward contract) is a commitment to purchase or sell a foreign currency at the settlement date at a negotiated rate. During the period, the International Portfolio utilized forward contracts as a hedge against changes in the exchange rates relating to foreign currency denominated assets.

Forward contracts are valued at the prevailing forward exchange rate of the underlying currencies and unrealized gain/loss is recorded daily. Sales and purchases of forward contracts having the same settlement date and broker are offset and any gain (loss) is realized on the date of offset; otherwise, gain (loss) is realized on settlement date. Realized and unrealized gains and losses which represent the difference between the value of a forward contract to buy and a forward contract to sell are included in net realized and unrealized gain (loss) from foreign currency related transactions.

Certain risks may arise upon entering into forward contracts from the potential inability of counterparties to meet the terms of their contracts. Additionally, when utilizing forward contracts to hedge, the Portfolio gives up the opportunity to profit from favorable exchange rate movements during the term of the contract.

When-Issued/Delayed Delivery Securities. Each Portfolio may purchase securities with delivery or payment to occur at a later date beyond the normal settlement period. At the time a Portfolio enters into a commitment to purchase a security, the transaction is recorded and the value of the security is reflected in the net asset value. The value of the security may vary with market fluctuations. No interest accrues to the Portfolio until payment takes place. At the time the Portfolio enters into this type of transaction it is required to segregate cash or other liquid assets at least equal to the amount of the commitment.

Federal Income Taxes. Each Portfolio is treated as a separate taxpayer as provided for in the Internal Revenue Code of 1986, as amended. It is each Portfolio's policy to comply with the requirements of the Internal Revenue Code, which are applicable to regulated investment companies, and to distribute all of its taxable income to the separate accounts of the Participating Insurance Companies which hold its shares. Accordingly, the Portfolios paid no federal income taxes and no federal income tax provision was required.

Distribution of Income and Gains. The Portfolios will declare and distribute dividends from their net investment income, if any, in April, although additional distributions may be made if necessary. Net realized gains from investment transactions, in excess of available capital loss carryforwards, would be taxable to each Portfolio if not distributed, and, therefore, will be distributed to shareholders at least annually.

The timing and characterization of certain income and capital gains distributions are determined annually in accordance with federal tax regulations which may differ from accounting principles generally accepted in the United States of America. These differences primarily relate to investments in forward contracts, passive foreign investment companies, post October loss deferrals, non-taxable distributions and certain securities sold at a loss. As a result, net investment income (loss) and net realized gain (loss) on investment transactions for a reporting period may differ significantly from distributions during such period. Accordingly, each Portfolio may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Portfolio.

Investment Transactions and Investment Income. Investment transactions are accounted for on the trade date. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date. Certain dividends from foreign securities may be recorded subsequent to the ex-dividend date as soon as the Portfolio is informed of such dividends. Realized gains and losses from investment transactions are recorded on an identified cost basis.

Original issue discounts are accreted for both tax and financial reporting purposes.

Expenses. Each Portfolio is charged for those expenses which are directly attributable to it, such as management fees and custodian fees, while other expenses (reports to shareholders, legal and audit fees) are allocated among the Portfolios.

B. Ownership of the Portfolios

At the end of the period, the beneficial ownership in the Portfolios was as follows:

Growth and Income Portfolio: Four Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 23%, 38%, 13% and 12%, respectively. One Participating Insurance Company was owner of record of 96% of the total outstanding Class B shares of the Portfolio.

Capital Growth Portfolio: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 16% and 55%, respectively. One Participating Insurance Company was owner of record of 100% of the total outstanding Class B shares of the Portfolio.

21st Century Growth Portfolio: Four Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 16%, 51%, 16% and 10%, respectively. One Participating Insurance Company was owner of record of 100% of the total outstanding Class B shares of the Portfolio.

Global Discovery Portfolio: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 39%, 23% and 31%, respectively. One Participating Insurance Company was owner of record of 99% of the total outstanding Class B shares of the Portfolio.

International Portfolio: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 12%, 34% and 15%, 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 24% and 71%, respectively.

C. Related Parties

Under the Fund's Investment Management Agreement (the "Agreement") with Zurich Scudder Investments, Inc., formerly Scudder Kemper Investments, Inc., (the "Advisor"), the Fund agrees to pay the Advisor a fee, based on average daily net assets, equal to an annual rate of .475% for the Growth and Income Portfolio, .975% for the Global Discovery Portfolio, .875% for the 21st Century Growth Portfolio, .475% for the first \$500,000,000, .450% for the next \$500,000,000, and .425% over \$1,000,000,000 for the Capital Growth Portfolio, and .875% for the first \$500,000,000, .725% over \$500,000,000 for the International Portfolio, computed and accrued daily and payable monthly. The equivalent annual effective rate for the Capital Growth Portfolio and the International Portfolio was .46% and .82%, respectively. As manager of the assets of each Portfolio, the Advisor directs the investments of the Portfolios in accordance with their respective investment objectives, policies and restrictions. The Advisor determines the securities, instruments and other contracts relating to investments to be purchased, sold or entered into by the Portfolios. In addition to portfolio management services, the Advisor provides certain administrative services in accordance with the Agreement.

The Trustees authorized the Fund on behalf of each Portfolio to pay Scudder Fund Accounting Corp., a subsidiary of the Advisor, for determining the daily net asset value per share and maintaining the portfolio and general accounting records of the Fund. Scudder Service Corporation, a subsidiary of the Advisor, is the transfer and shareholder service agent of the Fund.

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

Related fees for such services are detailed in each Portfolio's statement of operations.

Until April 30, 2001, the Advisor has agreed to maintain the expenses for the 21st Century Growth Portfolio, excluding 12b-1 fees, to the extent necessary so that the Portfolio's expenses are maintained at 1.50% of average daily net assets. Effective May 1, 2000 and until April 30, 2001, the Advisor has agreed to maintain the expenses for the Global Discovery Portfolio, excluding 12b-1 fees, to the extent necessary so that the Portfolio's expenses are maintained at 1.25% of average daily net assets.

The Fund pays each Trustee not affiliated with the Advisor an annual retainer plus specified amounts for attended board and committee meetings. Allocated Trustees' fees and expenses for each Portfolio for the year ended December 31, 2000 are detailed in each Portfolio's statement of operations.

D. Line of Credit

The Fund and several affiliated Funds (the "Participants") share in a \$1 billion revolving credit facility for temporary or emergency purposes, including the meeting of redemption requests that otherwise might require the untimely disposition of securities. The Participants are charged an annual commitment fee which is allocated, pro rata based on net assets, among each of the Participants. Interest is calculated based on the market rates at the time of the borrowing. Each Portfolio may borrow up to a maximum of 33 percent of its net assets under the agreement.

E. Expense Off-Set Arrangements

The Growth and Income Portfolio, Capital Growth Portfolio and 21st Century Growth Portfolio have entered into an arrangement with their custodian whereby credits as a result of uninvested cash balances were used to reduce a portion of the Portfolios' expense. During the year ended December 31, 2000, the custodian fees were reduced as follows:

	Custody Credits (\$)
Growth and Income Portfolio	649
Capital Growth Portfolio	3,424
21 st Century Growth Portfolio	15,482

Report of Independent Accountants

To the Trustees and Shareholders of Scudder Variable Life Investment Fund:

In our opinion, the accompanying statements of assets and liabilities, including the investment portfolios, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of the five Portfolios (identified in Note A) of Scudder Variable Life Investment Fund (the “Fund”) at December 31, 2000, the results of their operations, the changes in their net assets, and the financial highlights for the periods indicated therein, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as “financial statements”) are the responsibility of the Fund’s management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2000 by correspondence with the custodians, provide a reasonable basis for our opinion.

Boston, Massachusetts
February 12, 2001

PricewaterhouseCoopers LLP

The Growth and Income Portfolio, Capital Growth Portfolio, Global Discovery Portfolio and International Portfolio paid distributions of \$0.21, \$3.00, \$0.35 and \$1.49 per share, respectively, from net long-term capital gains during the year ended December 31, 2000, of which 100% represents 20% rate gains.

Pursuant to section 852 of the Internal Revenue Code, the Growth and Income Portfolio, Capital Growth Portfolio, Global Discovery Portfolio, and International Portfolio designate \$4,480,000, \$119,495,000, \$3,300,000 and \$136,914,000, respectively, as capital gain dividends for the year ended December 31, 2000, of which 100% represents 20% rate gains.

Pursuant to section 854 of the Internal Revenue Code, the percentages of income dividends paid in calendar year 2000 which qualify for the dividends received deduction are as follows: Growth and Income Portfolio 94%, Capital Growth Portfolio 100% and Global Discovery Portfolio 16%.

The International Portfolio paid foreign taxes of \$1,309,749 and earned \$3,893,617 of foreign source income during the year ended December 31, 2000. Pursuant to section 853 of the Internal Revenue Code, the International Portfolio designates \$0.03 per share as foreign taxes paid and \$0.08 per share as income earned from foreign sources for the year ended December 31, 2000.

Please consult a tax advisor if you have questions about federal or state income tax laws, or on how to prepare your tax returns. If you have specific questions about your account, please call 1-800-SCUDDER.

Notes

About the Fund's Advisor

Zurich Scudder Investments, Inc., a leading global investment management firm, is a member of the Zurich Financial Services Group. Zurich Scudder Investments is one of the largest and most experienced investment management organizations in the world, managing more than USD 360 billion in assets for corporate clients, retirement and pension plans, insurance companies, mutual fund investors, and individuals worldwide. Headquartered in New York, Zurich Scudder Investments offers a full range of investment counsel and asset management capabilities, based on a combination of proprietary research and disciplined, long-term investment strategies.

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



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

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

VLI-A-120
Form-V

The Alger American Fund

**Alger American
Leveraged AllCap Portfolio**

Annual Report

December 31, 2000



Fellow Shareholders:

January 13, 2001

THE YEAR IN REVIEW

In each of the five years prior to 2000, the U.S. stock market posted yearly gains of more than 20%, an unprecedented record of consecutive double-digit returns. Last year saw a break in the market's momentum. For the year ended December 31, 2000, the S&P 500 Index fell 9.10% while the technology laden Nasdaq Composite fell 39.29%. Growth stocks, which have led the market in recent years, faltered in 2000 while value stocks posted slight gains. The S&P 500/Barra Growth Index fell 22.08% for the year while the S&P 500/Barra Value Index rose 6.08%.

ECONOMIC SHOCKS SQUEEZE CORPORATE EARNINGS

Much of the stock market's volatility since March 2000, when stock market indices hovered near their highs, has been the result of investor uncertainty about the strength of the economy and the prospect of slower corporate earnings growth.

During the second quarter all of the major market indexes posted declines as investors responded to the Federal Reserve's bias towards higher interest rates, which culminated with a 50-basis point increase in May. At the end of June the S&P 500 Index posted a year to date decline of 0.42%, while the Nasdaq was down 2.54%.

From the beginning of July through most of August, stocks traded in a narrow range as investors awaited clearer signals on the direction of future interest rate movements. Data for the second quarter showed a 5.6% increase in GDP, however the Federal Open Market Committee (FOMC) held rates steady in August and stocks enjoyed a brief rally into September before external factors came to bear on the market.

First, prices of crude oil rose dramatically as inventories fell. On September 18, crude oil prices reached above their 10-year highs set during the Gulf War, rising above \$37 a barrel in intraday trading. Declining inventories and increased demand also sent natural gas prices soaring more than 25%. Increased production by OPEC nations and the release of emergency U.S. reserves helped stabilize prices but by the end of October prices were still above \$30 a barrel. Meanwhile, on September 15th, the euro fell to a low of \$0.85, down 27% from its high of \$1.17 at its introduction in January 1999. Intervention by central banks to support the currency temporarily halted the currency's slide but in October the currency reached a new low of \$0.82.

As the effects of these shocks on corporate earnings became apparent, large-capitalization growth stocks fell sharply. Sectors hurt most by rising energy prices included shipping companies and raw materials processors, which are heavy users of energy. Manufacturers and consumer companies that derive significant revenue from European markets were affected by the translation of sales denominated in euros into U.S. dollars.

In the technology sector, weaker year-over-year sales increases in personal computers resulted in slower earnings growth from PC manufacturers. Internet stocks also reported earnings shortfalls as retail e-commerce growth failed to meet expectations.

As the year drew to a close, the economy and the election took center stage. With the outcome of the election uncertain the financial markets traded in a narrow range during most of November. However, economic data releases in November and December showed GDP growth had slowed to 2.2% in the third quarter and the Consumer Confidence Index was at its lowest level in over a year. Consumer spending, representing about two-thirds of GDP growth in recent years, rose only 0.2% in October while personal income showed a decline for the first time in nearly two years. Fears that the economy was slowing more rapidly than expected were confirmed by a lackluster holiday shopping season, with major retailers reporting weak sales during the final weeks of December.

Against this backdrop, stock prices fell sharply in the fourth quarter, contributing much of the year's declines. The S&P 500 was down 8.09% from October through December while the Nasdaq Composite fell 32.74%.

In the fixed income markets, the yield curve was inverted during much of the year, with long-term bonds offering lower yields than two- to ten-year bond issues. During the year, the Treasury repurchased \$30 billion of debt, making longer-term Treasury bonds scarce and depressing yields. The benchmark 30-year government bond yield ended 2000 a full percentage point below year-ago levels. The yield spread between corporate and Treasury issues widened during the year reflecting the increased risk posed by a slower economy and declining corporate earnings. At year end, high quality corporate bonds offered yields about 2.5 percentage points higher than comparable Treasury issues.

For the twelve months ended December 31, 2000 the Alger American Leveraged AllCap Portfolio fell 24.83% compared to a decline of 9.10% for the S&P 500 Index. The Portfolio's aggressive stance and overweighting in technology stocks relative to its benchmark resulted in the Portfolio's under-performance. The Portfolio's holdings in Internet and technology stocks came under pressure with the general decline in technology issues during the year, while healthcare, financial, food, and energy stocks contributed gains. During the second half of the year the Portfolio's holdings in technology stocks were reduced in favor of new investments in stocks that are positioned to sustain earnings in a period of slower economic growth. New investments also included positions in biotechnology stocks offering strong growth potential from product development efforts.

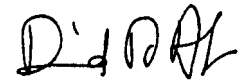
LOOKING AHEAD

Higher energy costs continue to represent a drag on the economy and may have kept the FOMC from lowering interest rates at its December 19 meeting. The FOMC held rates steady but noted that it is now most concerned about watching for signs of excessive slowdown rather than potential inflation. The FOMC's stance was widely seen as setting the stage for a series of short-term interest rate cuts in 2001 and in fact, the Federal Reserve cut short-term interest rates one-half percent in a surprise announcement during the first week in January. Looking ahead, we may have one or two weak quarters while the effects of lower interest rates work their way through the economy, but the year 2001 as a whole is expected to show positive growth.

Lower interest rates will set the stage for quality companies to sustain corporate earnings growth, and should lead to a rally in bond prices and resurgence in stock prices. The prospect of a tax cut in 2001 is also

higher given the current economy and would, if enacted, help stimulate future economic growth. We believe that judicious investments in growth stocks will offer new opportunities for gain, as the economy stabilizes. In this environment, The Alger American Fund will continue to seek investments in quality companies that offer superior growth potential, consistent with our fundamental approach to security selection.

Respectfully submitted,



David D. Alger
President

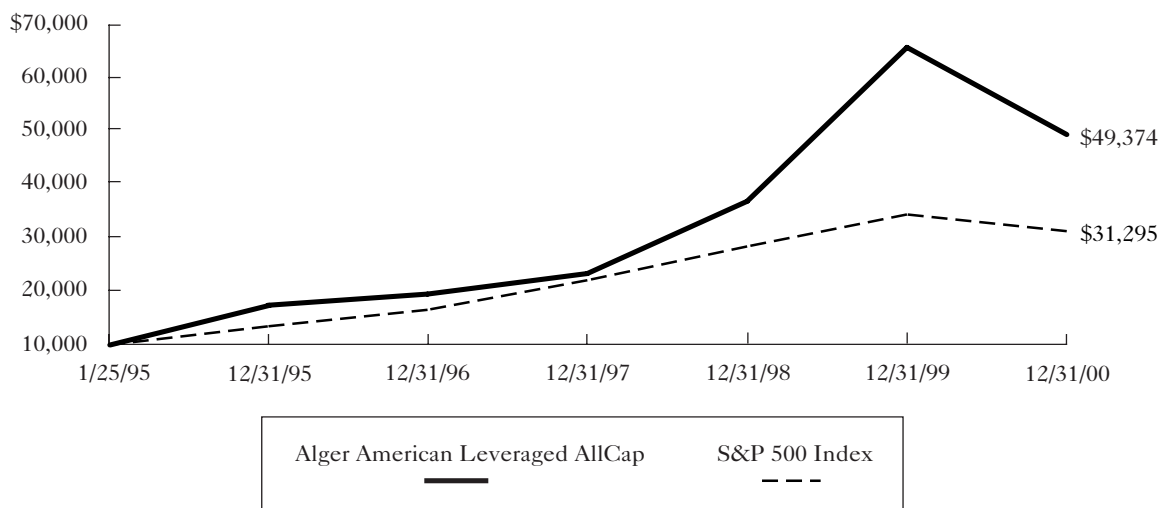
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ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO

Portfolio Highlights Through December 31, 2000 (Unaudited)

HYPOTHETICAL \$10,000 INVESTMENT FROM JANUARY 25, 1995 TO DECEMBER 31, 2000



The chart above illustrates the growth in value of a hypothetical \$10,000 investment made in the Alger American Leveraged AllCap Portfolio and the S&P 500 Index on January 25, 1995, the inception date of the Alger American Leveraged AllCap Portfolio, through December 31, 2000. The figures for both the Alger American Leveraged AllCap Portfolio and the S&P 500 Index, an unmanaged index of common stocks, include reinvestment of dividends.

PERFORMANCE COMPARISON THROUGH December 31, 2000

	Average Annual Total Returns		
	1 Year	5 Years	Since Inception 1/25/95
Alger American Leveraged AllCap Portfolio	(24.83%)	23.15%	30.86%
S&P 500 Index	(9.10%)	18.33%	21.19%

Performance figures do not reflect deduction of insurance charges against assets or annuities. If these charges were deducted, the total return figures would be lower. Past performance does not guarantee future results.

THE ALGER AMERICAN FUND
ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO
SCHEDULE OF INVESTMENTS—DECEMBER 31, 2000

<u>Shares</u>	<u>COMMON STOCKS—89.4%</u>	<u>Value</u>	<u>Shares</u>	<u>Value</u>
	AEROSPACE—1.1%			
46,300	General Dynamics Corporation	\$ 3,611,400	70,000	Research in Motion Limited*
20,950	United Technologies Corporation	<u>1,647,194</u>		\$ 5,600,000
		<u>5,258,594</u>		
	BIOTECHNOLOGY RESEARCH & PRODUCTION—7.0%		294,500	CONGLOMERATE—4.0%
53,900	Affymetrix Inc.*†	4,012,181	91,300	General Electric Company
261,550	Amgen Inc.*†	16,722,853		14,117,594
72,000	Celgene Corporation*	2,340,000		Tyco International Ltd.
162,000	Immunex Corp.*	6,581,250		<u>5,067,150</u>
110,000	QIAGEN N.V.*†	<u>3,805,313</u>		<u>19,184,744</u>
		<u>33,461,597</u>		
	CABLE—1.8%		114,350	ENERGY & ENERGY SERVICES—1.4%
201,400	Comcast Corp., Cl. A Special*	<u>8,408,450</u>	400,733	Calpine Corporation*
			108,850	Duke Energy Corporation
	COMMUNICATION EQUIPMENT—7.1%		41,000	<u>3,988,031</u>
351,200	Cisco Systems, Inc.*	13,433,400	130,000	2,770,625
219,950	Nortel Networks Corporation	7,052,146	236,400	<u>6,758,656</u>
164,100	QUALCOMM Inc.*	<u>13,486,969</u>	57,650	
		<u>33,972,515</u>		
	COMMUNICATIONS TECHNOLOGY—4.8%			FINANCIAL SERVICES—13.4%
235,700	America Online, Inc.*	8,202,360		The Bank of New York Company, Inc.
80,000	McLeodUSA Incorporated Cl. A*†	1,130,000		6,310,691
309,550	Nokia Corporation, ADR	<u>13,465,424</u>		20,462,429
		<u>22,797,784</u>		12,735,450
				2,795,687
	COMPUTER RELATED & BUSINESS EQUIPMENT—5.0%			10,302,500
209,700	Dell Computer Corporation*	3,656,644		6,707,850
131,200	EMC Corporation*	8,724,800		2,223,359
415,200	Sun Microsystems, Inc.*	<u>11,573,700</u>		<u>2,273,572</u>
		<u>23,955,144</u>		<u>63,811,538</u>
	COMPUTER SERVICES—3.7%			
113,000	Amdocs Limited*	7,486,250		FOOD—1.1%
305,400	eBay Inc.*	<u>10,078,200</u>		Philip Morris Companies Inc.†
		<u>17,564,450</u>		<u>5,299,800</u>
	COMPUTER SOFTWARE—9.4%			FOOD CHAINS—2.2%
159,350	Ariba, Inc.*	8,545,144		Safeway Inc.*
115,300	Commerce One, Inc.*	2,918,531		<u>10,681,250</u>
179,000	i2 Technologies, Inc.*†	9,733,125		
136,700	Microsoft Corporation*	5,929,363		HEALTH CARE ADMINISTRATIVE SERVICES—1.2%
172,700	Openwave Systems Inc.*	8,278,806		Cardinal Health, Inc.
318,400	Oracle Corporation*	<u>9,253,500</u>		<u>5,818,100</u>
		<u>44,658,469</u>		
				INSURANCE—3.9%
				American International Group, Inc.
				<u>18,673,158</u>
				MANUFACTURING—2.7%
				Sanmina Corporation*
				3,151,202
				Solectron Corporation*
				<u>9,573,360</u>
				<u>12,724,562</u>
				MEDIA—.5%
				AT&T Corp. Liberty Media Group, Series A*
				<u>2,218,825</u>
				PHARMACEUTICALS—12.0%
				American Home Products Corporation
				14,069,970
				Baxter International Inc.
				10,911,009
				Eli Lilly and Company
				11,376,891
				Genzyme Corp General Division*
				2,284,413
				Pfizer Inc.
				14,622,802
				Pharmacia Corporation
				<u>3,818,600</u>
				<u>57,083,685</u>

THE ALGER AMERICAN FUND
ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO
SCHEDULE OF INVESTMENTS—DECEMBER 31, 2000 (Cont'd)

<u>Shares</u>	COMMON STOCKS (Cont'd)	<u>Value</u>		<u>Value</u>
	RETAIL—4.6%		SECURITIES HELD UNDER	
236,550	Home Depot, Inc.	\$ 10,807,378	REPURCHASE AGREEMENTS—4.5%	
206,400	Wal-Mart Stores, Inc.	<u>10,965,000</u>	Securities Held Under Repurchase	
		<u>21,772,378</u>	Agreements, 5.90%–6.56%, 1/2/01, with	
			Bear, Stearns & Co. Inc., dtd 12/29/00,	
			repurchase price \$21,651,530; collateralized	
			by \$74,925,000 U.S. Treasury Strips, 0%,	
			due 11/15/21-8/15/22	\$ 21,637,328
	SEMICONDUCTORS—1.3%		Total Short-Term Investments	
151,250	Altera Corporation*	3,979,766	(Cost \$46,551,728)	<u>46,551,728</u>
100,000	Microchip Technology Incorporated*	<u>2,193,750</u>		
		<u>6,173,516</u>	Total Investments	
	Total Common Stocks		(Cost \$508,093,817)(b)	99.1% 472,428,943
	(Cost \$461,542,089)	<u>425,877,215</u>	Other Assets in Excess of Liabilities	<u>0.9 4,088,143</u>
			Net Assets	<u>100.0% \$476,517,086</u>
<u>Principal Amount</u>	SHORT-TERM INVESTMENTS—9.7%			
	SHORT-TERM CORPORATE NOTES—4.2%			
\$ 9,000,000	Cardinal Health, Inc.,			
	6.40%, 2/14/01(a)	8,931,200		
1,000,000	Nationwide Building Society,			
	6.40%, 2/8/01	993,422		
10,000,000	Verizon Network Funding Corp.,			
	6.55%, 1/3/01	<u>9,998,181</u>		
	Total Short-Term Corporate Notes			
	(Cost \$19,922,803)	<u>19,922,803</u>		
	U.S. GOVERNMENT &			
	AGENCY OBLIGATIONS—1.0%			
5,000,000	Federal Home Loan Bank			
	6.05%, 1/12/01			
	(Cost \$4,991,597)	<u>4,991,597</u>		

* Non-income producing security.

† Securities partially or fully on loan.

(a) Pursuant to Securities and Exchange Commission Rule 144A, these securities may be sold prior to their maturity only to qualified institutional buyers.

(b) At December 31, 2000, the net unrealized depreciation on investments, based on cost for federal income tax purposes of \$508,093,817, amounted to \$35,664,874 which consisted of aggregate gross unrealized appreciation of \$29,062,754 and aggregate gross unrealized depreciation of \$64,727,628.

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO
FINANCIAL HIGHLIGHTS

For a share outstanding throughout the year

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

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

See Notes to Financial Statements.

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

December 31, 2000

Assets:	
Investments in securities, at value (identified cost*)—see accompanying schedule of investments	\$472,428,943
Receivable for investment securities sold	4,023,080
Receivable for shares of beneficial interest sold	1,016,345
Interest and dividends receivable	287,475
Total Assets	477,755,843
Liabilities:	
Payable for securities loaned	241,669
Payable for shares of beneficial interest redeemed	580,927
Accrued investment management fees	357,614
Accrued expenses	58,547
Total Liabilities	1,238,757
Net Assets	\$476,517,086
Net Assets Consist of:	
Paid-in capital	\$523,493,443
Undistributed net investment income (accumulated loss)	(169,009)
Undistributed net realized gain/(loss)	(11,142,474)
Net unrealized appreciation (depreciation)	(35,664,874)
Net Assets	\$476,517,086
Shares of beneficial interest outstanding—Note 6	12,280,773
Net Asset Value Per Share	\$ 38.80
*Identified cost	\$508,093,817

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO
STATEMENT OF OPERATIONS

For the year ended December 31, 2000

INVESTMENT INCOME	
Income:	
Interest	\$ 3,171,371
Dividends	1,178,695
Total Income	4,350,066
Expenses:	
Management fees—Note 3(a)	4,252,969
Custodian fees	126,480
Transfer agent fees	50,035
Professional fees	24,852
Trustees' fees	2,778
Miscellaneous	61,961
Total Expenses	4,519,075
Net Investment Income (Loss)	(169,009)
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	
Net realized loss on investments	(9,797,650)
Net change in unrealized appreciation (depreciation) on investments	(146,120,530)
Net realized and unrealized gain (loss) on investments	(155,918,180)
NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$(156,087,189)

See Notes to Financial Statements.

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

For the year ended December 31, 2000

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

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

For the year ended December 31, 1999

Net investment income (loss)	\$ (921,348)
Net realized gain on investments	47,112,154
Net change in unrealized appreciation (depreciation) on investments	80,489,142
Net increase in net assets resulting from operations	126,679,948
Dividends to shareholders:	
Net realized gains	(10,215,601)
Net increase from shares of beneficial interest transactions—Note 6	144,325,873
Total increase	260,790,220
Net Assets	
Beginning of year	101,709,525
End of year	\$362,499,745
Undistributed net investment income (accumulated loss)	\$ (1,219,985)

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO
NOTES TO FINANCIAL STATEMENTS

December 31, 2000

NOTE 1—General:

The Alger American Fund (the “Fund”) is a diversified, open-end registered investment company organized as a business trust under the laws of the Commonwealth of Massachusetts. The Fund operates as a series company currently issuing six series of shares of beneficial interest: American Growth Portfolio, American Small Capitalization Portfolio, American Income and Growth Portfolio, American Balanced Portfolio, American MidCap Growth Portfolio and American Leveraged AllCap Portfolio. These financial statements include only the American Leveraged AllCap Portfolio (the “Portfolio”). The Portfolio invests primarily in equity securities and has an investment objective of long-term capital appreciation. Shares of the Portfolio are available and are being marketed exclusively as a pooled funding vehicle for qualified retirement plans and for life insurance companies writing all types of variable annuity contracts and variable life insurance policies.

NOTE 2—Significant Accounting Policies:

(a) *Investment Valuation:* Investments of the Portfolio are valued on each day the New York Stock Exchange (“NYSE”) is open as of the close of the NYSE (normally 4:00 p.m. Eastern time). Listed and unlisted securities for which such information is regularly reported are valued at the last reported sales price or, in the absence of reported sales, at the mean between the bid and the asked price, or, in the absence of a recent bid or asked price, the equivalent as obtained from one or more of the major market makers for the securities to be valued.

Securities for which market quotations are not readily available are valued according to procedures established by the Board of Trustees to determine fair value in good faith.

Securities having a remaining maturity of sixty days or less are valued at amortized cost which approximates market value.

(b) *Security Transactions and Investment Income:* Security transactions are recorded on a trade date basis. Resulting receivables and payables are carried at amounts which approximate fair value. Realized gains and losses from security transactions are recorded on the identified cost basis. Dividend income is recognized on the ex-dividend date and interest income is recognized on the accrual basis.

(c) *Repurchase Agreements:* The Portfolio enters into repurchase agreements with approved institutions. 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. At December 31, 2000, the value of securities loaned and collateral received thereon were \$7,244,965 and \$7,385,770, respectively.

(e) *Dividends to Shareholders:* Dividends and distributions payable to shareholders are recorded by the Portfolio on the ex-dividend date.

Dividends from net investment income are declared and paid annually.

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

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

At December 31, 2000, the Portfolio reclassified \$1,219,985 from undistributed net investment loss to accumulated undistributed net realized gain and paid-in capital. 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 the taxable income, including net realized capital gains, to its shareholders. Therefore, no federal income tax provision is required. The Portfolio

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

December 31, 2000

is treated as a separate entity for the purpose of determining such compliance.

(g) *Expenses:* The Fund accounts separately for the assets, liabilities and operations of each portfolio. Expenses directly attributable to each portfolio are charged to that portfolio's operations; expenses which are applicable to all portfolios are allocated among them.

(h) *Other:* These financial statements have been prepared using estimates and assumptions that affect the reported amounts therein. Actual results may differ from those estimates.

NOTE 3—Investment Management Fees and Other Transactions with Affiliates:

(a) *Investment Management Fees:* Fees incurred by the Portfolio, pursuant to the provisions of its Investment Management Agreement (the "Agreement") with Fred Alger Management, Inc. ("Alger Management"), are payable monthly and computed based on the average daily net assets of the Portfolio at the annual rate of .85%.

The Agreement further provides that if in any fiscal year the aggregate expenses, excluding interest, taxes, brokerage commissions, and extraordinary expenses, exceed 1.50% of the average daily net assets of the Portfolio, Alger Management will reimburse the Portfolio for the excess expenses.

(b) *Brokerage Commissions:* During the year ended December 31, 2000, the Portfolio paid Fred Alger & Company, Incorporated ("Alger Inc.") \$573,545 in connection with securities transactions.

(c) *Transfer Agency Fees:* The Portfolio has entered into a transfer agency agreement with Alger Shareholder Services, Inc. ("Services"), an affiliate of Alger Management, whereby Services will act as transfer agent for the Portfolio.

(d) Certain trustees and officers of the Portfolio are directors and officers of Alger Management, Alger Inc. and Services.

NOTE 4—Securities Transactions:

Purchases and sales of securities, other than short-term securities, of the Portfolio for the year ended December 31, 2000, were \$835,353,800 and \$587,654,711, 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 year ended December 31, 2000, the Portfolio had no such borrowings.

NOTE 6—Share Capital:

The Fund has an unlimited number of authorized shares of beneficial interest of \$.001 par value.

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

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

During the year ended December 31, 1999, transactions of shares of beneficial interest for the Portfolio were as follows:

	<u>Shares</u>	<u>Amount</u>
Shares sold	4,701,044	\$202,660,204
Dividends reinvested	263,906	10,147,195
	<u>4,964,950</u>	<u>212,807,399</u>
Shares redeemed	(1,626,596)	(68,481,526)
Net increase	<u>3,338,354</u>	<u>\$144,325,873</u>

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and Board of Trustees of The Alger American Fund:

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of the Alger American Leveraged AllCap Portfolio (one of the portfolios constituting The Alger American Fund, a Massachusetts business trust) as of December 31, 2000, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights. Our procedures included confirmation of securities owned as of December 31, 2000, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the Alger American Leveraged AllCap Portfolio of The Alger American Fund as of December 31, 2000, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

New York, New York
January 31, 2001

The Alger American Fund

**Alger American
Balanced Portfolio**

Annual Report

December 31, 2000



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THE YEAR IN REVIEW

In each of the five years prior to 2000, the U.S. stock market posted yearly gains of more than 20%, an unprecedented record of consecutive double-digit returns. Last year saw a break in the market's momentum. For the year ended December 31, 2000, the S&P 500 Index fell 9.10% while the technology laden Nasdaq Composite fell 39.29%. Growth stocks, which have led the market in recent years, faltered in 2000 while value stocks posted slight gains. The S&P 500/Barra Growth Index fell 22.08% for the year while the S&P 500/Barra Value Index rose 6.08%.

ECONOMIC SHOCKS SQUEEZE CORPORATE EARNINGS

Much of the stock market's volatility since March 2000, when stock market indices hovered near their highs, has been the result of investor uncertainty about the strength of the economy and the prospect of slower corporate earnings growth.

During the second quarter all of the major market indexes posted declines as investors responded to the Federal Reserve's bias towards higher interest rates, which culminated with a 50-basis point increase in May. At the end of June the S&P 500 Index posted a year to date decline of 0.42%, while the Nasdaq was down 2.54%.

From the beginning of July through most of August, stocks traded in a narrow range as investors awaited clearer signals on the direction of future interest rate movements. Data for the second quarter showed a 5.6% increase in GDP, however the Federal Open Market Committee (FOMC) held rates steady in August and stocks enjoyed a brief rally into September before external factors came to bear on the market.

First, prices of crude oil rose dramatically as inventories fell. On September 18, crude oil prices reached above their 10-year highs set during the Gulf War, rising above \$37 a barrel in intraday trading. Declining inventories and increased demand also sent natural gas prices soaring more than 25%. Increased production by OPEC nations and the release of emergency U.S. reserves helped stabilize prices but by the end of October prices were still above \$30 a barrel. Meanwhile, on September 15th, the euro fell to a low of \$0.85, down 27% from its high of \$1.17 at its introduction in January 1999. Intervention by central banks to support the currency temporarily halted the currency's slide but in October the currency reached a new low of \$0.82.

As the effects of these shocks on corporate earnings became apparent, large-capitalization growth stocks fell sharply. Sectors hurt most by rising energy prices included shipping companies and raw materials processors, which are heavy users of energy. Manufacturers and consumer companies that derive significant revenue from European

markets were affected by the translation of sales denominated in euros into U.S. dollars.

In the technology sector, weaker year-over-year sales increases in personal computers resulted in slower earnings growth from PC manufacturers. Internet stocks also reported earnings shortfalls as retail e-commerce growth failed to meet expectations.

As the year drew to a close, the economy and the election took center stage. With the outcome of the election uncertain the financial markets traded in a narrow range during most of November. However, economic data releases in November and December showed GDP growth had slowed to 2.2% in the third quarter and the Consumer Confidence Index was at its lowest level in over a year. Consumer spending, representing about two-thirds of GDP growth in recent years, rose only 0.2% in October while personal income showed a decline for the first time in nearly two years. Fears that the economy was slowing more rapidly than expected were confirmed by a lackluster holiday shopping season, with major retailers reporting weak sales during the final weeks of December.

Against this backdrop, stock prices fell sharply in the fourth quarter, contributing much of the year's declines. The S&P 500 was down 8.09% from October through December while the Nasdaq Composite fell 32.74%.

In the fixed income markets, the yield curve was inverted during much of the year, with long-term bonds offering lower yields than two- to ten-year bond issues. During the year, the Treasury repurchased \$30 billion of debt, making longer-term Treasury bonds scarce and depressing yields. The benchmark 30-year government bond yield ended 2000 a full percentage point below year-ago levels. The yield spread between corporate and Treasury issues widened during the year reflecting the increased risk posed by a slower economy and declining corporate earnings. At year end, high quality corporate bonds offered yields about 2.5 percentage points higher than comparable Treasury issues.

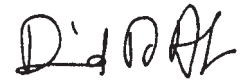
The Alger American Balanced Portfolio's total return for the year ended December 31, 2000, was -2.76% compared to a decrease of 9.10% for the S&P 500 Index and an increase of 11.84% for the Lehman Brothers Government/Corporate Bond Index. The Portfolio took advantage of a relatively stable bond market to offset weakness in the equity market. During the year, the Portfolio maintained a ratio of approximately 60/40 common stocks to debt securities. Portfolio holdings in energy and healthcare stocks contributed to the Portfolio's gains during the year while semiconductor and Internet holdings posted declines.

LOOKING AHEAD

Higher energy costs continue to represent a drag on the economy and may have kept the FOMC from lowering interest rates at its December 19 meeting. The FOMC held rates steady but noted that it is now most concerned about watching for signs of excessive slowdown rather than potential inflation. The FOMC's stance was widely seen as setting the stage for a series of short-term interest rate cuts in 2001 and in fact, the Federal Reserve cut short-term interest rates one-half percent in a surprise announcement during the first week in January. Looking ahead, we may have one or two weak quarters while the effects of lower interest rates work their way through the economy, but the year 2001 as a whole is expected to show positive growth.

Lower interest rates will set the stage for quality companies to sustain corporate earnings growth, and should lead to a rally in bond prices and resurgence in stock prices. The prospect of a tax cut in 2001 is also higher given the current economy and would, if enacted, help stimulate future economic growth. We believe that judicious investments in growth stocks will offer new opportunities for gain, as the economy stabilizes. In this environment, The Alger American Fund will continue to seek investments in quality companies that offer superior growth potential, consistent with our fundamental approach to security selection.

Respectfully submitted,



David D. Alger
President

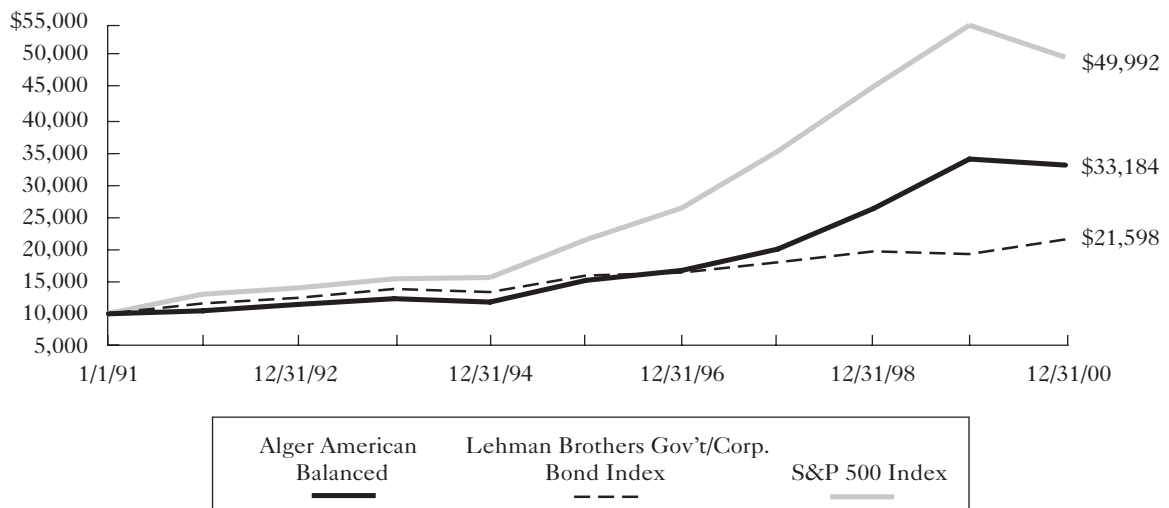
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ALGER AMERICAN BALANCED PORTFOLIO

Portfolio Highlights Through December 31, 2000 (Unaudited)

HYPOTHETICAL \$10,000 INVESTMENT—10 Years Ended December 31, 2000



The chart above illustrates the growth in value of a hypothetical \$10,000 investment made in the Alger American Balanced Portfolio, the S&P 500 Index, and the Lehman Brothers Government/Corporate Bond Index for the ten years ended December 31, 2000. Figures for the Alger American Balanced Portfolio, the S&P 500 Index, an unmanaged index of common stocks, and the Lehman Brothers Government/Corporate Bond Index, an unmanaged index of government and corporate bonds, include reinvestment of dividends and/or interest.

PERFORMANCE COMPARISON THROUGH December 31, 2000

	Average Annual Total Returns			
	1 Year	5 Years	10 Years	Since Inception 9/5/89
Alger American Balanced Portfolio	(2.76%)	16.88%	12.74%	12.06%
S&P 500 Index	(9.10%)	18.33%	17.46%	15.12%
Lehman Brothers Gov't/Corp. Bond Index	11.84%	6.23%	8.00%	8.16%

Performance figures do not reflect deduction of insurance charges against assets or annuities. If these charges were deducted, the total return figures would be lower. Past performance does not guarantee future results.

THE ALGER AMERICAN FUND
ALGER AMERICAN BALANCED PORTFOLIO
SCHEDULE OF INVESTMENTS—DECEMBER 31, 2000

<u>Shares</u>	COMMON STOCKS—49.1%	<u>Value</u>	<u>Shares</u>	<u>Value</u>
	ADVERTISING—.4%			CONGLOMERATE—3.6%
5,900	Omnicom Group Inc.	\$ 488,963	42,300	General Electric Company
			39,000	Tyco International Ltd.
	AEROSPACE—1.7%			<u>4,192,256</u>
5,000	General Dynamics Corporation	390,000		ENERGY & ENERGY SERVICES—3.8%
19,850	United Technologies Corporation	<u>1,560,706</u>	8,900	BJ Services Company*
		<u>1,950,706</u>	14,900	Calpine Corporation*
	AUTOMOTIVE—.4%		3,600	Duke Energy Corporation
11,400	Harley-Davidson, Inc.	<u>453,150</u>	38,650	Halliburton Company
	BEVERAGES—1.0%		10,600	Nabors Industries, Inc.*
19,050	The Coca-Cola Company	<u>1,160,859</u>	17,850	Transocean Sedco Forex Inc.
				<u>4,440,470</u>
	BIOTECHNOLOGY RESEARCH & PRODUCTION—1.7%			FINANCIAL SERVICES—4.9%
30,000	Amgen Inc.*†	<u>1,918,125</u>	4,500	American Express Company
	CABLE—.8%		40,266	Citigroup Inc.
10,000	Comcast Corp., Cl. A Special*	417,500	8,050	Marsh & McLennan Companies, Inc.
9,400	Time Warner Inc.	<u>491,056</u>	8,900	Merrill Lynch & Co., Inc.
		<u>908,556</u>	21,450	Schwab (Charles) Corporation (The)
	COMMUNICATION EQUIPMENT—1.5%		18,600	Stilwell Financial Inc.
34,400	Cisco Systems, Inc.*	1,315,800	9,300	Washington Mutual, Inc.
7,900	Corning Incorporated	<u>417,219</u>		<u>5,687,683</u>
		<u>1,733,019</u>		FOOD—1.5%
	COMMUNICATION SERVICES—.5%		38,900	Philip Morris Companies Inc.†
12,200	SBC Communications Inc.	<u>582,550</u>		FOOD CHAINS—1.5%
	COMMUNICATIONS TECHNOLOGY—.9%		20,900	The Kroger Co.*
15,200	America Online, Inc.*	528,960	19,400	Safeway Inc.*
10,200	Exodus Communications, Inc.*	204,000		<u>1,212,500</u>
7,600	Nokia Corporation ADR	<u>330,600</u>		<u>1,778,106</u>
		<u>1,063,560</u>		HEALTH CARE ADMINISTRATIVE SERVICES—1.8%
	COMPUTER RELATED & BUSINESS EQUIPMENT—3.6%		21,100	Cardinal Health, Inc.
86,800	Dell Computer Corporation*	1,513,575		INSURANCE—1.1%
23,550	EMC Corporation*	1,566,075	12,800	American International Group, Inc.
39,300	Sun Microsystems, Inc.*	<u>1,095,488</u>		MANUFACTURING—1.5%
		<u>4,175,138</u>	9,000	Sanmina Corporation*
	COMPUTER SERVICES—1.0%		29,700	Solectron Corporation*
33,400	eBay Inc.*	<u>1,102,200</u>		<u>1,696,455</u>
	COMPUTER SOFTWARE—3.2%			MEDIA—1.2%
6,000	Ariba, Inc.*	321,750	29,400	AT&T Corp. Liberty Media Group, Series A* ..
13,200	Commerce One, Inc.*	334,125	21,700	Viacom Inc. Cl. B*
4,840	i2 Technologies, Inc.*†	263,175		<u>1,413,213</u>
9,900	Intuit Inc.*	390,431		MEDICAL DEVICES—.5%
38,200	Microsoft Corporation*	1,656,925	10,950	Guidant Corporation*
27,000	Oracle Corporation*	<u>784,688</u>		<u>590,615</u>
		<u>3,751,094</u>	24,600	OIL & GAS—1.9%
				Exxon Mobil Corporation
				<u>2,138,663</u>

THE ALGER AMERICAN FUND
ALGER AMERICAN BALANCED PORTFOLIO
SCHEDULE OF INVESTMENTS—DECEMBER 31, 2000 (Cont'd)

Shares	COMMON STOCKS (Cont'd)	Value	Principal Amount	Value
	PHARMACEUTICALS—6.4%			
7,000	Abbott Laboratories	\$ 339,063	\$ 500,000	
11,000	ALZA Corporation*†	467,500		
34,188	American Home Products Corporation	2,172,647		
22,400	Baxter International Inc.	1,978,200	400,000	
46,475	Pfizer Inc.	2,137,850		
5,400	Pharmacia Corporation	329,400	500,000	
		<u>7,424,660</u>		
	RETAIL—1.7%			
10,800	Best Buy Co., Inc.*	319,275		
18,350	Walgreen Co.	767,259	800,000	
17,350	Wal-Mart Stores, Inc.	921,719		
		<u>2,008,253</u>		
	SEMICONDUCTOR CAPITAL EQUIPMENT—1%			
4,000	Teradyne, Inc.*	149,000	260,000	
	SEMICONDUCTORS—9%			
16,600	Altera Corporation*	436,788	1,300,000	
11,700	Linear Technology Corporation	541,125	200,000	
		<u>977,913</u>		
	Total Common Stocks (Cost \$57,899,641)	<u>56,860,494</u>	800,000	
	CORPORATE BONDS—18.9%			
	AUTOMOTIVE—9%			
\$1,000,000	Daimler-Chrysler Financial Corp., 6.95%, 3/25/02	1,010,110	1,500,000	
	BEVERAGES—1.3%			
1,500,000	Pepsico Inc., 7.425%, 8/17/07	1,501,530	300,000	
	BANKS—4.1%			
1,700,000	Associates Corp. North America, 7.75%, 2/15/05	1,777,299		
100,000	Bank of America Corp., 7.125%, 5/12/05	102,370	1,080,000	
2,000,000	First USA Bank Wilmington Delaware, 7.65%, 8/1/03	2,051,160		
800,000	Wells Fargo & Co. Sr. Global Notes, 6.625%, 7/15/04	809,896	800,000	
		<u>4,740,725</u>		
	COMMUNICATIONS TECHNOLOGY—1.2%			
800,000	TCI Communications Inc. Sr. Notes, 8.00%, 8/1/05	836,544		
500,000	Tele-Communications, Inc., 7.25%, 8/1/05	503,840		
		<u>1,340,384</u>		
	CONGLOMERATE—4%			
	Loews Corp., 7.625%, 6/1/23			\$ 455,785
	ELECTRIC & GAS COMPANIES—7%			
	Potomac Electric Power Co., 7.00%, 1/15/24			350,000
	Washington Gas Light Co., Medium Term Notes, 6.51%, 8/18/08			<u>495,900</u>
				<u>845,900</u>
	FINANCIAL SERVICES—8.4%			
	BankAmerica Corp., 7.20%, 4/15/06			811,944
	Beneficial Corp., 6.575%, 12/16/02			501,110
	Block Financial Corp., 8.50%, 4/15/07			515,175
	Chase Manhattan Corporation, 8.50%, 2/15/02			266,297
	Cit Group Inc., 7.125%, 10/15/04†			1,303,484
	Citicorp, 7.125%, 6/1/03			203,838
	Countrywide Home Loan Inc., 6.935%, 7/16/07			2,161,918
	Goldman Sachs Group, 6.65%, 5/15/09			771,560
	International Lease Finance Corp., 6.00%, 6/15/03			999,940
	NCNB Texas National Bank Dallas, 9.50%, 6/1/04			763,462
	USL Capital Corp. Sr. Notes, 6.50%, 12/1/03			<u>1,495,935</u>
				<u>9,794,663</u>
	LEISURE & ENTERTAINMENT—3%			
	Disney (Walt) Company, 6.375%, 3/30/01			<u>299,859</u>
	OIL & GAS—9%			
	Chevron Corp., 6.625%, 10/1/04			<u>1,106,460</u>
	RETAIL—7%			
	Wal-Mart Stores, Inc., 6.55%, 8/10/04†			<u>818,440</u>
	Total Corporate Bonds (Cost \$21,690,048)			<u>21,913,856</u>

THE ALGER AMERICAN FUND
ALGER AMERICAN BALANCED PORTFOLIO
SCHEDULE OF INVESTMENTS—DECEMBER 31, 2000 (Cont'd)

<u>Principal Amount</u>	U.S. GOVERNMENT & AGENCY OBLIGATIONS—23.3%	<u>Value</u>	<u>Principal Amount</u>	SHORT-TERM INVESTMENTS—8.2%	<u>Value</u>
\$2,000,000	Federal Farm Credit Bank, 6.80%, 10/12/07	\$ 2,102,020			
	Federal Home Loan Bank, 7.00%, 2/14/03	2,050,940	\$4,000,000	SHORT-TERM CORPORATE NOTES—5.2%	
2,000,000	5.765%, 3/18/03	1,264,183	2,000,000	Caterpillar Inc., 6.47%, 1/31/01	\$ 3,979,152
1,260,000	7.25%, 5/13/05	1,582,035		Textron Financial Corporation, 6.53%, 1/18/01	<u>1,994,196</u>
1,500,000	6.375%, 8/15/06	1,026,250		Total Short-Term Corporate Notes	
1,000,000	6.75%, 8/15/07	1,044,530		(Cost \$5,973,348)	<u>5,973,348</u>
1,000,000	8.00%, 8/19/14	1,113,339		SECURITIES HELD UNDER	
1,115,000	8.16%, 9/8/14	249,915		REPURCHASE AGREEMENTS—3.0%	
250,000	Federal Home Loan Mortgage Corp., 6.00%, 6/23/04	794,504		Securities Held Under Repurchase	
800,000	5.75%, 4/15/08	789,872		Agreements, 5.90%–6.56%, 1/2/01, with	
800,000	7.08%, 3/17/14	589,128		Bear, Stearns & Co. Inc., dtd 12/29/00	
600,000	Federal National Mortgage Association, 7.125%, 2/15/05	1,050,310		repurchase price \$3,556,686; collateralized	
1,000,000	6.96%, 4/2/07	527,500		by \$12,335,000 U.S. Treasury Strips, 0%,	
500,000	7.00%, 3/4/13	621,726		due 8/15/22	<u>3,554,352</u>
633,000	6.75%, 2/4/28	374,376		Total Short-Term Investments	
400,000	U.S. Treasury Notes, 6.125%, 12/31/01	804,624		(Cost \$9,527,700)	<u>9,527,700</u>
800,000	6.50%, 3/31/02	1,012,340		Total Investments	
1,000,000	6.375%, 4/30/02	1,518,285		(Cost \$115,389,374)(a)	99.5% 115,320,704
1,500,000	6.25%, 7/31/02	2,028,120		Other Assets in Excess of Liabilities	<u>0.5 573,282</u>
2,000,000	6.25%, 2/15/03	817,000		Net Assets	<u>100.0% \$115,893,986</u>
800,000	6.00%, 8/15/04	822,624			
800,000	6.50%, 5/15/05	1,582,500			
1,500,000	6.50%, 10/15/06	853,376			
800,000	6.125%, 8/15/07	1,578,285			
1,500,000	5.625%, 5/15/08	<u>820,872</u>			
800,000					
	Total U.S. Government & Agency Obligations				
	(Cost \$26,271,985)	<u>27,018,654</u>			

* Non-income producing security.

† Securities partially or fully on loan.

(a) At December 31, 2000, the net unrealized depreciation on investments, based on cost for federal income tax purposes of \$115,389,374, amounted to \$68,670 which consisted of aggregate gross unrealized appreciation of \$7,828,417 and aggregate gross unrealized depreciation of \$7,897,087.

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
ALGER AMERICAN BALANCED PORTFOLIO
FINANCIAL HIGHLIGHTS

For a share outstanding throughout the year

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

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

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
ALGER AMERICAN BALANCED PORTFOLIO
STATEMENT OF ASSETS AND LIABILITIES

December 31, 2000

Assets:	
Investments in securities, at value (identified cost*)—see accompanying schedule of investments	\$115,320,704
Receivable for investment securities sold	253,787
Receivable for shares of beneficial interest sold	198,577
Interest and dividends receivable	993,162
Total Assets	116,766,230
Liabilities:	
Payable for investment securities purchased	642,856
Payable for securities loaned	47,964
Payable for shares of beneficial interest redeemed	78,844
Accrued investment management fees	74,340
Accrued expenses	28,240
Total Liabilities	872,244
Net Assets	\$115,893,986
Net Assets Consist of:	
Paid-in capital	\$112,188,518
Undistributed net investment income (accumulated loss)	1,463,616
Undistributed net realized gain/(loss)	2,310,522
Net unrealized appreciation (depreciation)	(68,670)
Net Assets	\$115,893,986
Shares of beneficial interest outstanding—Note 5	8,416,947
Net Asset Value Per Share	\$ 13.77
*Identified cost	\$115,389,374

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
ALGER AMERICAN BALANCED PORTFOLIO
STATEMENT OF OPERATIONS

For the year ended December 31, 2000

INVESTMENT INCOME	
Income:	
Interest	\$ 2,652,517
Dividends	258,756
Total Income	2,911,273
Expenses:	
Management fees — Note 3(a)	664,600
Custodian fees	40,149
Transfer agent fees	8,861
Professional fees	11,873
Trustees' fees	2,778
Miscellaneous	54,065
Total Expenses	782,326
Net Investment Income	2,128,947
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	
Net realized gain on investments	1,823,334
Net change in unrealized appreciation (depreciation) on investments	(9,001,489)
Net realized and unrealized gain (loss) on investments	(7,178,155)
NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$(5,049,208)

See Notes to Financial Statements.

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

For the year ended December 31, 2000

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

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

For the year ended December 31, 1999

Net investment income	\$ 665,438
Net realized gain on investments	6,227,204
Net change in unrealized appreciation (depreciation) on investments	3,870,767
Net increase in net assets resulting from operations	10,763,409
Dividends to shareholders:	
Net investment income	(431,942)
Net realized gains	(2,190,935)
Net increase from shares of beneficial interest transactions—Note 5	19,977,656
Total increase	28,118,188
Net Assets	
Beginning of year	28,208,320
End of year	\$56,326,508
Undistributed net investment income (accumulated loss)	\$ 655,687

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
ALGER AMERICAN BALANCED PORTFOLIO
NOTES TO FINANCIAL STATEMENTS

December 31, 2000

NOTE 1—General:

The Alger American Fund (the “Fund”) is a diversified, open-end registered investment company organized as a business trust under the laws of the Commonwealth of Massachusetts. The Fund operates as a series company currently issuing six series of shares of beneficial interest: American Growth Portfolio, American Small Capitalization Portfolio, American Income and Growth Portfolio, American Balanced Portfolio, American MidCap Growth Portfolio and American Leveraged AllCap Portfolio. These financial statements include only the American Balanced Portfolio (the “Portfolio”). The Portfolio’s investment objectives are current income and long-term capital appreciation which it seeks to achieve through investing in equity and fixed income securities. Shares of the Portfolio are available and are being marketed exclusively as a pooled funding vehicle for qualified retirement plans and for life insurance companies writing all types of variable annuity contracts and variable life insurance policies.

NOTE 2—Significant Accounting Policies:

(a) *Investment Valuation:* Investments of the Portfolio are valued on each day the New York Stock Exchange (“NYSE”) is open as of the close of the NYSE (normally 4:00 p.m. Eastern time). Listed and unlisted securities for which such information is regularly reported are valued at the last reported sales price or, in the absence of reported sales, at the mean between the bid and the asked price, or, in the absence of a recent bid or asked price, the equivalent as obtained from one or more of the major market makers for the securities to be valued.

Securities for which market quotations are not readily available are valued according to procedures established by the Board of Trustees to determine fair value in good faith.

Securities having a remaining maturity of sixty days or less are valued at amortized cost which approximates market value.

(b) *Security Transactions and Investment Income:* Security transactions are recorded on a trade date basis. Resulting receivables and payables are carried at amounts which approximate fair value. Realized gains and losses from security transactions are recorded on the identified cost basis. Dividend income is recognized on the ex-dividend date and interest income is recognized on the accrual basis.

(c) *Repurchase Agreements:* The Portfolio enters into repurchase agreements with approved institutions. 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. At December 31, 2000, the value of securities loaned and collateral received thereon were \$548,315 and \$559,629, respectively.

(e) *Dividends to Shareholders:* Dividends and distributions payable to shareholders are recorded by the Portfolio on the ex-dividend date. Dividends from net investment income are declared and paid annually.

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

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

At December 31, 2000, the Portfolio reclassified \$655,687 from undistributed net investment loss to accumulated undistributed net realized gain and paid-in capital. The reclassification had no impact on the net asset value of the Portfolio and is designed to present the Portfolio’s capital accounts amounts 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 in-

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

December 31, 2000

come, including net realized capital gains, to its shareholders. Therefore, no federal income tax provision is required. The Portfolio is treated as a separate entity for the purpose of determining such compliance.

(g) *Expenses:* The Fund accounts separately for the assets, liabilities and operations of each portfolio. Expenses directly attributable to each portfolio are charged to that portfolio's operations; expenses which are applicable to all portfolios are allocated among them.

(h) *Other:* These financial statements have been prepared using estimates and assumptions that affect the reported amounts therein. Actual results may differ from those estimates.

NOTE 3—Investment Management Fees and Other Transactions with Affiliates:

(a) *Investment Management Fees:* Fees incurred by the Portfolio, pursuant to the provisions of its Investment Management Agreement (the "Agreement") with Fred Alger Management, Inc. ("Alger Management"), are payable monthly and computed based on the average daily net assets of the Portfolio at the annual rate of .75%.

The Agreement further provides that if in any fiscal year the aggregate expenses, excluding interest, taxes, brokerage commissions, and extraordinary expenses, exceed 1.25% of the average daily net assets of the Portfolio, Alger Management will reimburse the Portfolio for the excess expenses.

(b) *Brokerage Commissions:* During the year ended December 31, 2000, the Portfolio paid Fred Alger & Company, Incorporated ("Alger Inc.") \$83,728 in connection with securities transactions.

(c) *Transfer Agency Fees:* The Portfolio has entered into a transfer agency agreement with Alger Shareholder Services, Inc. ("Services"), an affiliate of Alger Management, whereby Services will act as transfer agent for the Portfolio.

(d) Certain trustees and officers of the Portfolio are directors and officers of Alger Management, Alger Inc. and Services.

NOTE 4—Securities Transactions:

Purchases and sales of securities, other than short-term securities, of the Portfolio for the year ended December 31, 2000, were \$110,118,384 and \$48,631,667, respectively.

NOTE 5—Share Capital:

The Fund has an unlimited number of authorized shares of beneficial interest of \$.001 par value.

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

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

During the year ended December 31, 1999, transactions of shares of beneficial interest of the Portfolio were as follows:

	<u>Shares</u>	<u>Amount</u>
Shares sold	1,671,901	\$ 23,274,857
Dividends reinvested	200,644	2,620,408
	<u>1,872,545</u>	<u>25,895,265</u>
Shares redeemed	(427,507)	(5,917,609)
Net increase	<u>1,445,038</u>	<u>\$ 19,977,656</u>

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and Board of Trustees of The Alger American Fund:

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of the Alger American Balanced Portfolio (one of the portfolios constituting The Alger American Fund, a Massachusetts business trust) as of December 31, 2000, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights. Our procedures included confirmation of securities owned as of December 31, 2000, by correspondence with the custodian and brokers. And audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the Alger American Balanced Portfolio of The Alger American Fund as of December 31, 2000, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

New York, New York
January 31, 2001

Dreyfus Investment Portfolios, MidCap Stock Portfolio

ANNUAL REPORT
December 31, 2000



 **Dreyfus**

The views expressed herein are current to the date of this report. These views and the composition of the portfolio are subject to change at any time based on market and other conditions.

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

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LETTER FROM THE PRESIDENT

Dear Shareholder:

We are pleased to present this annual report for Dreyfus Investment Portfolios, MidCap Stock Portfolio, covering the 12-month period from January 1, 2000 through December 31, 2000. Inside, you'll find valuable information about how the portfolio was managed during the reporting period, including a discussion with the portfolio manager, John O'Toole.

The midcap segment of the stock market, as measured by the Standard & Poor's MidCap 400 Index, gained more than 17% in 2000. In sharp contrast, most other major stock market indices declined substantially. In our view, this performance disparity provides ample evidence that diversification is a critical component of most investment strategies. In 2000, the large- and small-cap sectors of the stock market provided a reminder that overconcentration in any single equity market capitalization sector carries risks that can be diminished through diversification.

While the start of a new year is almost always a good time to review your investment strategies, recent market events may have altered the way your assets are apportioned among various asset classes, market capitalization ranges and investment styles. You may wish to consider rebalancing your portfolio to help achieve your long-term financial goals.

We encourage you to contact your financial adviser for more information about ways to refine your investment strategies for the coming year. To speak with a Dreyfus customer service representative call 1-800-782-6620, or visit our website at www.dreyfus.com.

Thank you for your confidence and support in 2000, and we look forward to working with you in 2001.

Sincerely,

Stephen E. Canter
President and Chief Investment Officer
The Dreyfus Corporation
January 16, 2001



DISCUSSION OF PERFORMANCE

John O'Toole, Portfolio Manager

How did Dreyfus Investment Portfolios, MidCap Stock Portfolio perform relative to its benchmark?

For the 12-month period ended December 31, 2000, Dreyfus Investment Portfolios, MidCap Stock Portfolio produced a total return of 8.28%.¹ In contrast, the Standard & Poor's MidCap 400 Index (the "S&P MidCap 400 Index"), the portfolio's benchmark, produced a total return of 17.50% for the same period.²

Although overall stock market results were generally negative in 2000, the portfolio's positive overall performance was due in part to a strong investor preference for midcap stocks over large- and small-cap stocks. Relative to the S&P MidCap 400 Index, however, the portfolio's performance suffered due to the market's shifting preference between growth and value stocks during the reporting period, which created very difficult investment challenges for the portfolio.

What is the portfolio's investment approach?

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

The quantitatively driven valuation process identifies and ranks approximately 2,500 midcap stocks as an attractive, neutral or unattractive investment, based upon more than a dozen different valuation inputs. Those inputs, which we believe can have an important influence on stock returns, include, among other things, earnings estimates, profit margins and growth in cash flow. We establish weightings for each factor based upon our analysis of which of these 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 predominant positive factor influencing the portfolio's relative results during the reporting period was the superior performance of midcap stocks compared to stocks of other market-capitalization sizes. To illustrate, the S&P MidCap 400 Index outperformed the Standard & Poor's 500 Composite Stock Price Index, a measure of large-cap market performance, by more than 25% as well as the Russell 2000 Index, a measure of small-cap market performance, by more than 19% in the year 2000.³

However, while midcap stocks were clear winners during 2000, the growth and value investment styles took turns leading performance. For example, during the first two months of the year, growth stocks overwhelmingly outperformed value stocks, largely due to the strong performance of the technology sector. Beginning in March, however, value stocks staged a dramatic comeback. In June, growth stocks were back on top once again. Then, by September, value stocks took the lead. This seesaw battle continued throughout the year. The portfolio's quantitative model examines a mixture of both growth and value characteristics, without necessarily favoring either. However, the model does not work well in a polarized market such as the one that prevailed during 2000, where one investment style generally dominated another.

Another factor that helped drive the portfolio's performance was our focused individual stock selection strategy. For example, several of the portfolio's top performers during the reporting period were health care companies, including Universal Health Services and Waters. Universal Health operates hospitals throughout the country and was able to benefit from improved Medicare reimbursement during the year.

Meanwhile, Waters, a company that manufactures equipment used in the pharmaceutical and biotechnology industries, benefited from the booming growth in human genome research. Two of the portfolio's financial services holdings, Golden West Financial and Cullen/Frost Bankers, also had a positive impact on the portfolio's performance, as both companies benefited from a benign interest-rate environment during the year. Finally, Questar and KeySpan, two of the portfolio's natural gas holdings, benefited as natural gas prices soared throughout the year.

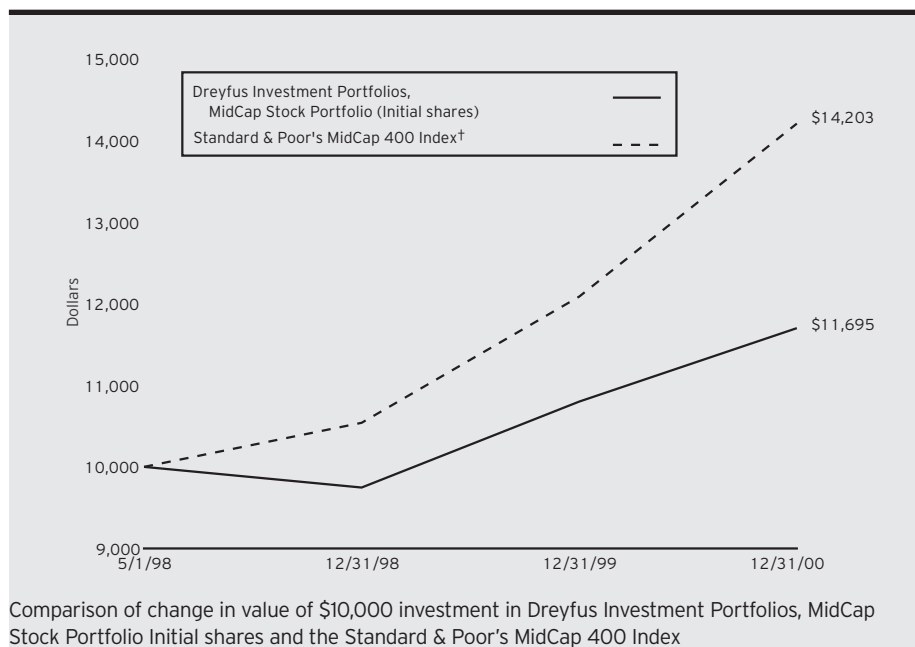
What is the portfolio's current strategy?

We continue to fine-tune our quantitatively driven valuation model and our sector- and industry-neutral portfolio construction process. For example, we recently added factors that take into consideration stock price momentum as well as the buying and selling behavior of a company's management team. Another new factor tracks the investment actions of company management and directors. Our model strives to be effective in all market environments.

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- ¹ *Effective December 31, 2000, existing portfolio shares were designated as Initial shares and the portfolio began offering a second class of shares, designated as Service shares, which are subject to a Rule 12b-1 Distribution Plan. The performance information presented is for Initial shares. Total return includes reinvestment of dividends and any capital gains paid. Past performance is no guarantee of future results. Share price, yield and investment return fluctuate such that upon redemption, portfolio shares may be worth more or less than their original cost. The portfolio's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in variable insurance contracts, which will reduce returns. Return figures provided reflect the absorption of portfolio expenses by The Dreyfus Corporation pursuant to an agreement in effect through December 31, 2001, at which time it may be extended, terminated or modified. Had these expenses not been absorbed, the 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. stock market.*
- ³ *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. The Russell 2000 Index is an unmanaged index of small-cap stock market performance and is composed of the 2,000 smallest companies in the Russell 3000 Index. The Russell 3000 Index is composed of the 3,000 largest U.S. companies based on total market capitalization.*

PORTFOLIO PERFORMANCE



Average Annual Total Returns as of 12/31/00

	Inception Date	1 Year	From Inception
Portfolio—Initial shares	5/1/98	8.28%	6.04%

† Source: Lipper Inc.

Past performance is not predictive of future performance.

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.

The above graph compares a \$10,000 investment made in Initial shares of Dreyfus Investment Portfolios, MidCap Stock Portfolio on 5/1/98 (Inception Date) to a \$10,000 investment made in the Standard & Poor's MidCap 400 Index on that date. All dividends and capital gain distributions are reinvested.

The portfolio's performance shown in the line graph takes into account all applicable fees and expenses of the portfolio. The Standard & Poor's MidCap 400 Index is a broad-based index of 400 companies with market capitalizations generally ranging from \$50 million to \$10 billion and is a widely accepted, unmanaged index of overall midcap stock market performance, which does not take into account charges, fees and other expenses. Further information relating to portfolio performance, including expense reimbursements, if applicable, is contained in the Financial Highlights section of the Prospectus and elsewhere in this report.

Effective December 31, 2000, existing portfolio shares were designated as Initial shares and the portfolio began offering a second class of shares, designated as Service shares, which are subject to a Rule 12b-1 Distribution Plan. Performance for Service shares will vary from the performance of Initial shares because of differences in charges and expenses.

STATEMENT OF INVESTMENTS

December 31, 2000

Common Stocks—95.1%	Shares	Value (\$)
Consumer Cyclical—7.6%		
American Eagle Outfitters	11,900 ^a	502,775
Atlas Air	12,000 ^a	391,500
BJ's Wholesale Club	21,700 ^a	832,738
Brinker International	14,200 ^a	599,950
Brunswick	12,600	207,113
Darden Restaurants	12,400	283,650
Dollar Tree Stores	7,800 ^a	191,100
Harman International Industries	8,100	295,650
Johnson Controls	7,000	364,000
Liz Claiborne	8,200	341,325
MGM Mirage	12,700	357,981
Miller (Herman)	11,500	330,625
Park Place Entertainment	17,800 ^a	212,487
Payless ShoeSource	6,700 ^a	474,025
Zale	14,900 ^a	433,031
		5,817,950
Consumer Staples—3.1%		
Alberto-Culver, Cl. B	5,500	235,469
Interstate Bakeries	15,300	215,156
McCormick & Co.	10,200	367,837
Pepsi Bottling Group	10,300	411,356
SUPERVALU	17,100	237,263
Suiza Foods	6,900 ^a	331,200
Tyson Foods, Cl. A	28,200	359,550
Wrigley, (Wm.) Jr.	2,600	249,113
		2,406,944
Energy Related—9.2%		
BJ Services	14,700 ^a	1,012,463
ENSCO International	23,000	783,438
Energen	8,700	280,031
Equitable Resources	5,400	360,450
KeySpan	15,600	661,050
Louis Dreyfus Natural Gas	9,900 ^a	453,544
Murphy Oil	9,200	556,025
Nabors Industries	8,800 ^a	520,520
Noble Affiliates	4,700	216,200
Noble Drilling	12,800 ^a	556,000

STATEMENT OF INVESTMENTS (continued)

Common Stocks (continued)	Shares	Value (\$)
Energy Related (continued)		
Questar	19,000	571,187
Rowan Cos.	15,700 ^a	423,900
Ultramar Diamond Shamrock	21,000	648,375
		7,043,183
Health Care—13.6%		
AmeriSource Health, Cl. A	8,200 ^a	414,100
Andrx Group	4,300 ^a	248,862
Biomet	11,400	452,437
Chiron	6,300 ^a	280,350
Cytc	8,000 ^a	500,500
Forest Laboratories	2,200 ^a	292,325
Genzyme- General Division	9,700 ^a	872,394
Health Net	20,600 ^a	539,462
IDEC Pharmaceuticals	4,900 ^a	928,856
IVAX	18,300 ^a	700,890
King Pharmaceuticals	5,200 ^a	268,775
Millennium Pharmaceuticals	15,200 ^a	940,500
Protein Design Labs	5,000 ^a	434,375
Quest Diagnostics	9,000 ^a	1,278,000
Trigon Healthcare	7,700 ^a	599,156
Universal Health Services, Cl. B	3,800 ^a	424,650
Vertex Pharmaceuticals	2,300 ^a	164,450
Waters	8,800 ^a	734,800
Wellpoint Health Networks	3,200 ^a	368,800
		10,443,682
Interest Sensitive—15.8%		
Associated Banc-Corp	11,700	355,388
City National	18,300	710,269
Comerica	8,500	504,687
Compass Bancshares	25,900	618,363
Concord EFS	6,200 ^a	272,413
Countrywide Credit Industries	6,800	341,700
Cullen/Frost Bankers	15,200	635,550
Dime Bancorp	19,900	588,294
Edwards (A.G.)	12,700	602,456
Federated Investors, Cl. B	9,200	267,950
Gallagher (Arthur J.) & Co.	7,200	458,100

Common Stocks (continued)	Shares	Value (\$)
Interest Sensitive (continued)		
Golden West Financial	6,300	425,250
GreenPoint Financial	10,100	413,469
Heller Financial, Cl. A	10,100	309,944
M&T Bank	5,200	353,600
Mercantile Bankshares	19,300	833,519
Metris Cos.	12,100	318,381
Nationwide Financial Services, Cl. A	12,200	579,500
Old Republic International	15,300	489,600
PMI Group	14,700	995,006
Radian Group	11,100	833,194
St. Paul Cos.	5,300	287,856
Silicon Valley Bancshares	10,200 ^a	352,538
Union Planters	16,200	579,150
		12,126,177
Internet Related— .4%		
Art Technology Group	4,200 ^a	128,363
E.piphany	2,200 ^a	118,662
Efficient Networks	4,400 ^a	58,850
		305,875
Producer Goods—9.3%		
American Standard Cos.	8,100 ^a	399,431
Bowater	8,000	451,000
C&D Technologies	8,700	375,731
Cymer	8,900 ^a	229,036
Cytec Industries	17,200 ^a	686,925
D.R. Horton	18,300	447,206
EGL	7,200 ^a	172,350
Eastman Chemical	7,500	365,625
Engelhard	20,000	407,500
Helix Technology	7,700	182,273
IMC Global	20,500	319,031
Lennar	10,400	377,000
Lyondell Chemical	21,400	327,688
Parker-Hannifin	10,600	467,725
Precision Castparts	10,900	458,481
Quanta Services	13,300 ^a	428,094
Tidewater	7,700	341,688

STATEMENT OF INVESTMENTS (continued)

Common Stocks (continued)	Shares	Value (\$)
Producer Goods (continued)		
United Parcel Service, Cl. B	7,300	429,331
Westvaco	9,600	280,200
		7,146,315
Services—12.3%		
Administaff	9,300 a	252,960
Belo (A.H.), Cl. A	18,200	291,200
Convergys	10,000 a	453,125
Cox Radio, Cl. A	12,700 a	286,544
DST Systems	13,800 a	924,600
Entercom Communications	9,300 a	320,269
Fiserv	8,400 a	398,475
Hall, Kinion & Associates	6,700 a	134,837
Heidrick & Struggles International	5,700 a	239,756
Hertz, Cl. A	5,400	184,275
Knight-Ridder	6,900	392,437
Manpower	12,100	459,800
Penton Media	7,100	190,813
Robert Half International	12,300 a	325,950
SEI Investments	6,200	694,400
Scholastic	4,700 a	416,538
SunGard Data Systems	20,300 a	956,638
TMP Worldwide	2,800 a	154,000
Telephone & Data Systems	4,300	387,000
U.S. Cellular	2,600 a	156,650
United Rentals	11,200 a	150,500
Univision Communications, Cl. A	16,100 a	659,094
Viad	24,200	556,600
Westwood One	23,500 a	453,844
		9,440,305
Technology—16.7%		
Anixter International	15,800 a	341,675
AremisSoft	6,400 a	273,200
Arrow Electronics	21,100 a	603,987
Atmel	28,300 a	328,988
Autodesk	12,000	323,250
Avnet	14,700	316,050

Common Stocks (continued)	Shares	Value (\$)
Technology (continued)		
Black Box	5,300 ^a	256,056
Cabot Microelectronics	8,600	446,662
Cadence Design Systems	19,500 ^a	536,250
Credence Systems	16,200 ^a	372,600
Cypress Semiconductor	12,000 ^a	236,250
Digital Lightwave	4,200 ^a	133,087
Electro Scientific Industries	6,900 ^a	193,200
Henry (Jack) & Associates	6,100	378,963
Integrated Device Technology	8,000 ^a	265,000
International Rectifier	8,400 ^a	252,000
Jabil Circuit	12,200 ^a	309,575
Lattice Semiconductor	15,500 ^a	284,812
M-Systems Flash Disk Pioneers	8,400 ^a	117,075
Macrovision	5,200 ^a	384,881
Mentor Graphics	5,900 ^a	161,881
Mercury Interactive	2,500 ^a	225,625
Microchip Technology	20,500 ^a	449,719
NVIDIA	6,000 ^a	196,594
NetIQ	3,500 ^a	305,812
Novellus Systems	11,900 ^a	427,656
PerkinElmer	2,300	241,500
Polycom	7,700 ^a	247,844
Power-One	4,600 ^a	180,837
Powerwave Technologies	12,900 ^a	754,650
Rational Software	5,100 ^a	198,581
SERENA Software	8,800 ^a	301,262
SanDisk	4,200 ^a	116,550
Sawtek	8,700 ^a	401,831
Semtech	11,700 ^a	258,131
Silicon Storage Technology	8,800 ^a	103,950
Sybase	28,200 ^a	558,713
Symantec	12,400 ^a	413,850
3Com	33,500 ^a	284,750
Tech Data	12,200 ^a	329,972
Vishay Intertechnology	20,700 ^a	313,088
		12,826,357

STATEMENT OF INVESTMENTS (continued)

Common Stocks (continued)	Shares	Value (\$)
Utilities—7.1%		
Allegheny Energy	6,800	327,675
Calpine	13,350 ^a	601,584
Dynegy, Cl. A	9,800	549,413
Entergy	11,300	478,131
IDACORP	13,300	652,531
NRG Energy	12,900	358,781
PPL	15,400	695,888
Pinnacle West Capital	9,200	438,150
Sempra Energy	16,700	388,275
TECO Energy	11,500	372,313
Time Warner Telecom, Cl. A	5,300 ^a	336,219
UtiliCorp United	9,500	294,500
		5,493,460
Total Common Stocks (cost \$71,064,711)		73,050,248
	Principal Amount (\$)	Value (\$)
Short-Term Investments—5.2%		
Repurchase Agreement;		
Greenwich Capital Markets, Tri-Party Repurchase Agreement, 6%, dated 12/29/2000, due 1/2/2001, in the amount of \$3,952,633 (fully collateralized by \$3,995,000 Federal Home Loan Bank Bonds, 5.195%, 9/11/2001, value \$4,033,532) (cost \$3,950,000)	3,950,000	3,950,000
Total Investments (cost \$75,014,711)	100.3%	77,000,248
Liabilities, Less Cash and Receivables	(.3%)	(215,705)
Net Assets	100.0%	76,784,543

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

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2000

	Cost	Value
Assets (\$):		
Investments in securities—See Statement of Investments—Note 1 (b)	75,014,711	77,000,248
Cash		237,029
Dividends and interest receivable		44,955
Receivable for shares of Beneficial Interest subscribed		500
Prepaid expenses		10,757
		77,293,489
Liabilities (\$):		
Due to The Dreyfus Corporation and affiliates		62,291
Payable for investment securities purchased		401,974
Accrued expenses		44,681
		508,946
Net Assets (\$)		76,784,543
Composition of Net Assets (\$):		
Paid-in capital		75,273,633
Accumulated undistributed investment income—net		8,006
Accumulated distributions in excess of net realized gain on investments		(482,633)
Accumulated net unrealized appreciation (depreciation) on investments—Note 4		1,985,537
Net Assets (\$)		76,784,543
Net Asset Value Per Share		
	Initial Shares	Service Shares
Net Assets (\$)	76,784,043	500
Shares Outstanding	5,373,554	34.990
Net Asset Value Per Share (\$)	14.29	14.29

See notes to financial statements.

STATEMENT OF OPERATIONS

Year Ended December 31, 2000

Investment Income (\$):	
Income:	
Cash dividends	374,107
Interest	142,690
Total Income	516,797
Expenses:	
Investment advisory fee–Note 3(a)	292,611
Custodian fees–Note 3(b)	51,329
Auditing fees	19,698
Prospectus and shareholders' reports	17,916
Registration fees	15,331
Legal fees	6,362
Shareholder servicing costs–Note 3(b)	1,495
Trustees' fees and expenses–Note 3(c)	182
Miscellaneous	2,293
Total Expenses	407,217
Less–reduction in investment advisory fee due to undertaking–Note 3(a)	(24,288)
Net Expenses	382,929
Investment Income–Net	133,868
Realized and Unrealized Gain (Loss) on Investments–Note 4 (\$):	
Net realized gain (loss) on investments	940,784
Net unrealized appreciation (depreciation) on investments	90,204
Net Realized and Unrealized Gain (Loss) on Investments	1,030,988
Net Increase in Net Assets Resulting from Operations	1,164,856

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Year Ended December 31,	
	2000 ^a	1999
Operations (\$):		
Investment income—net	133,868	32,597
Net realized gain (loss) on investments	940,784	455,052
Net unrealized appreciation (depreciation) on investments	90,204	1,039,391
Net Increase (Decrease) in Net Assets Resulting from Operations	1,164,856	1,527,040
Dividends to Shareholders (\$):		
From investment income—net:		
Initial shares	(126,162)	(38,834)
From net realized gain on investments:		
Initial shares	(659,279)	—
In excess of net realized gain on investments:		
Initial shares	(482,633)	—
Total Dividends	(1,268,074)	(38,834)
Beneficial Interest Transactions (\$):		
Net proceeds from shares sold:		
Initial shares	70,330,857	6,399,007
Service shares	500	—
Dividends reinvested:		
Initial shares	1,268,074	38,834
Cost of shares redeemed:		
Initial shares	(10,274,545)	(2,869,302)
Increase (Decrease) in Net Assets from Beneficial Interest Transactions	61,324,886	3,568,539
Total Increase (Decrease) in Net Assets	61,221,668	5,056,745
Net Assets (\$):		
Beginning of Period	15,562,875	10,506,130
End of Period	76,784,543	15,562,875
Undistributed investment income—net	8,006	300

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

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS (continued)

	Year Ended December 31,	
	2000 ^a	1999
Capital Share Transactions (Shares):		
Initial Shares		
Shares sold	4,850,323	527,232
Shares issued for dividends reinvested	95,332	2,989
Shares redeemed	(729,677)	(236,335)
Net Increase (Decrease) in Shares Outstanding	4,215,978	293,886
Service Shares		
Shares sold	35	-

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

FINANCIAL HIGHLIGHTS

The following table describes 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			Service Shares
	Year Ended December 31,			Period Ended December 31,
	2000	1999	1998 ^a	2000 ^b
Per Share Data (\$):				
Net asset value, beginning of period	13.44	12.16	12.50	14.29
Investment Operations:				
Investment income—net	.05 ^c	.03 ^c	.02	—
Net realized and unrealized gain (loss) on investments	1.05	1.28	(.34)	—
Total from Investment Operations	1.10	1.31	(.32)	—
Distributions:				
Dividends from investment income—net	(.03)	(.03)	(.02)	—
Dividends from net realized gain on investments	(.13)	—	—	—
Dividends in excess of net realized gain on Investments	(.09)	—	—	—
Total Distributions	(.25)	(.03)	(.02)	—
Net asset value, end of period	14.29	13.44	12.16	14.29
Total Return (%)	8.28	10.82	(2.53) ^d	—
Ratios/Supplemental Data (%):				
Ratio of expenses to average net assets	.98	.97	.67 ^d	—
Ratio of net investment income to average net assets	.34	.26	.18 ^d	—
Decrease reflected in above expense ratios due to undertakings by The Dreyfus Corporation	.06	.49	.60 ^d	—
Portfolio Turnover Rate	102.89	77.73	75.74 ^d	102.89
Net Assets, end of period (\$ x 1,000)	76,784	15,563	10,506	1

^a From May 1, 1998 (commencement of operations) to December 31, 1998.

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

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

^d Not annualized.

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1—Significant Accounting Policies:

Dreyfus Investment Portfolios (the “fund”) is registered under the Investment Company Act of 1940, as amended (the “Act”), as an open-end management investment company, operating as a series company currently offering twelve series, including the MidCap Stock Portfolio (the “portfolio”). The portfolio is only offered to separate accounts established by insurance companies to fund variable annuity contracts and variable life insurance policies. The portfolio is a diversified series. The portfolio’s investment objective is to provide investment results that are greater than the total return performance of publicly-traded common stocks of medium-size domestic companies in the aggregate, as represented by the Standard & Poor’s MidCap 400 Index. The Dreyfus Corporation (“Dreyfus”) serves as the portfolio’s investment adviser. Dreyfus is a direct subsidiary of Mellon Bank, N.A. (“Mellon”), which is a wholly-owned subsidiary of Mellon Financial Corporation. Effective March 22, 2000, Dreyfus Service Corporation (the “Distributor”), a wholly-owned subsidiary of Dreyfus, became the distributor of the portfolio’s shares, which are sold without a sales charge. Prior to March 22, 2000, Premier Mutual Fund Services, Inc. was the distributor.

On October 30, 2000, the fund’s Board of Trustees approved, effective December 31, 2000, the addition of a second class of shares. The Board redesignated the portfolio’s existing shares as Initial shares, authorized the creation of Service shares and adopted a 12b-1 Distribution Plan for the Service shares.

The portfolio is authorized to issue an unlimited number of \$.001 par value shares of Beneficial Interest in each class of shares. Initial shares are not subject to a distribution fee. Each class of shares has identical rights and privileges, except with respect to the distribution plan and the expenses borne by each class and certain voting rights.

The fund accounts separately for the assets, liabilities and operations of each series. Expenses directly attributable to each series are charged to that series’ operations; expenses which are applicable to all series are allocated among them on a pro rata basis.

As of December 31, 2000, MBC Investments Corp., an indirect subsidiary of Mellon Financial Corporation, held all of the outstanding Service shares of the portfolio.

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

(a) Portfolio valuation: Investments in securities (including options and financial futures) are valued at the last sales price on the securities exchange on which such securities are primarily traded or at the last sales price on the national securities market. Securities not listed on an exchange or the national securities market, or securities for which there were no transactions, are valued at the average of the most recent bid and asked prices. Bid price is used when no asked price is available. Securities for which there are no such valuations are valued at fair value as determined in good faith under the direction of the Board of Trustees.

(b) Securities transactions and investment income: Securities transactions are recorded on a trade date basis. Realized gain and loss from securities transactions are recorded on the identified cost basis. Dividend income is recognized on the ex-dividend date and interest income, including, where applicable, amortization of discount on investments, is recognized on the accrual basis. Under the terms of the custody agreement, the portfolio received net earnings credits of \$1,790 during the period ended December 31, 2000 based on available cash balances left on deposit. Income earned under this arrangement is included in interest income.

The portfolio may enter into repurchase agreements with financial institutions, deemed to be creditworthy by Dreyfus, subject to the seller's agreement to repurchase and the portfolio's agreement to resell such securities at a mutually agreed upon price. Securities purchased subject to repurchase agreements are deposited with the portfolio's custodian and, pursuant to the terms of the repurchase agreement, must have an aggregate market value greater than or equal to the

repurchase price plus accrued interest at all times. If the value of the underlying securities falls below the value of the repurchase price plus accrued interest, the portfolio will require the seller to deposit additional collateral by the next business day. If the request for additional collateral is not met, or the seller defaults on its repurchase obligation, the portfolio maintains the right to sell the underlying securities at market value and may claim any resulting loss against the seller.

(c) Dividends to shareholders: Dividends are recorded on the ex-dividend date. Dividends from investment income-net and dividends from net realized capital gain are normally declared and paid annually, but the portfolio may make distributions on a more frequent basis to comply with the distribution requirements of the Internal Revenue Code of 1986, as amended (the “Code”). To the extent that net realized capital gain can be offset by capital loss carryovers, if any, it is the policy of the portfolio not to distribute such gain.

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

NOTE 2—Bank Line of Credit:

The portfolio participates with other Dreyfus-managed funds in a \$100 million unsecured line of credit primarily to be utilized for temporary or emergency purposes, including the financing of redemptions. Interest is charged to the portfolio based on prevailing market rates in effect at the time of borrowings. During the period ended December 31, 2000, the portfolio did not borrow under the line of credit.

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

(a) Pursuant to an Investment Advisory Agreement with Dreyfus, the investment advisory fee is computed at the annual rate of .75 of 1% of the value of the portfolio’s average daily net assets and is payable

monthly. Dreyfus had undertaken from January 1, 2000 through December 31, 2000, to reduce the investment advisory fee and reimburse such excess expenses paid by the portfolio, to the extent that the portfolio's aggregate annual expenses, exclusive of taxes, brokerage fees, interest on borrowings and extraordinary expenses, exceeded an annual rate of 1% of the value of the portfolio's average daily net assets. Dreyfus has agreed, until December 31, 2001, to waive receipt of its fees and/or assume the expenses of the portfolio so that the expenses of neither class (exclusive of certain expenses as described above) exceed 1% of the value of the average daily net assets of their class. The reduction in investment advisory fee, pursuant to the undertaking, amounted to \$24,288 during the period ended December 31, 2000.

(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.

The portfolio compensates Dreyfus Transfer, Inc., a wholly-owned subsidiary of Dreyfus, under a transfer agency agreement for providing personnel and facilities to perform transfer agency services for the portfolio. During the period ended December 31, 2000, the portfolio was charged \$78 pursuant to the transfer agency agreement.

The portfolio compensates Mellon under a custody agreement for providing custodial services for the portfolio. During the period ended December 31, 2000, the portfolio was charged \$51,329 pursuant to the custody agreement.

(c) Each Board member also serves as a Board member of other funds within the Dreyfus complex (collectively, the "Fund Group"). Effective

April 13, 2000, each Board member who is not an “affiliated person” as defined in the Act receives an annual fee of \$25,000 and an attendance fee of \$4,000 for each in person meeting and \$500 for telephone meetings. These fees are allocated among the funds in the Fund Group. The Chairman of the Board receives an additional 25% of such compensation. Prior to April 13, 2000, each Board member who was not an “affiliated person” as defined in the Act received from the fund an annual fee of \$1,000 and an attendance fee of \$250 per meeting. The Chairman of the Board received an additional 25% of such compensation. Subject to the fund’s Emeritus Program Guidelines, Emeritus Board members, if any, receive 50% of the fund’s annual retainer fee and per meeting fee paid at the time the Board member achieves emeritus status.

NOTE 4—Securities Transactions:

The aggregate amount of purchases and sales of investment securities, excluding short-term securities, during the period ended December 31, 2000, amounted to \$96,043,085 and \$38,892,761, respectively.

At December 31, 2000, accumulated net unrealized appreciation on investments was \$1,985,537, consisting of \$9,304,051 gross unrealized appreciation and \$7,318,514 gross unrealized depreciation.

At December 31, 2000, the cost of investments for Federal income tax purposes was substantially the same as the cost for financial reporting purposes (see the Statement of Investments).

REPORT OF INDEPENDENT AUDITORS

Shareholders and Board of Trustees Dreyfus Investment Portfolios, MidCap Stock Portfolio

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of Dreyfus Investment Portfolios, MidCap Stock Portfolio (one of the series comprising Dreyfus Investment Portfolios) as of December 31, 2000, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended, and financial highlights for each of the periods indicated therein. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights. Our procedures included verification by examination of securities held by the custodian as of December 31, 2000 and confirmation of securities not held by the custodian by correspondence with others. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Dreyfus Investment Portfolios, MidCap Stock Portfolio at December 31, 2000, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the indicated periods, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

New York, New York
February 9, 2001

IMPORTANT TAX INFORMATION (Unaudited)

For Federal tax purposes, the portfolio hereby designates \$.2200 per share as a long-term capital gain distribution of the \$.2440 per share paid on December 21, 2000.

The portfolio also designates 100% of the ordinary dividends paid during the fiscal year ended December 31, 2000 as qualifying for the corporate dividends received deduction.

For More Information

To obtain information:

By telephone

Call
1-800-554-4611 or
516-338-3300

By mail Write to:

The Dreyfus Family of Funds
144 Glenn Curtiss Boulevard
Uniondale, NY 11556-0144
Attn: Institutional Servicing

**Dreyfus
Investment Portfolios,
MidCap Stock Portfolio**

200 Park Avenue
New York, NY 10166

Investment Adviser

The Dreyfus Corporation
200 Park Avenue
New York, NY 10166

Custodian

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

**Transfer Agent &
Dividend Disbursing Agent**

Dreyfus Transfer, Inc.
P.O. Box 9671
Providence, RI 02940

Distributor

Dreyfus Service Corporation
200 Park Avenue
New York, NY 10166

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The Dreyfus Socially Responsible Growth Fund, Inc.

ANNUAL REPORT

December 31, 2000



 **Dreyfus**

The views expressed herein are current to the date of this report. These views and the composition of the fund's portfolio are subject to change at any time based on market and other conditions.

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

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THE FUND

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LETTER FROM THE PRESIDENT

Dear Shareholder:

We are pleased to present this annual report for The Dreyfus Socially Responsible Growth Fund, Inc., covering the 12-month period from January 1, 2000 through December 31, 2000. Inside, you'll find valuable information about how the fund was managed during the reporting period, including a discussion with the fund's portfolio managers, Paul A. Hilton, Clifford Mpare and Maceo Sloan.

After five consecutive years of double-digit gains, the U.S. stock market, as measured by the Standard & Poor's 500 Composite Stock Price Index, declined more than 9% in 2000. Most other major stock market indices declined as well. The reasons for the disappointing year varied, ranging from sky-high valuations of technology stocks to slowing economic growth during the second half of the year.

While the start of a new year is almost always a good time to review your investment strategies, recent market events may have altered the way your assets are apportioned among various asset classes, market-capitalization ranges and investment styles. You may wish to consider rebalancing your portfolio to help achieve your long-term financial goals.

We encourage you to contact your financial advisor for more information about ways to refine your investment strategies for the coming year. To speak with a Dreyfus customer service representative call 1-800-782-6620, or visit our website at www.dreyfus.com.

Thank you for your confidence and support in 2000, and we look forward to working with you in 2001.

Sincerely,

Stephen E. Canter
President and Chief Investment Officer
The Dreyfus Corporation
January 16, 2001



DISCUSSION OF FUND PERFORMANCE

Paul A. Hilton, Clifford Mpare and Maceo Sloan,
Portfolio Managers

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

For the 12-month period ended December 31, 2000, the fund produced a total return of -11.03%.¹ In contrast, the fund's benchmark, the Standard & Poor's 500 Composite Stock Price Index ("S&P 500 Index"), produced a total return of -9.10% and the Dow Jones Industrial Average produced a total return of -4.69% for the same period.²

We attribute the fund's performance to a difficult stock market environment over the past year, particularly within the technology and telecommunications sectors, two areas in which the fund was more heavily invested than the S&P 500 Index.

What is the fund's investment approach?

The fund seeks to provide capital growth with current income as a secondary objective. The fund looks for growth-oriented companies that generally exhibit three characteristics: improving profitability measurements, a pattern of consistent earnings and reasonable prices. To pursue these goals, the fund invests primarily in the common stock of companies that, in the opinion of the fund's management, meet traditional investment standards while simultaneously conducting their businesses in a manner that contributes to the enhancement of the quality of life in America.

What factors influenced the fund's performance?

Volatile market conditions adversely affected the fund throughout the year. During the first few months of the reporting period, technology stocks rose sharply while most other industry sectors lagged far behind. In March, however, stronger than expected economic growth and rising interest rates generated concerns about inflationary pres-

tures, causing previously high-flying technology-related stocks to plunge to more realistic valuations. Later in the period, as the economy showed signs of slowing, investors focused on companies with strong track records of financial stability and profitability. In this environment, technology stocks continued to decline, while market strength shifted to traditionally value-oriented sectors.

The fund's technology and telecommunications stocks declined with the market, as did several of the fund's capital goods stocks, including manufacturing companies that larger technology firms employ to produce their products. The prices of stocks of many companies in this area fell when a handful of high profile firms predicted quarterly earnings that would not meet analysts' expectations.

On the other hand, the fund enjoyed positive returns from other areas of the market, including the health care, financial services and consumer staples industry groups. Within health care, our pharmaceutical stocks — including Merck & Co., Schering-Plough and Johnson & Johnson — produced solid returns. In addition, our holdings in health services companies boosted performance, including Cardinal Health, a drug wholesaler, and Amgen, a biotechnology company. Within the financial services sector, our investments in broadly diversified firms such as Merrill Lynch proved beneficial. Finally, in the retail area, our holdings in CVS, the drug store chain, and Safeway produced strong results. In the consumer non-durable goods area, both Coca-Cola and Kimberly Clark produced strong returns as well.

What is the fund's current strategy?

We continue to favor technology companies, including the networking, fiber optics and broadband areas. While technology stocks suffered greatly in 2000, we remain confident that these companies can prosper over the long term. In addition, toward the end of the period, we began to take profits in some of our health care stocks, choosing instead to deploy those assets into more reasonably valued retail and financial stocks.

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

As socially conscious investors, we are concerned about recent reports regarding the hazards of mercury. Contact occurs most commonly through breakage of household mercury fever thermometers. A toxic substance to both humans and wildlife, mercury fever thermometers have a small glass tube that contains liquid mercury — a silvery white substance. When these products break, the mercury can evaporate, creating a risk of dangerous exposure to mercury vapor in indoor air. The risks are greater in rooms that lack adequate ventilation or when cleanup attempts, such as vacuuming, can increase the likelihood of human exposure.

In response to this problem, many state and local agencies have initiated programs to phase out or eliminate the use of mercury thermometers. To that end, we have been in contact with top management officials of several companies in the fund, including CVS. CVS is looking to sell down its remaining stock of mercury thermometers in its 4,100 stores by early 2001. We are also currently in early-stage dialogues with management officials at Cardinal Health and Safeway.

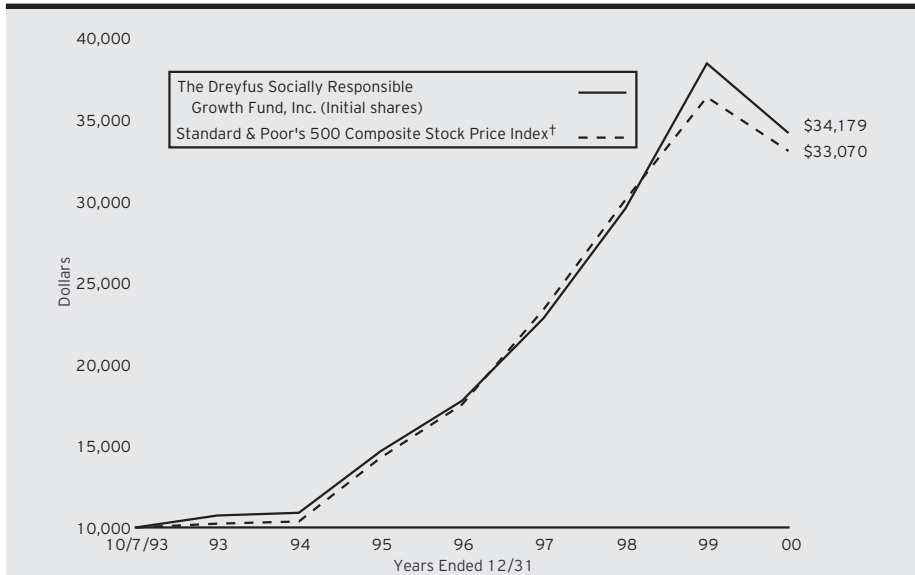
Many suitable alternatives to mercury thermometers exist, including digital or glass alcohol thermometers. For further information about this subject or to find out if there is a hazardous waste collection site in your neighborhood for disposing of your mercury thermometer, call the EPA's hotline, 1-800-CLEANUP.

January 16, 2001

¹ Effective December 31, 2000, existing shares were designated as Initial shares and the fund began offering a second class of shares, designated as Service shares, which are subject to a Rule 12b-1 Distribution Plan. The performance information presented is for Initial shares. Total return includes reinvestment of dividends and any capital gains paid. Past performance is no guarantee of future results. Share price, yield and investment return fluctuate such that upon redemption, fund shares may be worth more or less than their original cost. The fund's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in variable insurance contracts, which will reduce returns.

² SOURCE: LIPPER INC. — Reflects the reinvestment of dividends and, where applicable, capital gain distributions. Both the Standard & Poor's 500 Composite Stock Price Index and the Dow Jones Industrial Average are widely accepted, unmanaged indices of U.S. stock market performance.

FUND PERFORMANCE



Comparison of change in value of \$10,000 investment in The Dreyfus Socially Responsible Growth Fund, Inc. Initial shares and the Standard and Poor's 500 Composite Stock Price Index

Average Annual Total Returns as of 12/31/00

	Inception Date	1 Year	5 Years	From Inception
Fund—Initial shares	10/7/93	(11.03)%	18.45%	18.50%

† Source: Lipper Inc.

Past performance is not predictive of future performance.

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.

The above graph compares a \$10,000 investment made in Initial shares of The Dreyfus Socially Responsible Growth Fund, Inc. on 10/7/93 (Inception Date) to a \$10,000 investment made in the Standard & Poor's 500 Composite Stock Price Index on that date. For comparative purposes, the value of the Index on 9/30/93 is used as the beginning value on 10/7/93. All dividends and capital gain distributions are reinvested.

The fund's performance shown in the line graph takes into account all applicable fees and expenses of the fund. The Standard & Poor's 500 Composite Stock Price Index is a widely accepted, unmanaged index of U.S. stock market performance, which does not take into account charges, fees and other expenses. Further information relating to fund performance, including expense reimbursements, if applicable, is contained in the Financial Highlights section of the Prospectus and elsewhere in this report.

Effective December 31, 2000, existing fund shares were designated as Initial shares and the fund began offering a second class of shares, designated as Service shares, which are subject to a Rule 12b-1 Distribution Plan. Performance for Service shares will vary from the performance of Initial shares because of differences in charges and expenses.

STATEMENT OF INVESTMENTS

December 31, 2000

	Shares	Value (\$)
Common Stocks—97.4%		
Commercial Services—1.0%		
Omnicom Group	132,600	10,989,225
Consumer Non-Durables—2.8%		
Coca-Cola	304,800	18,573,750
Kimberly-Clark	160,000	11,310,400
		29,884,150
Electronic Technology—23.2%		
Applied Materials	606,000 ^a	23,141,625
Celestica	266,000 ^a	14,430,500
Cisco Systems	403,200 ^a	15,422,400
Cree	261,600 ^a	9,294,975
EMC	312,000 ^a	20,748,000
Flextronics International	400,000 ^a	11,400,000
Intel	493,800	14,937,450
International Business Machines	161,000	13,685,000
JDS Uniphase	250,000 ^a	10,421,875
Linear Technology	209,600	9,694,000
Lucent Technologies	670,000	9,045,000
Nokia, ADS	363,600	15,816,600
Nortel Networks	347,897	11,154,448
Sanmina	160,000 ^a	12,260,000
Solectron	465,800 ^a	15,790,620
Sun Microsystems	631,200 ^a	17,594,700
Tellabs	317,800 ^a	17,955,700
Vishay Intertechnology	457,000 ^a	6,912,125
		249,705,018
Energy Minerals—1.7%		
Royal Dutch Petroleum (New York Shares)	306,000	18,532,125
Finance—20.3%		
AFLAC	292,100	21,085,969
American Express	377,400	20,733,413
American International Group	336,375	33,153,961
Capital One Financial	289,200	19,032,975
Citigroup	511,600	26,123,575
Fannie Mae	296,000	25,678,000
Marsh & McLennan Cos.	100,000	11,700,000
Merrill Lynch	458,600	31,270,787
State Street	100,000	12,421,000

STATEMENT OF INVESTMENTS (continued)

Common Stocks (continued)	Shares	Value (\$)
Finance (continued)		
Wells Fargo	307,000	17,096,062
		218,295,742
Health Services-1.9%		
Cardinal Health	200,000	19,925,000
Health Technology-12.2%		
ALZA	282,000 ^a	11,985,000
Amgen	214,800 ^a	13,733,775
Guidant	266,600 ^a	14,379,737
Johnson & Johnson	176,900	18,585,556
Merck & Co.	175,000	16,384,375
Pfizer	723,500	33,281,000
Schering-Plough	400,500	22,728,375
		131,077,818
Non-Energy Minerals-1.0%		
Alcoa	303,000	10,150,500
Producer Manufacturing-4.1%		
Emerson Electric	295,000	23,249,687
Tyco International	378,000	20,979,000
		44,228,687
Retail Trade-11.2%		
CVS	379,000	22,716,313
Dollar General	555,000	10,475,625
Home Depot	330,000	15,076,875
Limited	712,000	12,148,500
Safeway	261,400 ^a	16,337,500
TJX Cos.	384,000	10,656,000
Wal-Mart Stores	630,400	33,490,000
		120,900,813
Technology Services-8.6%		
America Online	860,300 ^a	29,938,440
i2 Technologies	146,000 ^a	7,938,750
Microsoft	547,000 ^a	23,726,125
Oracle	1,062,000 ^a	30,864,375
		92,467,690
Transportation-.8%		
FedEx	212,000 ^a	8,471,520

Common Stocks (continued)	Shares	Value (\$)
Utilities—8.6%		
AES	298,800 ^a	16,546,050
AT&T—Liberty Media, Cl. A	653,600 ^a	8,864,450
Calpine	280,000 ^a	12,617,500
Enron	205,000	17,040,625
Global Crossing	552,000 ^a	7,900,500
SBC Communications	109,000	5,204,750
Verizon Communications	247,000	12,380,875
WorldCom	857,700 ^a	12,007,800
		92,562,550
Total Common Stocks (cost \$884,517,443)		1,047,190,838
	Principal Amount (\$)	Value (\$)
Short-Term Investments—2.6%		
Certificates of Deposit—0%		
Self Help Credit Union, 6.16%, 3/20/2001	100,000	100,000
U.S. Treasury Bills—2.6%		
5.88%, 3/8/2001	4,178,000	4,135,217
5.73%, 3/15/2001	1,423,000	1,406,977
5.45%, 3/22/2001	14,523,000	14,342,479
5.61%, 3/29/2001	7,683,000	7,577,974
		27,462,647
Total Short-Term Investments (cost \$27,565,334)		27,562,647
Total Investments (cost \$912,082,777)	100.0%	1,074,753,485
Cash and Receivables (Net)	.0%	335,653
Net Assets	100.0%	1,075,089,138

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

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2000

	Cost	Value
Assets (\$):		
Investments in securities—See Statement of Investments	912,082,777	1,074,753,485
Cash		562,315
Receivable for shares of Common Stock subscribed		395,093
Dividends and interest receivable		218,900
Prepaid expenses		8,216
		1,075,938,009
Liabilities (\$):		
Due to The Dreyfus Corporation and affiliates		715,397
Payable for shares of Common Stock redeemed		9,364
Accrued expenses		124,110
		848,871
Net Assets (\$)		1,075,089,138
Composition of Net Assets (\$):		
Paid-in capital		942,949,574
Accumulated undistributed investment income—net		129,938
Accumulated net realized gain (loss) on investments		(30,661,082)
Accumulated net unrealized appreciation (depreciation) on investments—Note 4		162,670,708
Net Assets (\$)		1,075,089,138

Net Asset Value Per Share		
	Initial Shares	Service Shares
Net Assets (\$)	1,075,088,638	500
Shares Outstanding	31,192,084	14.505
Net Asset Value Per Share (\$)	34.47	34.47

See notes to financial statements.

STATEMENT OF OPERATIONS

Year Ended December 31, 2000

Investment Income (\$):	
Income:	
Cash dividends (net of \$74,802 foreign taxes withheld at source)	14,936,741
Interest	2,184,180
Total Income	17,120,921
Expenses:	
Investment advisory fee—Note 3(a)	8,035,481
Custodian fees—Note 3(c)	82,632
Registration fees	79,410
Professional fees	59,623
Prospectus and shareholders' reports	35,424
Directors' fees and expenses—Note 3(d)	20,148
Loan commitment fees—Note 2	7,340
Shareholder servicing costs—Note 3(c)	5,422
Miscellaneous	3,393
Total Expenses	8,328,873
Investment Income—Net	8,792,048
Realized and Unrealized Gain (Loss) on Investments—Note 4 (\$):	
Net realized gain (loss) on investments	(30,494,156)
Net unrealized appreciation (depreciation) on investments	(109,571,169)
Net Realized and Unrealized Gain (Loss) on Investments	(140,065,325)
Net (Decrease) in Net Assets Resulting from Operations	(131,273,277)

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Year Ended December 31,	
	2000 ^a	1999
Operations (\$):		
Investment income–net	8,792,048	265,584
Net realized gain (loss) on investments	(30,494,156)	30,035,205
Net unrealized appreciation (depreciation) on investments	(109,571,169)	152,921,846
Net Increase (Decrease) in Net Assets Resulting from Operations	(131,273,277)	183,222,635
Dividends to Shareholders from (\$):		
Investment income–net:		
Initial shares	(8,816,915)	(110,779)
Net realized gain on investments:		
Initial shares	–	(29,821,669)
Total Dividends	(8,816,915)	(29,932,448)
Capital Stock Transactions (\$):		
Net proceeds from shares sold:		
Initial shares	421,888,138	420,752,466
Service shares	500	–
Dividends reinvested:		
Initial shares	8,816,915	29,932,448
Cost of shares redeemed:		
Initial shares	(113,064,727)	(184,233,771)
Increase (Decrease) in Net Assets from Capital Stock Transactions	317,640,826	266,451,143
Total Increase (Decrease) in Net Assets	177,550,634	419,741,330
Net Assets (\$):		
Beginning of Period	897,538,504	477,797,174
End of Period	1,075,089,138	897,538,504
Undistributed investment income–net	129,938	154,805
Capital Share Transactions (Shares):		
Initial Shares		
Shares sold	10,887,108	12,274,415
Shares issued for dividends reinvested	266,489	770,462
Shares redeemed	(2,934,477)	(5,444,636)
Net Increase (Decrease) in Shares Outstanding	8,219,120	7,600,241
Service Shares		
Shares sold	15	–

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

See notes to financial statements.

FINANCIAL HIGHLIGHTS

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

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1—Significant Accounting Policies:

The Dreyfus Socially Responsible Growth Fund, Inc. (the “fund”) is registered under the Investment Company Act of 1940, as amended (the “Act”), as a diversified open-end management investment company. The fund’s investment objective is to provide capital growth through equity investments in companies that not only meet traditional investment standards but which also show evidence that they conduct their business in a manner that contributes to the enhancement of the quality of life in America. The fund is intended to be a funding vehicle for variable annuity contracts and variable life insurance policies to be offered by the separate accounts of life insurance companies. The Dreyfus Corporation (“Dreyfus”) serves as the fund’s investment adviser. Dreyfus is a direct subsidiary of Mellon Bank, N.A. (“Mellon”), which is a wholly-owned subsidiary of Mellon Financial Corporation. NCM Capital Management Group, Inc. (“NCM”) serves as the fund’s sub-investment adviser. Effective March 22, 2000, Dreyfus Service Corporation (the “Distributor”), a wholly-owned subsidiary of Dreyfus, became the distributor of the fund’s shares, which are sold without a sales charge. Prior to March 22, 2000, Premier Mutual Fund Services, Inc. was the distributor.

On October 30, 2000, the fund’s Board of Directors approved, effective December 31, 2000, the addition of a second class of shares. The Board redesignated the fund’s existing shares as Initial shares, authorized the creation of Service shares and adopted a 12b-1 Distribution Plan for Service shares.

The fund is authorized to issue 300 million shares of \$.001 par value Common Stock in 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.

As of December 31, 2000, MBC Investments Corp., an indirect subsidiary of Mellon Financial Corporation, held all of the outstanding Service shares of the fund.

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

(a) Portfolio valuation: Investments in securities are valued at the last sales price on the securities exchange on which such securities are primarily traded or at the last sales price on the national securities market. Securities not listed on an exchange or the national securities market, or securities for which there were no transactions, are valued at the average of the most recent bid and asked prices. Bid price is used when no asked price is available. Securities for which there are no such valuations are valued at fair value as determined in good faith under the direction of the Board of Directors.

(b) Securities transactions and investment income: Securities transactions are recorded on a trade date basis. Realized gain and loss from securities transactions are recorded on the identified cost basis. Dividend income is recognized on the ex-dividend date and interest income, including, where applicable, amortization of discount on investments, is recognized on the accrual basis. Under the terms of the custody agreement, the fund received net earnings credits of \$1,790 during the period ended December 31, 2000, based on available cash balances left on deposit. Interest earned under this arrangement is included in interest income.

(c) Dividends to shareholders: Dividends are recorded on the ex-dividend date. Dividends from investment income-net and dividends from net realized capital gain are normally declared and paid annually, but the fund may make distributions on a more frequent basis to comply with the distribution requirements of the Internal Revenue Code

of 1986, as amended (the “Code”). To the extent that net realized capital gain can be offset by capital loss carryovers, it is the policy of the fund not to distribute such gain.

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

The fund has an unused capital loss carryover of approximately \$7,523,000 available for Federal income tax purposes to be applied against future net securities profits, if any, realized subsequent to December 31, 2000. The amount is calculated based on Federal income tax regulations, which may differ from financial reporting in accordance with accounting principles generally accepted in the United States. If not applied, the carryover expires in fiscal 2008.

NOTE 2—Bank Line of Credit:

The fund participates with other Dreyfus-managed funds in a \$500 million redemption credit facility (the “Facility”) to be utilized for temporary or emergency purposes, including the financing of redemptions. In connection therewith, the fund has agreed to pay commitment fees on its pro rata portion of the Facility. Interest is charged to the fund based on prevailing market rates in effect at the time of borrowings. During the period ended December 31, 2000, the fund did not borrow under the Facility.

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

(a) Pursuant to an Investment Advisory Agreement with Dreyfus, the investment advisory fee is computed at the annual rate of .75 of 1% of the value of the fund’s average daily net assets and is payable monthly.

Pursuant to a Sub-Investment Advisory Agreement with NCM, the sub-investment advisory fee is payable monthly by Dreyfus, and is

based upon the value of the fund's average daily net assets, computed at the following annual rates:

Average Net Assets	
0 to \$32 million . . . . .	.10 of 1%
In excess of \$32 million to \$150 million . . . . .	.15 of 1%
In excess of \$150 million to \$300 million . . . . .	.20 of 1%
In excess of \$300 million . . . . .	.25 of 1%

(b) Under the 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.

(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 their average daily net assets for certain allocated expenses with respect to servicing and/or maintaining Initial shares shareholder accounts.

The fund compensates Dreyfus Transfer, Inc., a wholly-owned subsidiary of Dreyfus, under a transfer agency agreement for providing personnel and facilities to perform transfer agency services for the fund. During the period ended December 31, 2000, the fund was charged \$593 pursuant to the transfer agency agreement.

The fund compensates Mellon under a custody agreement for providing custodial services for the fund. During the period ended December 31, 2000, the fund was charged \$82,632 pursuant to the custody agreement.

(d) Each Board member also serves as a Board member of other funds within the Dreyfus complex (collectively, the “Fund Group”). Effective April 13, 2000, each Board member who is not an “affiliated person” as defined in the Act receives an annual fee of \$25,000 and an attendance fee of \$4,000 for each in person meeting and \$500 for telephone meetings. These fees are allocated among the funds in the Fund Group. The Chairman of the Board receives an additional 25% of such compensation. Prior to April 13, 2000, each Board member who was not an “affiliated person” as defined in the Act received from the fund an annual fee of \$2,500. The Chairman of the Board received an additional 25% of such compensation. Subject to the fund’s Emeritus Program Guidelines, Emeritus Board members, if any, receive 50% of the fund’s annual retainer fee and per meeting fee paid at the time the Board member achieves emeritus status.

(e) During the period ended December 31, 2000, the fund incurred total brokerage commissions of \$1,318,188, of which \$46,608 was paid to Dreyfus Brokerage Services, a wholly-owned subsidiary of Mellon Financial Corporation.

NOTE 4—Securities Transactions:

The aggregate amount of purchases and sales of investment securities, excluding short-term securities, during the period ended December 31, 2000, amounted to \$985,089,758 and \$655,961,075, respectively.

At December 31, 2000, accumulated net unrealized appreciation on investments was \$162,670,708, consisting of \$278,199,947 gross unrealized appreciation and \$115,529,239 gross unrealized depreciation.

At December 31, 2000, the cost of investments for Federal income tax purposes was substantially the same as the cost for financial reporting purposes (see the Statement of Investments).

REPORT OF INDEPENDENT AUDITORS

Shareholders and Board of Directors The Dreyfus Socially Responsible Growth Fund, Inc.

We have audited the accompanying statement of assets and liabilities of The Dreyfus Socially Responsible Growth Fund, Inc., including the statement of investments, as of December 31, 2000, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended, and financial highlights for each of the years indicated therein. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights. Our procedures included verification by examination of securities held by the custodian as of December 31, 2000 and confirmation of securities not held by the custodian by correspondence with others. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of The Dreyfus Socially Responsible Growth Fund, Inc., at December 31, 2000, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the indicated years, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

New York, New York
February 2, 2001

IMPORTANT TAX INFORMATION (Unaudited)

For Federal tax purposes, the fund hereby designates 61.32% of the ordinary dividends paid during the fiscal year ended December 31, 2000 as qualifying for the corporate dividends received deduction.

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

**The Dreyfus Socially Responsible
Growth Fund, Inc.**

200 Park Avenue
New York, NY 10166

Investment Adviser

The Dreyfus Corporation
200 Park Avenue
New York, NY 10166

Sub-Investment Adviser

NCM Capital Management Group, Inc.
103 West Main Street
Durham, NC 22705

Custodian

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

**Transfer Agent &
Dividend Disbursing Agent**

Dreyfus Transfer, Inc.
P.O. Box 9671
Providence, RI 02940

Distributor

Dreyfus Service Corporation
200 Park Avenue
New York, NY 10166



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50% post-consumer
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Vegetable-based ink.

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ANNUAL REPORT

December 31, 2000

WARBURG PINCUS TRUST

- **GLOBAL POST-VENTURE CAPITAL PORTFOLIO**
(formerly Post-Venture Capital Portfolio)
- **EMERGING MARKETS PORTFOLIO**

Warburg Pincus Trust (the "Trust") shares are not available directly to individual investors, but may be offered only through certain insurance products and pension and retirement plans.

More complete information about the Trust, including charges and expenses and, when applicable, the special considerations and risks associated with international investing, is provided in the *Prospectus*, which must precede or accompany this document and which should be read carefully before investing. You may obtain additional copies by calling 800-222-8977 or by writing to Warburg Pincus Funds, P.O. Box 9030, Boston, MA 02205-9030.

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

From time to time, the Portfolios' investment adviser and co-administrators may waive some fees and/or reimburse some expenses, without which performance would be lower. Waivers and/or reimbursements are subject to change.

Returns are historical and include change in share price and reinvestment of dividends and capital gains. Past performance cannot guarantee future results. Returns and share price will fluctuate, and redemption value may be more or less than original cost.

International investing entails special risk considerations, including currency fluctuations, lower liquidity, economic and political risks, and differences in accounting methods.

The views of the Portfolios' management are as of the date of the letters, and Portfolio holdings described in this document are as of December 31, 2000; these views and Portfolio holdings may have changed subsequent to these dates. Nothing in this document is a recommendation to purchase or sell securities.

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

February 5, 2001

Dear Shareholder:

For the 12 months ended December 31, 2000, Warburg Pincus Trust—Global Post-Venture Capital Portfolio had a loss of 18.94%, vs. losses of 22.43% for the Russell 2000 Growth Index, 16.09% for the Russell 2500 Growth Index and 33.77% for the NASDAQ Industrial Index.

The period was a negative and volatile one for global stock markets. Most markets initially rose, but then encountered turbulence due to mounting inflation and interest-rate worries. Because many economies were growing at a healthy clip, global monetary authorities pressed on with their efforts to raise interest rates (to contain inflation). Over the latter part of the period, investors became concerned that the global economy would in fact slow, perhaps dramatically, as a result of the rate hikes. The resulting profit uncertainty—and actual profit shortfalls announced by highly visible companies—kept stocks under pressure. In terms of sector attribution, technology and telecommunications names accounted for the bulk of the declines around the world.

Against this backdrop, the Portfolio suffered a loss, hurt by the global equity selloff and by the particularly weak technology sector (as of December 31, about 38% of the Portfolio was invested in technology companies, which comprise more than half of the post-venture universe). The Portfolio's Asian technology shares were hit hardest through the decline. To be sure, there were some bright spots, such as certain of the Portfolio's energy and financial-services holdings.

In terms of regional emphasis, we remained biased in favor of the U.S., based on company-specific factors as well as our more-positive outlook on the interest-rate environment here. That said, we continued to broaden our exposure to foreign markets. We had a roughly 20% position in Europe at the end of the year, about half of which was invested in the U.K. Our Asian exposure remained mostly via Japan, where venture capital activity is rising significantly, though we also maintained small positions in selected Asian/Pacific markets such as Singapore. Elsewhere, we raised our weighting in Israel, home to a number of innovative venture-backed companies.

In terms of sector allocation, we lowered our weighting in technology over the course of the period, though this remained our largest area of concentration. The group's recent weakness aside, and notwithstanding a likely retraction in capital-spending growth over the intermediate term, we believe that our technology holdings have good prospects. We have a particularly sanguine longer-term outlook on companies in the optical-technologies and enterprise-software areas, which remained well-represented in the Portfolio.

We significantly increased our exposure to health care, raising our weightings in the pharmaceutical and service-provider industries. Representative holdings in the former group included a mid-cap drug company based in California. In the services area, we added a number of companies, including a manager of health-care benefits that has been engaged in strategic acquisition activity.

We raised our position in biotechnology companies, taking advantage of the group's volatility to add stocks we deemed to be attractive. Purchases included a Canada-based company focused on advanced drug delivery technologies, such as those used in "sustained release" products.

Elsewhere of note, we had significant exposure to the media, financial-services, business-services and consumer areas, broadly defined, where we continued to see compelling growth stories and reasonable stock valuations. We maintained a smaller but still meaningful weighting in the energy segment, where the number of potential investment opportunities available to the Portfolio is relatively small.

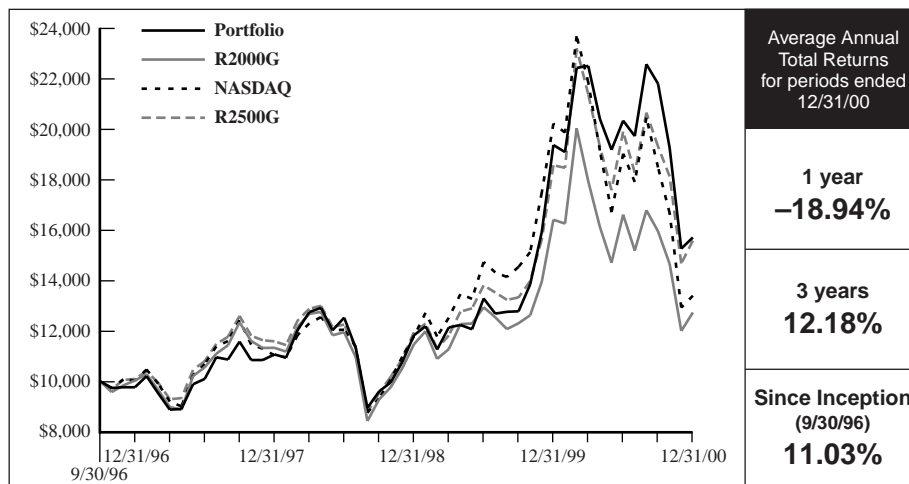
Looking ahead, global stock markets could certainly remain weak for a spell, hampered by worries over the economy and by continued profit shortfalls. That said, the global economy is in fact projected to keep growing. And given January's interest-rate reduction in the U.S., a worldwide downward trend in rates could develop, supporting longer-term growth and increasing the "value" of future profits. In any event, we will continue to focus on well-financed, well-managed companies—managements of venture-backed firms typically have large equity stakes in their companies, a key motivator—enjoying superior earnings growth. In a world where growth will likely be scarcer than it has been in recent years, such companies, in our view, will be increasingly attractive to equity investors.

Elizabeth B. Dater	Federico D. Laffan	Jun Sung Kim
Co-Portfolio Manager	Co-Portfolio Manager	Co-Portfolio Manager

International investing entails special risk considerations, including currency fluctuations, lower liquidity, economic and political risks, and differences in accounting methods. There are also special risk considerations associated with post-venture-capital investments. These are detailed in the Prospectus, which should be read carefully before investing.

**Growth of \$10,000 Invested in Warburg Pincus Trust — Global Post-Venture Capital Portfolio
 since Inception as of December 31, 2000**

The graph below illustrates a hypothetical investment of \$10,000 in Warburg Pincus Trust — Global Post-Venture Capital Portfolio from September 30, 1996 (inception) to December 31, 2000, compared to the Russell 2000 Growth Index (“R2000G”)*, the Russell 2500 Growth Index (“R2500G”)** and the NASDAQ Industrials Index (“NASDAQ”)*** for the same time period.



* The Russell 2000 Growth Index is an unmanaged index (with no defined investment objective) of those securities in the Russell 2000 Growth Index with a greater-than-average growth orientation. It includes reinvestment of dividends, and is compiled by Frank Russell Company.

** The Russell 2500 Growth Index measures the performance of those companies in the Russell 2500 Index with higher price-to-book values and higher forecasted growth rates. It includes reinvestment of dividends, and is compiled by Frank Russell Company.

***The NASDAQ Industrial Index is an unmanaged index that measures the stock price performance of more than 3000 industrial issues included in the NASDAQ OTC Composite Index. The NASDAQ OTC Composite Index represents 4500 stocks traded over the counter.

February 5, 2001

Dear Shareholder:

For the 12 months ended December 31, 2000, Warburg Pincus Trust—Emerging Markets Portfolio had a loss of 31.55%, vs. a loss of 30.61% for the Morgan Stanley Emerging Markets Free Index.

The period was an extremely difficult one for emerging stock markets, which fell back in the wake of a strong 1999. Turmoil hit these stocks early on, reflecting mounting concerns over interest rates within developed markets and a sharp downturn in the NASDAQ, the technology-heavy U.S. stock index. These factors curbed investors' appetite for risk, to put it mildly. Emerging stock markets languished over the remainder of the period, with rising energy costs and a weakening euro adding to the uncertainty. Against this backdrop, the Portfolio had a sizable loss, hindered by the difficult environment for emerging stock markets and by weakness in certain areas, most specifically the telecommunications and electronics sectors.

We made few major changes to the Portfolio during the period with respect to regional emphasis. Our primary focus was on Asia, with a continued emphasis on North Asian economies, most specifically South Korea, Taiwan and China. Our favorable view on these markets is based on their potential to benefit from rising long-term export demand, in particular for software and semiconductor products. In addition, we believe that valuations on a number of stocks here are compelling, both in absolute terms and compared to emerging-market technology stocks broadly. We generally continued to avoid Southeast Asia, though we deemed certain Malaysian stocks to be attractive.

Within Latin America, we continued to emphasize Brazil and Mexico. We added to these positions late in the period, with a bias in favor of Brazil (we believe the market stands to gain more from any interest-rate reductions in the U.S.) In general, we deemed stocks here to be more attractive, given prevailing valuations combined with certain developments—e.g., the fairly smooth political transition in Mexico, where President Fox has assembled his cabinet—that, in our eyes, have improved the region's risk profile.

We ended the period with a roughly neutral (11%) stake in Eastern/Central Europe. We had an overweighting in Turkey over much of the year, but reduced this position late in the period based on valuation considerations. We also pared our weighting in Hungary, where we saw declining potential for positive market catalysts. However, we established a modest position in Russia, where we believe the macroeconomic and political environment is improving, some near-term financial-market uncertainties notwithstanding. Elsewhere of note, we ended the period slightly underweighted in South Africa, but may add to this position going forward.

With regard to sector allocation, areas of emphasis for the Portfolio continued to include information-technology companies, a number of which in our view have good longer-term prospects. Our information technology related holdings remained concentrated in Asia and Israel. We ended the period with an overweighting in telecommunications services, where our holdings included Asian cellular stocks and Latin American fixed-line names. Within the financial segment, our focus was on companies that stand to benefit from financial and economic reforms, particularly within Europe and Latin America.

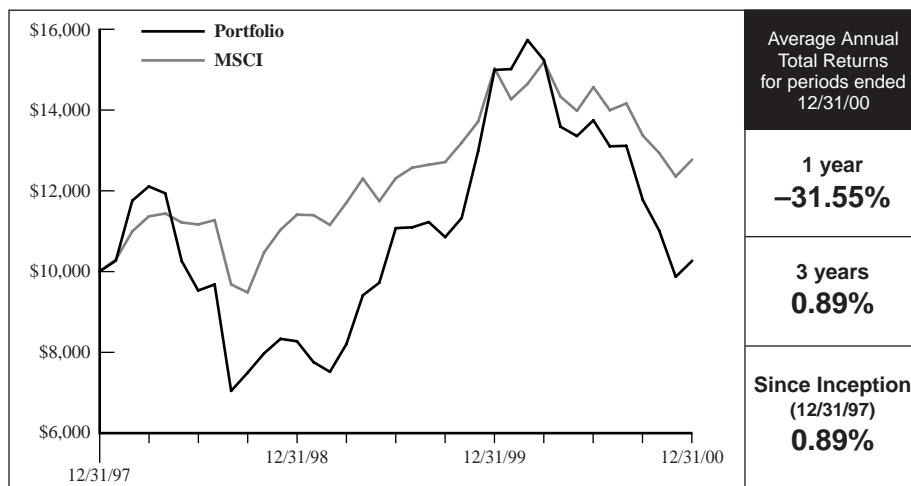
Notwithstanding the poor year for emerging markets, we see grounds for optimism regarding their longer-term prospects, and are encouraged by the group's good start in 2001 (as of late January). Certainly, there could be several "false starts" going forward, and emerging markets will remain volatile regardless. But in the wake of the Federal Reserve's January 2001 interest-rate cut, we believe that investors may become more cognizant of the group's compelling valuations. Indeed, we believe that a large number of these stocks have been oversold, priced to a "worst case" scenario in many cases, and could therefore benefit from even a hint of good news. Provided that major economies avoid recession—and we believe they will, thanks in part to global monetary easing—the group's valuations stand to draw ever-more favorable notice over time. Set within this environment, we will continue to seek out stocks we deem to have the brightest long-term prospects.

Richard Watt
Portfolio Manager

International investing entails special risk considerations, including currency fluctuations, lower liquidity, economic and political risks, and differences in accounting methods; these risks are generally heightened for emerging-market investments.

**Growth of \$10,000 Invested in Warburg Pincus Trust — Emerging Markets Portfolio
 since Inception as of December 31, 2000**

The graph below illustrates a hypothetical investment of \$10,000 in Warburg Pincus Trust — Emerging Markets Portfolio from December 31, 1997 (inception) to December 31, 2000, compared to the Morgan Stanley Emerging Markets Free Index (“MSCI”)* for the same time period.



* The Morgan Stanley Emerging Markets Free Index is a market-capitalization-weighted index of emerging-market countries determined by Morgan Stanley. The index includes only those countries open to non-local investors.

Warburg Pincus Trust — Global Post-Venture Capital Portfolio
Schedule of Investments — December 31, 2000

	<u>Number of Shares</u>	<u>Value</u>
COMMON STOCKS (95.1%)		
Brazil (0.4%)		
<i>Wireless Telecommunications Services (0.4%)</i>		
Celular CRT Participacoes SA ¹	2,200,462	\$ 710,922
TOTAL BRAZIL		<u>710,922</u>
Canada (3.6%)		
<i>Electrical Equipment (0.1%)</i>		
Stuart Energy Systems Corp. ¹	23,000	<u>145,472</u>
<i>Machinery (0.2%)</i>		
ATS Automation Tooling Systems, Inc. ¹	25,000	<u>332,887</u>
<i>Media (1.5%)</i>		
Shaw Communications, Inc. Class B	110,600	<u>2,543,800</u>
<i>Pharmaceuticals (0.6%)</i>		
Biovail Corp. ADR ¹	25,700	<u>998,188</u>
<i>Semiconductor Equipment & Products (0.5%)</i>		
C-MAC Industries, Inc. ¹	20,000	<u>887,500</u>
<i>Software (0.7%)</i>		
Descartes Systems Group, Inc. ¹	51,500	<u>1,217,202</u>
TOTAL CANADA		<u>6,125,049</u>
France (1.4%)		
<i>Computers & Peripherals (0.4%)</i>		
Infovista SA ¹	28,000	<u>725,538</u>
<i>Media (1.0%)</i>		
Ipsos SA	15,400	<u>1,677,150</u>
TOTAL FRANCE		<u>2,402,688</u>
Germany (1.1%)		
<i>Machinery (0.9%)</i>		
Jenoptik AG	54,000	<u>1,581,764</u>
<i>Software (0.2%)</i>		
Telesens AG ¹	14,787	<u>402,598</u>
TOTAL GERMANY		<u>1,984,362</u>
Ireland (0.8%)		
<i>Diversified Telecommunications Services (0.8%)</i>		
Parthus Technologies PLC ¹	507,000	<u>1,321,587</u>
TOTAL IRELAND		<u>1,321,587</u>
Israel (5.7%)		
<i>Communication Equipment (0.7%)</i>		
Gilat Satellite Networks, Ltd. ¹	48,200	<u>1,229,100</u>
<i>Communications Equipment (0.5%)</i>		
Audiocodes, Ltd. ¹	67,400	<u>914,112</u>
<i>Diversified Telecommunications Services (0.6%)</i>		
Amdocs, Ltd. ¹	15,000	<u>993,750</u>
<i>Healthcare Equipment & Supplies (1.9%)</i>		
Card-Guard Scientific Survival, Ltd. ¹	48,000	<u>3,110,151</u>
<i>IT Consulting & Services (1.4%)</i>		
Check Point Software Technologies, Ltd. ¹	17,600	<u>2,350,700</u>
<i>Pharmaceuticals (0.6%)</i>		
Taro Pharmaceutical Industries, Ltd. ADR ¹	30,600	<u>950,512</u>
TOTAL ISRAEL		<u>9,548,325</u>

See Accompanying Notes to Financial Statements.

Warburg Pincus Trust — Global Post-Venture Capital Portfolio
Schedule of Investments (cont'd) — December 31, 2000

	<u>Number of Shares</u>	<u>Value</u>
COMMON STOCKS (cont'd)		
Japan (7.3%)		
<i>Commercial Services & Supplies (1.9%)</i>		
Omega Project Co., Ltd.	380,000	\$ 845,184
Venture Link Co., Ltd.	43,000	2,315,674
		<u>3,160,858</u>
<i>Computers & Peripherals (1.2%)</i>		
Ferrotec Corp.	63,000	1,257,793
Obic Co., Ltd.	4,000	826,269
		<u>2,084,062</u>
<i>Diversified Financials (0.9%)</i>		
Jafco Co., Ltd.	17,000	1,563,047
<i>Electrical Equipment (1.4%)</i>		
Furukawa Electric Co., Ltd.	131,000	2,288,485
<i>Electronic Equipment & Instruments (0.6%)</i>		
Micronics Japan Co., Ltd.	72,000	977,233
<i>Healthcare Equipment & Supplies (0.2%)</i>		
Moritex Corp.	9,000	384,588
<i>Specialty Retail (0.2%)</i>		
Jac Holdings Co., Ltd.	28,000	336,147
<i>Wireless Telecommunications Services (0.9%)</i>		
NTT DoCoMo, Inc. ¹	85	1,466,287
TOTAL JAPAN		<u>12,260,707</u>
Netherlands (0.8%)		
<i>Oil & Gas (0.8%)</i>		
Petroplus International NV	86,526	1,360,676
TOTAL NETHERLANDS		<u>1,360,676</u>
Norway (1.0%)		
<i>Energy Equipment & Services (0.4%)</i>		
Fred Olsen Energy ASA ¹	102,400	748,969
<i>Oil & Gas (0.6%)</i>		
Navis ASA ¹	704,500	990,620
TOTAL NORWAY		<u>1,739,589</u>
Singapore (1.7%)		
<i>Electronic Equipment & Instruments (1.7%)</i>		
Flextronics International, Ltd. ¹	102,400	2,918,400
TOTAL SINGAPORE		<u>2,918,400</u>
Spain (2.5%)		
<i>Diversified Financials (0.5%)</i>		
Dinamia Capital Privado Sociedad de Capital Riesgo SA†	84,130	817,494
<i>Hotels Restaurants & Leisure (1.2%)</i>		
NH Hoteles SA	165,000	2,029,311
<i>IT Consulting & Services (0.8%)</i>		
Indra Sistemas SA	149,000	1,405,872
TOTAL SPAIN		<u>4,252,677</u>
Sweden (0.8%)		
<i>Electrical Equipment (0.3%)</i>		
Capiro AB ¹	67,500	500,767
<i>Electronic Equipment & Instruments (0.5%)</i>		
Micronic Laser System AB ¹	27,100	801,322
TOTAL SWEDEN		<u>1,302,089</u>

See Accompanying Notes to Financial Statements.

Warburg Pincus Trust — Global Post-Venture Capital Portfolio
Schedule of Investments (cont'd) — December 31, 2000

	<u>Number of Shares</u>	<u>Value</u>
COMMON STOCKS (cont'd)		
Switzerland (1.3%)		
<i>Computers & Peripherals (1.0%)</i>		
Logitech International SA ¹	6,600	\$ 1,669,855
<i>Leisure Equipment & Products (0.3%)</i>		
Gretag Imaging Group	5,900	509,719
TOTAL SWITZERLAND		<u>2,179,574</u>
United Kingdom (11.1%)		
<i>Banks (0.8%)</i>		
London Pacific Group, Ltd. ADR	179,900	1,360,494
<i>Biotechnology (0.5%)</i>		
Oxford Glycosciences PLC ¹	37,950	856,015
<i>Commercial Services & Supplies (0.3%)</i>		
Nestor Healthcare Group PLC	70,000	512,373
<i>Diversified Financials (3.4%)</i>		
3I Group PLC	157,900	2,920,083
Amvescap PLC ADR	63,750	2,773,125
		<u>5,693,208</u>
<i>Diversified Telecommunications Services (0.7%)</i>		
Skyepharma PLC ¹	1,199,000	1,146,282
<i>Household Durables (1.2%)</i>		
Mentmore Abbey PLC	619,900	1,981,654
<i>Media (1.8%)</i>		
EMAP PLC	47,600	606,525
Eyretel PLC ¹	680,500	818,307
Informa Group PLC	175,000	1,568,490
		<u>2,993,322</u>
<i>Semiconductor Equipment & Products (0.5%)</i>		
Arc International PLC ¹	261,300	882,146
<i>Software (1.9%)</i>		
Autonomy Corp. PLC ¹	47,100	1,343,837
Orchestream Holdings PLC ¹	224,700	923,056
Insignia Solutions, Inc. ADR ¹	163,200	775,200
		<u>3,042,093</u>
TOTAL UNITED KINGDOM		<u>18,467,587</u>
United States (55.6%)		
<i>Banks (1.1%)</i>		
Mellon Financial Corp.	37,100	1,824,856
<i>Biotechnology (3.3%)</i>		
Affymetrix, Inc. ¹	20,100	1,496,194
Amgen, Inc. ¹	19,300	1,233,994
Gilead Sciences, Inc.	16,900	1,401,644
Millennium Pharmaceuticals, Inc.	21,800	1,348,875
		<u>5,480,707</u>
<i>Commercial Services & Supplies (1.9%)</i>		
Axiom Corp. ¹	49,500	1,927,406
DeVry, Inc. ¹	35,000	1,321,250
		<u>3,248,656</u>
<i>Communications Equipment (3.8%)</i>		
Avanex Corp. ¹	18,700	1,113,819
CIENA Corp. ¹	37,200	3,027,150
Cisco Systems, Inc. ¹	35,000	1,338,750
Stratos Lightwave, Inc. ¹	53,200	907,725
		<u>6,387,444</u>

See Accompanying Notes to Financial Statements.

Warburg Pincus Trust — Global Post-Venture Capital Portfolio
Schedule of Investments (cont'd) — December 31, 2000

	<u>Number of Shares</u>	<u>Value</u>
COMMON STOCKS (cont'd)		
United States (cont'd)		
<i>Computers & Peripherals (1.6%)</i>		
Brocade Communications Systems, Inc. ¹	8,400	\$ 771,225
Planetweb, Inc. ^{1,3}	183,800	999,872
webMethods, Inc.	10,000	889,375
		<u>2,660,472</u>
<i>Diversified Financials (2.1%)</i>		
Gabelli Asset Management, Inc. Class A	48,500	1,609,594
T. Rowe Price Group, Inc.	43,500	1,838,555
		<u>3,448,149</u>
<i>Diversified Telecommunications Services (0.8%)</i>		
DiamondCluster International, Inc.	42,800	1,305,400
<i>Energy Equipment & Services (2.4%)</i>		
Cooper Cameron Corp. ¹	33,700	2,226,306
Nabors Industries, Inc.	31,200	1,845,480
		<u>4,071,786</u>
<i>Financial Services (1.1%)</i>		
Radian Group, Inc.	23,600	1,771,475
<i>Healthcare Providers & Services (7.8%)</i>		
Advance Paradigm, Inc. ¹	85,200	3,876,600
Community Health Care ¹	100,800	3,528,000
Healthsouth Corp. ¹	107,700	1,756,856
Lincare Holdings, Inc. ¹	30,400	1,734,700
Manor Care, Inc. ¹	43,800	903,375
Oxford Health Plans, Inc. ¹	21,200	837,400
Province Healthcare Co. ¹	12,100	476,437
		<u>13,113,368</u>
<i>Hotels Restaurants & Leisure (1.0%)</i>		
MGM Mirage, Inc.	62,100	1,750,444
<i>Household Durables (2.3%)</i>		
Lennar Corp.	48,700	1,765,375
Polycom, Inc. ¹	44,800	1,442,000
ValueVision International, Inc. ¹	57,900	730,988
		<u>3,938,363</u>
<i>Insurance (1.3%)</i>		
Ambac Financial Group, Inc.	36,150	2,107,997
<i>Internet Software & Services (3.8%)</i>		
BEA Systems, Inc. ¹	39,700	2,672,306
Juniper Networks, Inc. ¹	15,900	2,004,394
Openwave Systems, Inc. ¹	35,400	1,696,988
		<u>6,373,688</u>
<i>IT Consulting & Services (1.5%)</i>		
BISYS Group, Inc. ¹	49,400	2,574,975
<i>Media (7.6%)</i>		
Cablevision Systems Corp. Class A ¹	21,000	1,783,688
Clear Channel Communications, Inc. ¹	25,090	1,215,297
Entravision Communications Corp. ¹	107,200	1,969,800
Getty Images, Inc. ¹	34,700	1,110,400
Harte-Hanks, Inc.	74,800	1,771,825
MamaMedia, Inc. ^{1,3}	92,592	499,997
TMP Worldwide, Inc. ¹	23,200	1,276,000
USA Networks, Inc. ¹	71,600	1,391,725
Westwood One, Inc. ¹	89,600	1,730,400
		<u>12,749,132</u>

See Accompanying Notes to Financial Statements.

Warburg Pincus Trust — Global Post-Venture Capital Portfolio
Schedule of Investments (cont'd) — December 31, 2000

	<u>Number of Shares</u>	<u>Value</u>
COMMON STOCKS (cont'd)		
United States (cont'd)		
<i>Oil & Gas (1.6%)</i>		
Chaparral Resources, Inc. ¹	2,778	\$ 10,070
Newfield Exploration Co. ¹	55,500	2,632,781
		<u>2,642,851</u>
<i>Pharmaceuticals (4.2%)</i>		
Celgene Corp. ¹	29,500	958,750
IVAX Corp. ¹	52,000	1,991,600
PRAECIS Pharmaceuticals, Inc. ¹	59,700	1,746,225
Progenics Pharmaceuticals, Inc. ¹	45,700	788,325
Watson Pharmaceuticals, Inc. ¹	30,700	1,571,456
		<u>7,056,356</u>
<i>Semiconductor Equipment & Products (1.6%)</i>		
Broadcom Corp. Class A ¹	20,400	1,723,800
KLA-Tencor Corp. ¹	30,300	1,020,731
		<u>2,744,531</u>
<i>Software (3.0%)</i>		
Convera Corp. ¹	76,400	1,356,100
Documentum, Inc. ¹	44,000	2,186,250
Intuit, Inc. ¹	36,000	1,419,750
		<u>4,962,100</u>
<i>Specialty Retail (1.1%)</i>		
Barnes & Noble, Inc. ¹	69,700	1,847,050
<i>Wireless Telecommunications Services (0.7%)</i>		
Redback Networks, Inc. ¹	28,600	1,172,600
TOTAL UNITED STATES		<u>93,232,400</u>
TOTAL COMMON STOCKS (Cost \$161,517,680)		<u>159,806,632</u>
WARRANT (0.0%)		
United Kingdom (0.0%)		
<i>Software (0.0%)</i>		
Insignia Solutions, Inc. (Cost \$0) ¹	81,600	<u>0</u>
SHORT-TERM INVESTMENT (2.2%)		
RBB Money Market Portfolio (Cost \$3,631,188)	3,631,188	<u>3,631,188</u>
TOTAL SHORT-TERM INVESTMENT (Cost \$3,631,188)		
TOTAL INVESTMENTS AT VALUE (97.3%) (Cost \$165,148,868 ²)		163,437,820
OTHER ASSETS IN EXCESS OF LIABILITIES (2.7%)		<u>4,596,585</u>
NET ASSETS (100.0%)		<u>\$168,034,405</u>

INVESTMENT ABBREVIATIONS
ADR = American Depository Receipt

¹ Non-income producing security.

² Cost for federal income tax purposes is \$165,157,247.

³ Private Placement.

See Accompanying Notes to Financial Statements.

Warburg Pincus Trust — Emerging Markets Portfolio
Schedule of Investments — December 31, 2000

	<u>Number of Shares</u>	<u>Value</u>
COMMON STOCKS (92.4%)		
Australia (0.0%)		
<i>Oil & Gas (0.0%)</i>		
Novus Petroleum, Ltd. ¹	144	\$ 144
TOTAL AUSTRALIA		<u>144</u>
Brazil (15.4%)		
<i>Banks (0.7%)</i>		
Uniao de Bancos Brasileiros SA GDR	7,600	<u>223,725</u>
<i>Beverages (1.5%)</i>		
Companhia de Bebidas das Americas (Ambev) ADR	19,175	<u>493,756</u>
<i>Diversified Telecommunications Services (4.2%)</i>		
Brasil Telecom Participacoes SA ADR	5,300	312,700
Embratel Participacoes SA ADR	21,900	343,556
Tele Norte Leste Participacoes SA ADR	31,500	<u>718,594</u>
		<u>1,374,850</u>
<i>Food & Drug Retailing (1.2%)</i>		
Companhia Brasileira de Distribuicao Grupo Pao de Acucar ADR	11,200	<u>408,800</u>
<i>Metals & Mining (1.7%)</i>		
Companhia Vale do Rio Doce ADR	22,000	<u>541,750</u>
<i>Oil & Gas (3.7%)</i>		
Petroleo Brasileiro SA ADR (Preference shares)	17,000	399,109
Petroleo Brasileiro SA ADR (Common shares) ¹	32,100	<u>810,525</u>
		<u>1,209,634</u>
<i>Wireless Telecommunications Services (2.4%)</i>		
Tele Centro Oeste Celular Participacoes SA ADR	15,500	150,156
Telemig Celular Participacoes SA ADR	3,600	214,200
Telesp Celular Participacoes SA ADR	13,700	<u>369,900</u>
		<u>734,256</u>
TOTAL BRAZIL		<u>4,986,771</u>
Chile (1.6%)		
<i>Beverages (0.5%)</i>		
Compania Cervecerias Uni ADR	7,700	<u>165,550</u>
<i>Electric Utilities (0.6%)</i>		
Enersis SA ADR	10,800	<u>190,350</u>
<i>Food & Drug Retailing (0.5%)</i>		
Distribucion y Servicio D & S SA ADR	8,800	<u>153,450</u>
TOTAL CHILE		<u>509,350</u>
China (2.8%)		
<i>Construction Materials (0.8%)</i>		
Cheung Kong Infrastructure Holdings, Ltd.	164,913	<u>271,687</u>
<i>Electric Utilities (1.8%)</i>		
Beijing Datang Power Generation Co., Ltd.	637,101	165,403
Huaneng Power International, Inc.	266,545	129,002
Huaneng Power International, Inc. ADR	16,300	<u>307,663</u>
		<u>602,068</u>
<i>Oil & Gas (0.2%)</i>		
PetroChina Co., Ltd.	473,000	<u>78,834</u>
TOTAL CHINA		<u>952,589</u>
Croatia (0.2%)		
<i>Pharmaceuticals (0.2%)</i>		
Pliva GDR	6,200	<u>72,850</u>
TOTAL CROATIA		<u>72,850</u>

See Accompanying Notes to Financial Statements.

Warburg Pincus Trust — Emerging Markets Portfolio
Schedule of Investments (cont'd) — December 31, 2000

	<u>Number of Shares</u>	<u>Value</u>
COMMON STOCKS (cont'd)		
Greece (2.8%)		
<i>Banks (1.3%)</i>		
Alpha Bank SA	8,055	\$ 273,513
National Bank of Greece SA	4,195	157,087
		<u>430,600</u>
<i>Diversified Telecommunications Services (1.5%)</i>		
Hellenic Telecommunications Organization SA ADR	66,500	482,125
TOTAL GREECE		<u>912,725</u>
Hong Kong (3.9%)		
<i>Automobiles (0.7%)</i>		
Denway Motors, Ltd. ¹	1,402,000	244,454
<i>Media (0.4%)</i>		
Phoenix Satellite Television Holdings, Ltd. ¹	498,000	135,675
<i>Industrial Conglomerates (0.4%)</i>		
Citic Pacific, Ltd.	41,000	145,341
<i>Wireless Telecommunications Services (2.4%)</i>		
China Mobile, Ltd. ¹	143,500	783,740
TOTAL HONG KONG		<u>1,309,210</u>
Hungary (1.1%)		
<i>Banks (0.2%)</i>		
OTP Bank	1,323	74,271
<i>Diversified Telecommunications Services (0.6%)</i>		
Matav Rt ADR	9,500	194,156
<i>Pharmaceuticals (0.3%)</i>		
Gedeon Richter	1,500	88,875
TOTAL HUNGARY		<u>357,302</u>
India (5.1%)		
<i>Banks (0.6%)</i>		
State Bank of India, Ltd. GDR	24,600	202,950
<i>Chemicals (1.1%)</i>		
Reliance Industries, Ltd. GDR	22,000	360,250
<i>Diversified Telecommunications Services (0.8%)</i>		
Videsh Sanchar Nigam, Ltd. ADR	20,200	252,500
<i>Industrial Conglomerates (0.5%)</i>		
Larsen & Toubro, Ltd. GDR	17,200	148,350
<i>IT Consulting & Services (0.8%)</i>		
Infosys Technologies, Ltd. ADR	2,800	258,300
<i>Metals & Mining (0.5%)</i>		
Hindalco Industries, Ltd. GDR	9,300	169,725
<i>Tobacco (0.8%)</i>		
ITC, Ltd. GDR	12,900	248,325
TOTAL INDIA		<u>1,640,400</u>
Indonesia (0.0%)		
<i>Food Products (0.0%)</i>		
PT Indofood Sukses Makmur ¹	32,500	2,603
TOTAL INDONESIA		<u>2,603</u>
Israel (2.6%)		
<i>Communications Equipment (0.3%)</i>		
ECl Telecom, Ltd.	6,900	96,492
<i>Electronic Equipment & Instruments (1.4%)</i>		
Orbotech, Ltd. ¹	12,691	473,533
<i>IT Consulting & Services (0.9%)</i>		
Check Point Software Technologies, Ltd. ¹	2,126	283,954
TOTAL ISRAEL		<u>853,979</u>

See Accompanying Notes to Financial Statements.

Warburg Pincus Trust — Emerging Markets Portfolio
Schedule of Investments (cont'd) — December 31, 2000

	<u>Number of Shares</u>	<u>Value</u>
COMMON STOCKS (cont'd)		
Malaysia (3.4%)		
<i>Banks (1.6%)</i>		
Malayan Banking Berhad	123,400	\$ 438,390
Public Bank Berhad	92,755	72,251
		<u>510,641</u>
<i>Electric Utilities (0.2%)</i>		
Tenaga Nasional Berhad	26,677	81,434
<i>Hotels Restaurants & Leisure (0.6%)</i>		
Genting Berhad	42,085	104,104
Tanjong PLC	58,000	109,130
		<u>213,234</u>
<i>Industrial Conglomerates (0.4%)</i>		
Sime Darby Berhad	100,176	125,482
<i>Tobacco (0.6%)</i>		
British American Tobacco Berhad	21,680	199,682
TOTAL MALAYSIA		<u>1,130,473</u>
Mexico (11.7%)		
<i>Banks (1.8%)</i>		
Grupo Financiero Banamex Accival SA de CV Class O ¹	236,613	389,080
Grupo Financiero Bancomer SA de CV Class O ¹	339,522	187,985
		<u>577,065</u>
<i>Beverages (1.8%)</i>		
Coca-Cola Femsa SA ADR	9,376	209,788
Grupo Modelo SA de CV Series C	139,735	369,388
		<u>579,176</u>
<i>Construction Materials (0.7%)</i>		
Cemex SA de CV ADR	12,126	219,026
<i>Diversified Telecommunications Services (4.2%)</i>		
Telefonos de Mexicano SA de CV ADR	30,060	1,356,458
<i>Media (0.9%)</i>		
Grupo Televisa SA de CV GDR ¹	6,600	296,588
<i>Multiline Retail (1.2%)</i>		
Wal-Mart de Mexico SA de CV ADR ¹	20,500	407,930
<i>Paper & Forest Products (0.5%)</i>		
Kimberly-Clark de Mexico SA de CV ADR	12,337	163,063
<i>Wireless Telecommunications Services (0.6%)</i>		
Grupo Iusacell SA de CV ADR ¹	20,472	199,602
TOTAL MEXICO		<u>3,798,908</u>
Poland (2.0%)		
<i>Banks (0.5%)</i>		
Bank Polska Kasa Opieki SA ¹	10,497	158,755
<i>Diversified Telecommunications Services (1.0%)</i>		
Telekomunikacja Polska	48,913	326,675
<i>Oil & Gas (0.5%)</i>		
Polski Koncern Naftowy Orlen SA	29,865	162,602
TOTAL POLAND		<u>648,032</u>

See Accompanying Notes to Financial Statements.

Warburg Pincus Trust — Emerging Markets Portfolio
Schedule of Investments (cont'd) — December 31, 2000

	<u>Number of Shares</u>	<u>Value</u>
COMMON STOCKS (cont'd)		
Russia (1.9%)		
<i>Electric Utilities (0.4%)</i>		
Unified Energy Systems ADR	15,500	\$ 127,100
<i>Oil & Gas (1.5%)</i>		
Lukoil Holding ADR	7,000	259,000
Surgutneftegaz ADR ¹	21,400	222,560
		<u>481,560</u>
TOTAL RUSSIA		<u>608,660</u>
South Africa (9.1%)		
<i>Banks (1.8%)</i>		
Standard Bank Investment Corp., Ltd.	142,589	574,498
<i>Beverages (1.0%)</i>		
South African Breweries PLC	45,391	318,995
<i>Diversified Financials (0.4%)</i>		
Johnnic Holdings, Ltd.	10,777	118,589
<i>Industrial Conglomerates (1.4%)</i>		
Imperial Holdings, Ltd. ¹	55,571	442,658
<i>Insurance (1.8%)</i>		
Liberty Group, Ltd.	64,567	575,728
<i>Metals & Mining (2.7%)</i>		
Anglo American Platinum Corp., Ltd.	7,700	358,044
Anglogold, Ltd.	7,564	220,824
De Beers Consolidated Mines, Ltd. ADR	11,700	312,975
		<u>891,843</u>
TOTAL SOUTH AFRICA		<u>2,922,311</u>
South Korea (13.8%)		
<i>Banks (2.4%)</i>		
H&CB	13,066	296,438
Kookmin Bank	42,020	494,939
		<u>791,377</u>
<i>Diversified Telecommunications Services (2.9%)</i>		
Korea Telecom Corp.	5,475	289,980
Korea Telecom Corp. ADR	21,100	654,100
		<u>944,080</u>
<i>Electric Utilities (2.0%)</i>		
Korea Electric Power Corp.	31,980	596,623
Korea Electric Power Corp. ADR	4,000	41,000
		<u>637,623</u>
<i>Electronic Equipment & Instruments (0.6%)</i>		
Samsung Electro-Mechanics Co. ¹	6,810	184,651
<i>Metals & Mining (0.8%)</i>		
Pohang Iron & Steel Co., Ltd.	1,660	100,387
Pohang Iron & Steel, Ltd. ADR	9,700	150,956
		<u>251,343</u>
<i>Semiconductor Equipment & Products (2.2%)</i>		
Samsung Electronics Co.	5,828	727,924
<i>Wireless Telecommunications Services (2.9%)</i>		
SK Telecom Co., Ltd.	559	111,800
SK Telecom Co., Ltd. ADR	35,800	843,538
		<u>955,338</u>
TOTAL SOUTH KOREA		<u>4,492,336</u>

See Accompanying Notes to Financial Statements.

Warburg Pincus Trust — Emerging Markets Portfolio
Schedule of Investments (cont'd) — December 31, 2000

	<u>Number of Shares</u>	<u>Value</u>
COMMON STOCKS (cont'd)		
Taiwan (12.1%)		
<i>Banks (1.4%)</i>		
Bank Sinopac	478,600	\$ 206,156
Chinatrust Commercial Bank ¹	430,000	258,660
		<u>464,816</u>
<i>Chemicals (1.1%)</i>		
Formosa Plastics Corp.	259,000	353,872
<i>Computers & Peripherals (1.3%)</i>		
Acer Communications & Multimedia, Inc.	65,000	66,411
Asustek Computer, Inc.	74,000	222,568
Quanta Computer, Inc.	49,000	128,862
		<u>417,841</u>
<i>Electronic Equipment & Instruments (0.7%)</i>		
Delta Electronics, Inc.	27,000	84,472
Hon Hai Precision Industry Co., Ltd.	29,600	150,317
		<u>234,789</u>
<i>Insurance (0.7%)</i>		
Cathay Life Insurance Co., Ltd.	126,000	220,906
<i>Metals & Mining (0.4%)</i>		
China Steel Corp.	205,000	123,315
<i>Semiconductor Equipment & Products (5.1%)</i>		
Taiwan Semiconductor Manufacturing Co. ¹	329,292	791,328
United Microelectronics Co., Ltd. ¹	430,080	625,320
Via Technologies, Inc. ¹	38,000	205,610
Winbond Electronics Corp. ¹	52,536	50,341
		<u>1,672,599</u>
<i>Textiles & Apparel (1.4%)</i>		
Far East Textile, Ltd.	658,000	465,425
TOTAL TAIWAN		<u>3,953,563</u>
Turkey (1.8%)		
<i>Banks (1.3%)</i>		
Dogan Yayin Holding AS ¹	32,645,098	226,465
Yapi ve Kredi Bankasi AS ¹	36,980,174	190,335
		<u>416,800</u>
<i>Diversified Financials (0.0%)</i>		
Koc Holdings AS	71,884	3,056
<i>Wireless Telecommunications Services (0.5%)</i>		
Turkcell Iletisim Hizmetleri AS ADR ¹	21,300	149,100
TOTAL TURKEY		<u>568,956</u>
United Kingdom (1.2%)		
<i>Banks (1.2%)</i>		
HSBC Holdings PLC	27,600	408,697
TOTAL COMMON STOCKS (Cost \$34,209,120)		<u>30,129,859</u>
PREFERRED STOCKS (1.0%)		
Brazil (1.0%)		
<i>Banks (1.0%)</i>		
Banco Itau SA	3,314,417	314,446
<i>Oil & Gas (0.0%)</i>		
Petroleo Brasileiro SA	147	3,451
TOTAL BRAZIL		<u>317,897</u>
Taiwan (0.0%)		
<i>Banks (0.0%)</i>		
Taishin International Bank ¹	750	230
TOTAL PREFERRED STOCKS (Cost \$254,069)		<u>318,127</u>

See Accompanying Notes to Financial Statements.

Warburg Pincus Trust — Emerging Markets Portfolio
 Schedule of Investments (cont'd) — December 31, 2000

	<u>Number of Shares</u>	<u>Value</u>
RIGHT (0.0%)		
Thailand (0.0%)		
<i>Diversified Telecommunications Services</i> (0.0%)		
Telecomasia Corp. Public Co., Ltd. (Cost \$0)	50,021	\$ 0
SHORT-TERM INVESTMENTS (9.6%)		
Institutional Money Market Trust	1,517,046	1,517,046
RBB Money Market Portfolio	1,626,402	1,626,402
TOTAL SHORT-TERM INVESTMENTS (Cost \$3,143,448)		<u>3,143,448</u>
TOTAL INVESTMENTS AT VALUE (103.0%) (Cost \$37,606,637 ²)		33,591,434
LIABILITIES IN EXCESS OF OTHER ASSETS (-3.0%)		<u>(987,503)</u>
NET ASSETS (100.0%)		<u>\$32,603,931</u>

INVESTMENT ABBREVIATIONS
 ADR = American Depository Receipt
 GDR = Global Depository Receipt

¹ Non-income producing security.

² Cost for federal income tax purposes is \$38,855,761.

See Accompanying Notes to Financial Statements.

Warburg Pincus Trust
Statements of Assets and Liabilities
For the Period Ended December 31, 2000

	Global Post-Venture Capital Portfolio	Emerging Markets Portfolio
Assets		
Investments at value (Cost – \$165,148,868 and \$37,606,637, respectively)	\$163,437,820	\$33,591,434
Foreign currency (Cost – \$13,435 and \$195,304, respectively)	13,432	195,492
Receivable for investments sold	6,138,366	0
Receivable for fund shares sold	549,986	39,714
Dividends, interest and reclaims receivable	73,142	57,035
Prepaid expenses and other assets	9,958	6,442
Total Assets	<u>170,222,704</u>	<u>33,890,117</u>
Liabilities		
Advisory fee payable	140,470	24,451
Administrative fee payable	14,490	2,776
Directors' fee payable	0	50
Payable for investments purchased	1,023,375	156,302
Accrued expenses payable	57,415	23,986
Payable for fund shares redeemed	952,425	1,065,042
Dividend/Distribution payable	10	13,153
Other liabilities	114	426
Total Liabilities	<u>2,188,299</u>	<u>1,286,186</u>
Net Assets		
Capital stock, \$.001 par value	12,347	3,493
Paid-in capital	178,378,509	42,937,134
Accumulated undistributed net investment loss	(25,171)	(45,517)
Accumulated net realized loss from investments and foreign currency transactions	(8,637,412)	(6,276,281)
Net unrealized depreciation from investments and foreign currency translations	(1,693,868)	(4,014,898)
Net Assets	<u>\$168,034,405</u>	<u>\$32,603,931</u>
Net Asset Value		
Net assets	<u>\$168,034,405</u>	<u>\$32,603,931</u>
Shares outstanding	<u>12,337,633</u>	<u>3,492,920</u>
Net asset value, offering price and redemption price per share	<u>\$13.62</u>	<u>\$9.33</u>

See Accompanying Notes to Financial Statements.

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Janus|Aspen Series

2000 Annual Report

Janus Aspen Growth Portfolio



JANUS

Janus Aspen Growth Portfolio



Blaine Rollins
portfolio manager

For the 12 months ended December 31, 2000, Janus Aspen Growth Portfolio returned a loss of 14.55% for its Institutional Shares and a loss of 14.75% for its Service Shares. By comparison, the Portfolio's benchmark, the S&P 500 Index, posted a 9.10% loss.⁽¹⁾

Many growth stocks soared with the market during the first few months of 2000, and many fell during the market's slump in the final few months. Inflation fears, interest rate concerns and energy rate hikes contributed to a very volatile market, which sagged under signs of a slowing economy. Whenever the potential for a recession is raised, it's unhealthy for stock multiples, especially those assigned to higher-growth stocks. Given that we place a large portion of our investments in high-quality, rapidly growing franchise companies, our performance suffers when the risk of slow growth materializes and Wall Street reacts by paying lower multiples for these great companies.

Among our disappointments this year was multimedia conglomerate Time Warner. Its lackluster performance can be traced to a number of factors, including the lengthy approval process for its tie-up with America Online. Also, as the economy slowed, clouds appeared in the form of depressed advertising expectations for Time Warner broadcast networks and AOL. However, now that the merger has closed, I anticipate seeing a steady stream of positive news as sales and marketing synergies are introduced. In addition, Time Warner has a history of using its free cash flow to buy back stock, and I wouldn't be surprised to see that practice continue.

Cisco Systems also contributed to our losses. The networking equipment manufacturer remains one of the best-run companies with some of the most brilliant engineers in the world, but in 2000 it got caught in the downdraft created by a slumping telecommunications industry. Ultimately, the survivors in the telecommunications space will need to upgrade their voice and data networks to remain competitive, and they'll need to use the best technology. Unlike many of its upstart competitors, Cisco, which has been expanding its optical product portfolio through acquisitions, will still be in business when that massive need arises.

As market conditions tapered growth expectations, defensive companies surfaced, and we were rewarded for our holdings in Colgate-Palmolive and Procter & Gamble. Obviously, in the face of economic uncertainties, you can't get any more defensive than toothpaste and diapers, but our analysis goes much deeper. For example, we've liked Colgate-Palmolive since mid-1999 because of its great management team and its ability to record better-than-average volume growth and continual margin improvement.

Within the same consumer products sector, Procter & Gamble caught our eye when A. G. Lafley replaced Durk Jager as CEO in June. The new management has refocused the company on improving profitability levels, and we like what they're doing, as well as the positive impact on the company's stock.

Another solid performer was Enron Corp., the energy wholesaler that benefited from a surge in energy costs and transactions. In fact, when it endured the market downturn in the fourth quarter, we took some profits in order to redeploy the gains into out-of-favor companies with attractive prospects. We maintained a significant position, however, as we think Enron's story gets better with its move into the broadband market.

Our long-term commitment to Bank of New York also paid off during 2000. Led by an excellent management team, the company executed very nicely in its security processing business and completely bounced back from its struggles with allegations surrounding a Russian money-laundering scandal.

At the core of our investment philosophy is the drive to build a portfolio of companies that will still be standing in one, five and 10 years. To that end, we continue to seek out industry leaders and really dig into their inner workings. If we like what we find, we keep probing to ensure we've found a top-notch investment opportunity that will endure the ups and downs of the business cycle.

As we look ahead, I think much of the anticipated economic pain has been priced into equities, although that won't make an extended slowdown any easier. Bolstering my confidence is our intimate knowledge of our companies and the fact that many of them are the highest-quality franchises you can own in a market, and it's the strongest that will survive in tough economic times.

As always, thank you for your confidence and investment in Janus Aspen Growth Portfolio.

Portfolio Asset Mix (% of Assets)	December 31, 2000	December 31, 1999
Equities	93.6%	89.4%
Foreign	8.2%	9.5%
Europe	4.8%	6.0%
Top 10 Equities	37.9%	33.0%
Number of Stocks	88	75
Cash, Cash Equivalents & Fixed-Income Securities	6.4%	10.6%

(1) All returns include reinvested dividends and capital gains.

Past performance does not guarantee future results.

Average Annual Total Return⁽¹⁾

For the Periods Ended December 31, 2000

Institutional Shares (Inception Date 9/13/93)	
1 Year	(14.55)%
5 Year	19.40%
From Inception	18.06%

S&P 500 Index	
1 Year	(9.10)%
5 Year	18.33%
From Inception Date of Institutional Shares	17.74%

Service Shares (Inception Date 12/31/99)	
1 Year	(14.75)%
5 Year	19.06%
From Portfolio Inception	17.69%

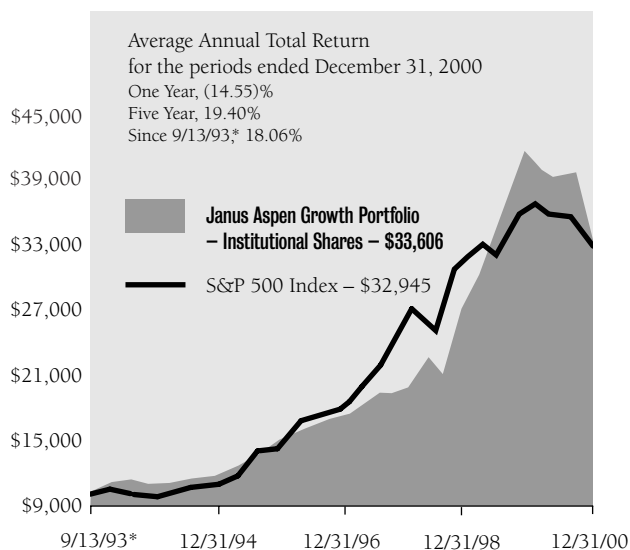
Returns shown for Service Shares for periods prior to their inception are derived from the historical performance of Institutional Shares, adjusted to reflect the higher operating expenses of Service Shares.

In recent years returns have sustained significant gains and losses due to market volatility in the technology sector.

This Portfolio has been significantly impacted by investing in initial public offerings (IPOs) during a period favorable for these stocks.

(1) Past performance is no guarantee of future results and investment results and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Total return includes reinvestment of dividends and capital gains. The Portfolio may differ significantly from the securities held in the index. The index is not available for direct investment; therefore its performance does not reflect the expenses associated with the active management of an actual portfolio. These returns do not reflect the charges and expenses of any particular insurance product or qualified plan.

Performance Overview⁽¹⁾



*The Portfolio's inception date.

Source - Lipper, Inc. 2000.

SCHEDULE OF INVESTMENTS

Shares or Principal Amount	Market Value
Common Stocks - 93.6%	
Aerospace and Defense - 5.0%	
2,380,100 Boeing Co.	\$157,086,600
718,030 Lockheed Martin Corp.	24,377,118
	181,463,718
Airlines - 0.1%	
68,795 Ryanair Holdings PLC (ADR)*,***	3,831,022
Broadcast Services and Programming - 2.7%	
2,295,284 AT&T Corp./Liberty Media Group - Class A*	31,129,789
1,371,283 Clear Channel Communications, Inc.*	66,421,520
	97,551,309
Business To Business/E-Commerce - 0.6%	
384,912 i2 Technologies, Inc.*	20,929,590
Cable Television - 4.8%	
4,178,562 Comcast Corp. - Special Class A*	174,454,964
Casino Hotels - 0.5%	
1,498,362 Park Place Entertainment Corp.*	17,886,696
Cellular Telecommunications - 1.0%	
2,056 NTT DoCoMo, Inc.**	35,466,892
Commercial Banks - 0.4%	
193,670 M&T Bank Corp.	13,169,560
Commercial Services - Financial - 0.7%	
518,797 Paychex, Inc.	25,226,504

Shares or Principal Amount	Market Value
Computer Graphics - 0.2%	
188,870 NVIDIA Corp.*	\$ 6,188,444
Computers - 0.8%	
1,088,673 Sun Microsystems, Inc.*	30,346,760
Computers - Memory Devices - 3.1%	
1,591,220 EMC Corp.*	105,816,130
80,040 VERITAS Software Corp.*	7,003,500
	112,819,630
Cosmetics and Toiletries - 4.7%	
1,500,903 Colgate-Palmolive Co.	96,883,289
50,530 Estee Lauder Companies, Inc. - Class A	2,213,846
557,255 Gillette Co.	20,130,837
659,488 Procter & Gamble Co.	51,728,590
	170,956,562
Data Processing and Management - 0.7%	
413,275 Automatic Data Processing, Inc.	26,165,473
Diversified Operations - 3.8%	
2,307,183 General Electric Co.	110,600,585
116,490 Minnesota Mining and Manufacturing Co.	14,037,045
272,765 Tyco International, Ltd.	15,138,457
	139,776,087
E-Commerce/Services - 0.2%	
264,867 eBay, Inc.*	8,740,611
Electric - Generation - 0.3%	
240,680 AES Corp.*	13,327,655

See Notes to Schedules of Investments.

Janus | Aspen Growth Portfolio

SCHEDULE OF INVESTMENTS

Shares or Principal Amount	Market Value
Electronic Components – 0.6%	
1,197,000 NEC Corp.**	\$ 21,906,562
Electronic Components – Semiconductors – 3.7%	
291,533 Applied Micro Circuits Corp.*	21,878,641
180,872 PMC-Sierra, Inc.*	14,221,061
2,113,981 Texas Instruments, Inc.	100,149,850
	136,249,552
Enterprise Software and Services – 0.6%	
316,502 BEA Systems, Inc.*	21,304,541
Finance – Credit Card – 1.3%	
836,009 American Express Co.	45,928,244
Finance – Investment Bankers/Brokers – 3.9%	
334,665 Goldman Sachs Group, Inc.	35,788,238
1,547,579 Merrill Lynch & Company, Inc.	105,525,543
	141,313,781
Food – Retail – 0.7%	
899,510 Kroger Co.*	24,342,989
Hotels and Motels – 0.5%	
546,340 Starwood Hotels & Resorts Worldwide, Inc.	19,258,485
Identification Systems and Devices – 0.7%	
762,148 Symbol Technologies, Inc.	27,437,328
Instruments – Scientific – 1.0%	
1,071,413 Dionex Corp.*	36,963,749
Insurance Brokers – 0.1%	
81,660 Aon Corp.	2,796,855
Internet Brokers – 2.6%	
3,294,226 Charles Schwab Corp.	93,473,663
Internet Infrastructure Software – 0.5%	
159,891 Inktomi Corp.*	2,858,052
298,221 TIBCO Software, Inc.*	14,295,969
	17,154,021
Internet Security – 1.1%	
520,223 VeriSign, Inc.	38,594,044
Life and Health Insurance – 0.7%	
509,325 StanCorp Financial Group, Inc.	24,320,269
Medical – Biomedical and Genetic – 0.8%	
375,121 Genentech, Inc.*	30,572,362
Medical – Drugs – 0.6%	
226,050 Eli Lilly and Co.	21,036,778
Medical Products – 0.5%	
479,110 Becton, Dickinson and Co.	16,589,184
Money Center Banks – 2.7%	
1,794,886 Bank of New York Company, Inc.	99,055,271
Multimedia – 9.5%	
4,262,099 Time Warner, Inc.	222,652,052
2,598,055 Viacom, Inc. – Class B*	121,459,071
	344,111,123
Networking Products – 2.7%	
2,607,279 Cisco Systems, Inc.*	99,728,422
Oil Companies – Exploration and Production – 0.2%	
124,415 Anadarko Petroleum Corp.	8,843,418
Oil Companies – Integrated – 0.3%	
398,760 Petroleo Brasileiro S.A. (ADR)*	10,068,690

Shares or Principal Amount	Market Value
Pipelines – 3.6%	
1,571,181 Enron Corp.	\$130,604,421
Radio – 1.2%	
63,775 Hispanic Broadcasting Corp.*	1,626,262
1,525,725 Infinity Broadcasting Corp. – Class A*	42,624,942
	44,251,204
Retail – Apparel and Shoe – 0.6%	
818,948 Gap, Inc.	20,883,174
Retail – Discount – 1.3%	
712,274 Costco Wholesale Corp.*	28,446,443
327,025 Wal-Mart Stores, Inc.	17,373,203
	45,819,646
Semiconductor Components/Integrated Circuits – 7.3%	
305,290 Analog Devices, Inc.*	15,627,032
417,732 Integrated Device Technology, Inc.*	13,837,373
2,595,910 Linear Technology Corp.	120,060,838
2,073,601 Maxim Integrated Products, Inc.*	99,144,048
270,655 Vitesse Semiconductor Corp.*	14,970,605
	263,639,896
Semiconductor Equipment – 0.9%	
605,975 Applied Materials, Inc.*	23,140,670
263,369 Teradyne, Inc.*	9,810,495
	32,951,165
Super-Regional Banks – 0.4%	
188,282 Northern Trust Corp.	15,356,751
Telecommunication Equipment – 4.6%	
1,075,870 ADC Telecommunications, Inc.*	19,500,144
282,571 Nokia Oyj**	12,601,333
2,670,390 Nokia Oyj (ADR)**	116,161,965
371,350 Nortel Networks Corp. – New York Shares	11,906,409
666,640 Telefonaktiebolaget L.M. Ericsson A.B. – Class B	7,595,098
	167,764,949
Telecommunication Equipment – Fiber Optics – 1.4%	
488,895 Corning, Inc.	25,819,767
134,802 JDS Uniphase Corp.*	5,619,558
124,800 SDL, Inc.*	18,493,800
	49,933,125
Telecommunication Services – 2.6%	
1,201,225 Cox Communications, Inc. – Class A*	55,932,039
442,191 Level 3 Communications, Inc.*	14,509,392
947,761 NTL, Inc.*	22,687,029
48,772 Winstar Communications, Inc.*	570,023
	93,698,483
Telephone – Integrated – 2.1%	
328,160 SBC Communications, Inc.	15,669,640
1,992,175 Telefonica S.A.*,**	32,918,151
641,684 Telefonos de Mexico S.A. (ADR)	28,955,991
	77,543,782
Television – 1.2%	
1,089,076 Univision Communications, Inc. – Class A*	44,584,049
Transportation – Services – 0.7%	
403,245 United Parcel Service, Inc. – Class B	23,715,847
Web Hosting/Design – 0.4%	
742,187 Exodus Communications, Inc.*	14,843,740

See Notes to Schedules of Investments.

Janus Aspen Growth Portfolio

SCHEDULE OF INVESTMENTS

Shares or Principal Amount	Market Value
Web Portals/Internet Service Provider – 0.3% 356,810 America Online, Inc.*	\$ 12,416,988
Wireless Equipment – 0.1% 80,537 Aether Systems, Inc.*	3,151,010
Total Common Stocks (cost \$3,282,123,301)	3,400,509,038
Corporate Bonds – 0% Telecommunication Services – 0% \$ 1,530,000 Winstar Communications, Inc., 12.75% senior notes, due 4/15/10	1,009,800
Web Hosting/Design – 0% PSINet, Inc.: 725,000 10.50%, senior notes, due 12/1/06 5,310,000 11.00%, senior notes, due 8/1/09	1,569,100
Total Corporate Bonds (cost \$4,987,098)	2,578,900
Preferred Stocks – 0% Telecommunication Services – 0% Winstar Communications, Inc.: 21,121 Series D, convertible, 7.00% 1,913 Series F, convertible, 7.25%	808,242
Total Preferred Stocks (cost \$4,388,041)	1,301,945
Repurchase Agreement – 5.2% \$187,300,000 Morgan Stanley Dean Witter & Co., 6.45% dated 12/29/00, maturing 1/2/01, to be repurchased at \$187,434,232 collateralized by \$1,168,912,763 in U.S. Government Agencies, 0%-417.28%, 10/25/02-11/1/30; with a value of \$191,162,834 (cost \$187,300,000)	187,300,000
U.S. Government Agencies – 1.4% Fannie Mae 25,000,000 6.18%, 3/15/01 Federal Home Loan Bank System 25,000,000 6.35%, 2/9/01	24,828,021
Total U.S. Government Agencies (cost \$49,514,729)	49,511,229
Total Investments (total cost \$3,528,313,169) – 100.2%	3,641,201,112
Liabilities, net of Cash, Receivables and Other Assets – (0.2%)	(6,737,696)
Net Assets – 100%	\$3,634,463,416

Summary of Investments by Country, December 31, 2000

Country	% of Investment Securities	Market Value
Bermuda	0.4%	\$ 15,138,457
Brazil	0.3%	10,068,690
Canada	0.3%	11,906,409
Finland	3.5%	128,763,298
Ireland	0.1%	3,831,022
Japan	1.6%	57,373,454
Mexico	0.8%	28,955,991
Spain	0.9%	32,918,151
Sweden	0.2%	7,595,098
United States††	91.9%	3,344,650,542
Total	100.0%	\$3,641,201,112

††Includes Short-Term Securities (85.4% excluding Short-Term Securities)

Forward Currency Contracts, Open at December 31, 2000

Currency Sold and Settlement Date	Currency Units Sold	Currency Value in \$ U.S.	Unrealized Gain/(Loss)
Euro 3/22/01	55,700,000	\$ 52,530,670	\$(4,298,014)
Euro 4/27/01	10,700,000	10,102,940	(928,653)
Euro 5/14/01	36,500,000	34,481,550	(3,024,145)
Japanese Yen 3/22/01	1,408,080,000	12,468,178	1,285,826
Japanese Yen 4/12/01	2,600,000,000	23,096,781	2,134,547
Japanese Yen 4/27/01	429,300,000	3,822,350	270,899
Japanese Yen 5/7/01	850,000,000	7,579,676	218,149
Total		\$144,082,145	\$(4,341,391)

See Notes to Schedules of Investments.

Statements of Assets & Liabilities

*Janus Aspen
Growth
Portfolio*

*As of December 31, 2000 (all numbers in thousands
except net asset value per share)*

Assets:	
Investments at cost	\$3,528,313
Investments at value:	\$3,641,201
Cash	1,297
Receivables:	
Investments sold	12,664
Portfolio shares sold	2,952
Dividends	715
Interest	396
Due from Advisor	—
Other assets	13
Forward currency contracts	—
Total Assets	3,659,238
Liabilities:	
Payables:	
Investments purchased	12,111
Portfolio shares repurchased	6,098
Advisory fees	2,060
Accrued expenses	165
Forward currency contracts	4,341
Total Liabilities	24,775
Net Assets	\$3,634,463
Net Assets – Institutional Shares	\$3,529,807
Shares Outstanding, \$0.001 Par Value (unlimited shares authorized)	133,319
Net Asset Value Per Share	\$ 26.48
Net Assets – Service Shares	\$ 104,656
Shares Outstanding, \$0.001 Par Value (unlimited shares authorized)	3,970
Net Asset Value Per Share	\$ 26.36

See Notes to Financial Statements.

Statements of Operations

Janus Aspen
Growth
Portfolio

For the fiscal year ended December 31, 2000
(all numbers in thousands)

Investment Income:	
Interest	\$ 19,879
Dividends	13,274
Foreign tax withheld	(245)
Total Investment Income	32,908
Expenses:	
Advisory fees	24,949
Transfer agent expenses	5
Registration fees	236
System fees	21
Custodian fees	378
Insurance expense	7
Audit fees	17
Distribution fees – Retirement Shares*	186
Distribution fees – Service Shares	74
Administrative fees – Retirement Shares*	186
Other expenses	18
Total Expenses	26,077
Expense and Fee Offsets	(59)
Net Expenses	26,018
Excess Expense Reimbursement	—
Net Expenses After Reimbursement	26,018
Net Investment Income/(Loss)	6,890
Net Realized and Unrealized Gain/(Loss) on Investments:	
Net realized gain/(loss) from securities transactions	100,314
Net realized gain/(loss) from foreign currency transactions	8,803
Net realized gain/(loss) from futures contracts	—
Change in net unrealized appreciation or depreciation of investments and foreign currency	(795,678)
Net Realized and Unrealized Gain/(Loss) on Investments	(686,561)
Net Increase/(Decrease) in Net Assets Resulting from Operations	\$(679,671)

*See Note 1 in Notes to Financial Statements.

See Notes to Financial Statements.

Statements of Changes in Net Assets

Janus Aspen Growth Portfolio

2000 1999

For the fiscal year ended December 31
(all numbers in thousands)

Operations:		
Net investment income/(loss)	\$ 6,890	\$ 5,209
Net realized gain/(loss) from investment transactions	109,117	155,359
Change in unrealized net appreciation or depreciation of investments and foreign currency	(795,678)	582,872
Net Increase in Net Assets Resulting from Operations	(679,671)	743,440
Dividends and Distributions to Shareholders:		
Net investment income*	(7,413)	(4,543)
Net realized gain from investment transactions*	(264,479)	(9,036)
Distributions (in excess of realized gains)*	(53,260)	—
Tax Return of Capital	—	—
Net Decrease from Dividends and Distributions	(325,152)	(13,579)
Capital Share Transactions:		
Shares sold		
Institutional Shares	1,526,722	1,298,997
Retirement Shares	153,079	52,393
Service Shares	125,070	—
Reinvested dividends and distributions		
Institutional Shares	309,764	13,566
Retirement Shares	14,214	13
Service Shares	1,174	—
Shares repurchased		
Institutional Shares	(312,403)	(194,056)
Retirement Shares	(19,033)	(2,358)
Service Shares	(4,460)	—
Shares transferred – Retirement Shares ⁽¹⁾	(156,824)	—
Net Increase/(Decrease) from Capital Share Transactions	1,637,303	1,168,555
Net Increase/(Decrease) in Net Assets	632,480	1,898,416
Net Assets:		
Beginning of period	3,001,983	1,103,567
End of period	\$3,634,463	\$3,001,983
Net Assets Consist of:		
Capital (par value and paid-in surplus)*	\$3,578,860	\$1,941,557
Undistributed net investment income/(loss)*	—	864
Undistributed net realized gain/(loss) from investments*	(52,918)	155,363
Unrealized appreciation/(depreciation) of investments and foreign currency	108,521	904,199
	\$3,634,463	\$3,001,983
Transactions in Portfolio Shares – Institutional Shares		
Shares sold	45,926	47,425
Reinvested dividends and distributions	9,910	486
Total	55,836	47,911
Shares Repurchased	(9,974)	(7,339)
Net Increase/(Decrease) in Portfolio Shares	45,862	40,572
Shares Outstanding, Beginning of Period	87,457	46,885
Shares Outstanding, End of Period	133,319	87,457
Transactions in Portfolio Shares – Retirement Shares ⁽²⁾		
Shares sold	4,483,356	1,844,663
Reinvested dividends and distributions	455,506	475
Total	4,938,862	1,845,138
Shares Repurchased	(560,239)	—
Shares Transferred ⁽¹⁾	(6,143,154)	(81,361)
Net Increase/(Decrease) in Portfolio Shares	(1,764,531)	1,763,777
Shares Outstanding, Beginning of Period	1,764,531	754
Shares Outstanding, End of Period	—	1,764,531
Transactions in Portfolio Shares – Service Shares ⁽²⁾		
Shares sold	4,084,302	—
Reinvested dividends and distributions	37,963	—
Total	4,122,265	—
Shares Repurchased	(152,075)	—
Net Increase/(Decrease) in Portfolio Shares	3,970,190	—
Shares Outstanding, Beginning of Period	—	—
Shares Outstanding, End of Period	3,970,190	—
Purchases and Sales of Investment Securities: (excluding short-term securities)		
Purchases of securities	\$3,172,066	\$1,792,760
Proceeds from sales of securities	1,649,395	845,225
Purchases of long-term U.S. government obligations	—	—
Proceeds from sales of long-term U.S. government obligations	—	—

(1) A reorganization of the Retirement Shares of the Trust occurred at the close of business on July 31, 2000. All Capital and Shares were transferred to the corresponding fund of the newly formed Janus Adviser Series. See Note 1 in Notes to Financial Statements.

(2) Transactions in Portfolio Shares – Retirement and Service Shares numbers are not in thousands.

*See Note 3 in Notes to Financial Statements.

See Notes to Financial Statements.

Financial Highlights – Institutional Shares

For a share outstanding throughout
each fiscal year ended December 31

	Janus Aspen Growth Portfolio				
	2000	1999	1998	1997	1996
Net Asset Value, Beginning of Period	\$33.65	\$23.54	\$18.48	\$15.51	\$13.45
Income from Investment Operations:					
Net investment income/(loss)	.05	.07	.05	.15	.17
Net gains/(losses) on securities (both realized and unrealized)	(4.59)	10.24	6.36	3.34	2.29
Total from Investment Operations	(4.54)	10.31	6.41	3.49	2.46
Less Distributions:					
Dividends (from net investment income)	(.06)	(.06)	(.05)	(.15)	(.17)
Distributions (from capital gains)	(2.14)	(.14)	(1.30)	(.37)	(.23)
Distributions (in excess from capital gains)	(.43)	—	—	—	—
Total Distributions	(2.63)	(.20)	(1.35)	(.52)	(.40)
Net Asset Value, End of Period	\$26.48	\$33.65	\$23.54	\$18.48	\$15.51
Total Return	(14.55)%	43.98%	35.66%	22.75%	18.45%
Net Assets, End of Period (in thousands)	\$3,529,807	\$2,942,649	\$1,103,549	\$608,281	\$325,789
Average Net Assets for the Period (in thousands)	\$3,734,449	\$1,775,373	\$789,454	\$477,914	\$216,125
Ratio of Gross Expenses to Average Net Assets ⁽¹⁾	0.67%	0.67%	0.68%	0.70%	0.69%
Ratio of Net Expenses to Average Net Assets ⁽¹⁾	0.67%	0.67%	0.68%	0.69%	0.69%
Ratio of Net Investment Income to Average Net Assets	0.19%	0.30%	0.26%	0.91%	1.39%
Portfolio Turnover Rate	47%	53%	73%	122%	87%

(1) See footnote #5 in Notes to Financial Statements.

See Notes to Financial Statements.

Financial | Highlights – Service Shares

*For a share outstanding throughout
each fiscal year ended December 31*

*Janus Aspen Growth Portfolio
2000*

Net Asset Value, Beginning of Period	\$33.52
Income from Investment Operations:	
Net investment income/(loss)	(.01)
Net gains/(losses) on securities (both realized and unrealized)	(4.58)
Total from Investment Operations	(4.59)
Less Distributions:	
Dividends (from net investment income)	—
Distributions (from capital gains)	(2.14)
Distributions (in excess from capital gains)	(.43)
Total return of capital	—
Total Distributions	(2.57)
Net Asset Value, End of Period	\$26.36
Total Return	(14.75)%
Net Assets, End of Period (in thousands)	\$104,656
Average Net Assets for the Period (in thousands)	\$ 29,782
Ratio of Gross Expenses to Average Net Assets ⁽¹⁾	0.92%
Ratio of Net Expenses to Average Net Assets ⁽¹⁾	0.92%
Ratio of Net Investment Income/(Loss) to Average Net Assets	(0.07)%
Portfolio Turnover Rate	47%

(1) See footnote #5 in Notes to Financial Statements.

Notes to Schedules of Investments

ADR American Depository Receipt

EUR Euro

GBP British Pound

GDR Global Depository Receipt

*Non-income producing security

**A portion of this security has been segregated to cover segregation requirements on forward currency contracts.

† Securities are exempt from the registration requirements of the Securities Act of 1933 and may be deemed to be restricted for resale.

ΔPAY PHONES – Premium Accelerated Yield Participating Hybrid Option Note Exchangeable Securities.

Ω Step-up bonds are obligations which increase the interest payment rate at a specified point in time. Rate shown reflects current rate which may step up at a future date.

§ Restricted/Illiquid Securities are valued at fair value determined in good faith under procedures established by and under the supervision of the Trustees.

Security Transactions

Restricted securities held by a Portfolio may not be sold except in exempt transactions or in a public offering registered under the Securities Act of 1933. The risk of investing in such securities is generally greater than the risk of investing in the securities of widely held, publicly traded companies. Lack of a secondary market and resale restrictions may result in the inability of a Portfolio to sell a security at a fair price and may substantially delay the sale of the security that each portfolio seeks to sell. In addition, these securities may exhibit greater price volatility than securities for which secondary markets exist.

Schedule of Restricted or Illiquid Securities

	Acquisition Date	Acquisition Cost	Fair Value	Value as % of Net Assets
<i>Janus Aspen Aggressive Growth Portfolio</i>				
Hanover Compressor Co. ⁽¹⁾	5/22/00	\$26,887,500	\$36,863,829	0.34%

(1) The Portfolio has registration rights for certain restricted securities held at December 31, 2000. The issuer incurs all registration costs. Shelf registration took place on January 16, 2000.

The Investment Company Act of 1940 defines affiliates as those companies in which a Fund holds 5% or more of the outstanding voting securities. Following is a summary of the transactions with each such affiliate for the period ended December 31, 2000:

	Purchases		Sales		Realized Gain/(Loss)	Dividend Income	Market Value at 12/31/00
	Shares	Cost	Shares	Cost			
<i>Janus Aspen Aggressive Growth Portfolio</i>							
Inktomi Corp.	1,536,479	\$186,707,100	980,580	\$127,960,643	(\$112,014,133)	—	\$9,936,695

Variable Rate Notes. The interest rate, which is based on specific, or an index of, market interest rates, is subject to change. Rates in the security description are as of December 31, 2000.

Money market funds may hold securities with stated maturities of greater than 397 days when those securities have features that allow a fund to “put” back the security to the issuer or to a third party within 397 days of acquisition. The maturity dates shown in the security descriptions are the stated maturity dates.

Repurchase Agreements held by a Portfolio are fully collateralized, and such collateral is in the possession of the Portfolio’s custodian. The collateral is evaluated daily to ensure its market value equals or exceeds the current market value of the repurchase agreements including accrued interest. In the event of default on the obligation to repurchase, the Portfolio has the right to liquidate the collateral and apply the proceeds in satisfaction of the obligation. In the event of default or bankruptcy by the other party to the agreement, realization and/or retention of the collateral or proceeds may be subject to legal proceedings.

Notes to Financial Statements

The following section describes the organization and significant accounting policies of the Portfolios and provides more detailed information about the schedules and tables that appear throughout this report. In addition, the Notes explain how the Portfolios operate and the methods used in preparing and presenting this report.

I. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Janus Aspen Series (the “Trust”) was organized as a Delaware Trust on May 20, 1993, and is registered under the Investment Company Act of 1940 (the “1940 Act”) as a no-load, open-end management investment company. The Trust offers fourteen Portfolios or series of shares with differing investment objectives and policies. Eleven Portfolios invest primarily in equity securities: Janus Aspen Growth Portfolio, Janus Aspen Aggressive Growth Portfolio, Janus Aspen Capital Appreciation Portfolio, Janus Aspen Balanced Portfolio, Janus Aspen Equity Income Portfolio, Janus Aspen Growth and Income Portfolio, Janus Aspen Strategic Value Portfolio, Janus Aspen International Growth Portfolio, Janus Aspen Worldwide Growth Portfolio, Janus Aspen Global Life Sciences Portfolio and Janus Aspen Global Technology Portfolio. Two Portfolios invest primarily in income-producing securities: Janus Aspen Flexible Income Portfolio and Janus Aspen High-Yield Portfolio. Janus Aspen Money Market Portfolio invests in short-term money market securities. Each Portfolio is diversified as defined in the 1940 Act, with the exception of the Aggressive Growth Portfolio, Capital Appreciation Portfolio, Global Life Sciences Portfolio, Global Technology Portfolio and Strategic Value Portfolio, which are nondiversified.

Institutional Shares of the Trust are issued and redeemed only in connection with investment in and payments under variable annuity contracts and variable life insurance contracts (collectively “variable insurance contracts”), as well as certain qualified retirement plans. Effective May 1, 1997, the Trust issued the Retirement Shares. Retirement Shares of the Trust were issued and redeemed only in connection with certain qualified retirement plans.

Effective December 31, 1999, the Trust issued a new class of shares, the Service Shares. Service Shares of the Trust are issued and redeemed only in connection with investment in and payments under variable annuity contracts and variable life insurance contracts (collectively “variable insurance contracts”), as well as certain qualified retirement plans.

Janus Capital Corporation (“Janus Capital”) redeemed its investment in the Retirement Shares of the High-Yield Portfolio on July 26, 2000, since it was the only shareholder.

A reorganization of the Retirement Shares of the Trust occurred at the close of business on July 31, 2000. Each of the reorganized Portfolios of Janus Aspen Series allocated a pro rata share (percentage of the Retirement Shares

to the total Portfolio) of each security position to the corresponding Fund of the newly formed Janus Adviser Series except for securities that were subject to restrictions on resale or transfer, such as private placement securities. Each pro rata share was rounded to eliminate fractional shares and odd lots of securities. Janus Capital, the investment adviser of both Janus Aspen Series and Janus Adviser Series, has agreed to limit expenses of the Funds formed from this reorganization so that they will not increase before July 31, 2003. Specifically, Janus Capital will limit the expenses of each of the new Funds (excluding brokerage commissions, interest, taxes and extraordinary expenses) to the expense ratio of the corresponding Janus Aspen Series Portfolio set forth in the May 1, 2000 Janus Aspen Series Prospectus. These limitations will stay in place until at least July 31, 2003. In addition, Janus Capital paid all the fees associated with the reorganization.

The following accounting policies have been consistently followed by the Trust and are in conformity with accounting principles generally accepted in the investment company industry.

INVESTMENT VALUATION

Securities are valued at the closing price for securities traded on a principal securities exchange (U.S. or foreign) and on the NASDAQ National Market. Securities traded on over-the-counter markets and listed securities for which no sales are reported are valued at the latest bid price (or yield equivalent thereof) obtained from one or more dealers making a market for such securities or by a pricing service approved by the Trustees. Short-term investments maturing within 60 days and all money market securities in the Money Market Portfolio are valued at amortized cost, which approximates market value. Foreign securities are converted to U.S. dollars using exchange rates at the close of the New York Stock Exchange. When market quotations are not readily available, securities are valued at fair value as determined in good faith under procedures established by the Trustees.

INVESTMENT TRANSACTIONS AND INVESTMENT INCOME

Investment transactions are accounted for as of the date purchased or sold. Dividend income is recorded on the ex-dividend date. Certain dividends from foreign securities will be recorded as soon as the Trust is informed of the dividend if such information is obtained subsequent to the ex-dividend date. Interest income is recorded on the accrual basis and includes amortization of discounts and

Notes to Financial Statements *(continued)*

premiums. Gains and losses are determined on the identified cost basis, which is the same basis used for federal income tax purposes. Income and gains and losses are allocated daily to each class of shares based upon the ratio of net assets represented by each class as a percentage of total net assets.

SECURITY LENDING

The Portfolios may lend securities to qualified parties (typically brokers or other financial institutions) for the purpose of earning additional income. All loans will be continuously secured by collateral that consists of cash, U.S. government securities, letters of credit and such other collateral permitted by the SEC and policies approved by the Trustees. As with other extension of credits, there is the risk of delay in recovering a loaned security or the risk of loss in collateral rights if the borrower fails financially. Securities lending will only be made to parties that Janus Capital deems creditworthy and in good standing.

The borrower pays fees at the fund's direction to its lending agent. Additionally, the lending agent invests the cash collateral and retains a portion of the interest earned. The lending fees and the Portfolios portion of the interest income earned on cash collateral are included in interest income on the statement of operations. During the period ended December 31, 2000, the following Portfolio had security lending fees totaling:

Portfolio	Lending Fees
Janus Aspen Growth Portfolio	\$132,325

FORWARD CURRENCY TRANSACTIONS AND FUTURES CONTRACTS

The Portfolios enter into forward currency contracts in order to hedge their exposure to changes in foreign currency exchange rates on their foreign portfolio holdings and to lock in the U.S. dollar cost of firm purchase and sales commitments denominated in foreign currencies. A forward currency contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. The gain or loss arising from the difference between the U.S. dollar cost of the original contract and the value of the foreign currency in U.S. dollars upon closing such a contract is included in net realized gain or loss on foreign currency transactions. Forward currency contracts held by the Portfolios are fully collateralized by other securities, in possession at the Portfolio's custodian, which are denoted in the accompanying Schedule of Investments. The market value of these securities is evaluated daily to ensure that it is equal to or exceeds the current market value of the corresponding forward currency contract.

Currency gain and loss are also calculated on payables and receivables that are denominated in foreign currencies. The payables and receivables are generally related to security transactions and income.

The Portfolios do not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held at fiscal year end. Net unrealized appreciation or depreciation on investments and foreign currency translation arise from changes in the value of assets and liabilities, including investments in securities at fiscal year end, resulting from changes in the exchange rates and changes in market prices of securities held.

Futures contracts are marked to market daily, and the variation margin is recorded as an unrealized gain or loss. When a contract is closed, a realized gain or loss is recorded equal to the difference between the opening and closing value of the contract. Generally, open forward and futures contracts are marked to market (i.e., treated as realized and subject to distribution) for federal income tax purposes at fiscal year-end.

Foreign-denominated assets and forward currency contracts may involve more risks than domestic transactions, including: currency risk, political and economic risk, regulatory risk and market risk. Risks may arise from the potential inability of a counterparty to meet the terms of a contract and from unanticipated movements in the value of foreign currencies relative to the U.S. dollar.

The Portfolios may enter into futures contracts and options on securities, financial indexes and foreign currencies, forward contracts and interest-rate swaps and swap-related products. The Portfolios intend to use such derivative instruments primarily to hedge or protect from adverse movements in securities prices, currency rates or interest rates. The use of futures contracts and options may involve risks such as the possibility of illiquid markets or imperfect correlation between the value of the contracts and the underlying securities or that the counterparty will fail to perform its obligations.

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," which was effective for fiscal years beginning after June 15, 1999. In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities-Deferral of Effective Date of FASB Statement No. 133," delaying by one year the effective date of SFAS No. 133. The effective date for the

Portfolios will be January 1, 2001. In June 2000, the FASB issued No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," an amendment of SFAS No. 133. SFAS 133, as amended, may affect the accounting treatment of the Funds' derivative instruments and related assets. The Funds have not at this time quantified the impact, if any, on the Financial Statements, resulting from the adoption of this new standard.

In November 2000, a revised AICPA Audit and Accounting Guide, *Audits of Investment Companies*, was issued, and is effective for fiscal years beginning after December 15, 2000. The Portfolios have not adopted this pronouncement. The Portfolios expect that the impact of the adoption of this principle will not be material to the financial statements.

INITIAL PUBLIC OFFERINGS

The Portfolios may invest in initial public offerings (IPOs). IPOs and other investment techniques may have a magnified performance impact on a fund with a small asset base. The Portfolios may not experience similar performance as their assets grow.

ADDITIONAL INVESTMENT RISK

A portion of the Flexible Income and High-Yield Portfolios may be invested in lower-rated debt securities that have a higher risk of default or loss of value because of changes in the economy or in their respective industry.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

DIVIDEND DISTRIBUTIONS AND EXPENSES

Each Portfolio, except the Money Market Portfolio, makes at least semiannual distributions of substantially all of its investment income and at least an annual distribution of its net realized capital gains, if any. The Money Market Portfolio makes daily distributions of its income. All dividends and capital gains distributions from a Portfolio will be automatically reinvested into additional shares of that Portfolio.

Expenses are allocated daily to each class of shares based upon the ratio of net assets represented by each class as a percentage of total net assets. Expenses directly attributable to a specific class of shares are charged against the operations of such class.

FEDERAL INCOME TAXES

No provision for income taxes is included in the accompanying financial statements as the Portfolios intend to distribute to shareholders all taxable investment income and realized gains and otherwise comply with the Internal Revenue Code applicable to regulated investment companies.

Notes to Financial Statements *(continued)*

2. INVESTMENT ADVISORY AGREEMENT AND OTHER TRANSACTIONS WITH AFFILIATES

The management fee for each equity Portfolio decreased to an annual rate of .65% of average net assets, effective May 1, 2000. The management fee for the corresponding Janus retail fund corresponding to each equity Portfolio also decreased to this rate, effective January 31, 2000. Due to the fee reductions described below, this had the effect of lowering each equity Portfolio's management fee on January 31, 2000, also. Prior to May 1, 2000, investment advisory fees for eight of the Portfolios were payable to Janus Capital based upon annual rates of .75% of the first \$300 million of average net assets, .70% of the next \$200 million of average net assets, and .65% of the average net assets in excess of \$500 million. However, Janus Capital had voluntarily agreed to reduce each Portfolio's advisory fee to the extent that such fee exceeded the effective rate of the Janus retail fund corresponding to such Portfolio. The effective rate is the advisory fee calculated by the corresponding retail fund as of the last day of each calendar quarter (expressed as an annual rate). Janus Aspen Growth Portfolio, Janus Aspen Aggressive Growth Portfolio, Janus Aspen Capital Appreciation Portfolio, Janus Aspen International Growth Portfolio, Janus Aspen Worldwide Growth Portfolio, Janus Aspen Balanced Portfolio, Janus Aspen Equity Income Portfolio and Janus Aspen Growth and Income Portfolio advisory fees were reduced to the effective rates of Janus Fund, Janus Enterprise Fund, Janus Twenty Fund, Janus Overseas Fund, Janus Worldwide Fund, Janus Balanced Fund, Janus Equity Income Fund and Janus Growth and Income Fund, respectively. The effective rate for each Portfolio for the period ended December 31, 1999, was .65%, .66%, .65%, .65%, .65%, .66%, .69% and .65%, respectively. The Flexible Income Portfolio is subject to advisory fees payable to Janus Capital based upon annual rates of .65% of the first \$300 million of average net assets plus .55% of average net assets in excess of \$300 million. The High-Yield Portfolio's advisory fee rate is payable at the rate of .75% of the first \$300 million of average net assets plus .65% of average net assets in excess of \$300 million. The Money Market Portfolio's advisory fee rate is .25% of average net assets. For additional information on the specific fees for the Service Shares, please refer to note 4 of the financial statements.

Janus Capital has agreed to reduce its fee to the extent normal operating expenses exceed 1% of the average net assets of the Flexible Income and High-Yield Portfolios and .50% of the average net assets of the Money Market Portfolio for a fiscal year. Janus Capital has also agreed to reduce its fee to the extent that normal operating expenses exceed 1.25% of the average net assets of the Equity Income, Global Life Sciences, Global Technology and Strategic Value Portfolios.

Janus Capital has agreed to continue these fee waivers and reductions until at least the next annual renewal of the advisory contracts. The participant administration fee and distribution fee applicable to the Retirement Shares, as well as the distribution fee applicable to the Service Shares, are not included in these expense limits.

Officers and certain trustees of the Trust are also officers and/or directors of Janus Capital; however, they receive no compensation from the Trust.

Janus Service Corporation ("Janus Service"), a wholly owned subsidiary of Janus Capital, receives certain out-of-pocket expenses for transfer agent services.

Janus Distributors, Inc., a wholly owned subsidiary of Janus Capital, is a distributor of the Portfolios. The Retirement and Service Shares have adopted a Distribution and Shareholder Servicing Plan (The "Plan") pursuant to Rule 12b-1 under The 1940 Act. The Plan authorizes payments by the Portfolios in connection with the distribution of the Retirement and Service Shares at an annual rate, as determined from time to time by the Board of Trustees, of up to .25% of the Retirement and Service Shares' average daily net assets.

DST Systems, Inc. (DST), an affiliate of Janus Capital through a degree of common ownership, provides accounting systems to the Portfolios. DST Securities, Inc., a wholly owned subsidiary of DST, provides brokerage services on certain portfolio transactions. Brokerage commissions paid to DST Securities, Inc. serve to reduce fees and expenses. Brokerage commissions paid, fees reduced and the net fees paid to DST for the period ended December 31, 2000, are noted below:

Portfolio	DST Securities, Inc. Commissions Paid*	Portfolio Expense Reduction*	DST Systems Costs
Janus Aspen Growth Portfolio	—	—	\$20,654

*The difference between commissions paid to DST Securities, Inc. and expenses reduced constituted commissions paid to an unaffiliated clearing broker.

3. FEDERAL INCOME TAX

Net investment income dividends and capital gains distributions are determined in accordance with income tax regulations that may differ from generally accepted accounting principles. These differences are due to differing treatments for items such as deferral of wash sales,

foreign currency transactions, net operating losses and capital loss carryforwards. Permanent items identified in the period ended December 31, 2000, have been reclassified among the components of net assets as follows:

	<i>Undistributed Net Investment Income</i>	<i>Undistributed Net Realized Gains and Losses</i>	<i>Paid-In Capital</i>
Janus Aspen Growth Portfolio	\$ (341,327)	\$ 341,327	—

The Portfolios have elected to treat gains and losses on forward foreign currency contracts as capital gains and losses. Other foreign currency gains and losses on debt instruments are treated as ordinary income for federal income tax purposes pursuant to Section 988 of the Internal Revenue Code. As of December 31, 2000, the net capital loss carryovers noted below are available to offset future realized capital gains and thereby reduce future taxable gains distributions. These carryovers expire between December 31, 2006 and December 31, 2008.

In 2000, the Portfolios noted below incurred "Post-October" losses during the period from November 1 through December 31, 2000. These losses will be deferred for tax purposes and recognized in 2001.

The aggregate cost of investments and the composition of unrealized appreciation and depreciation of investments for federal income tax purposes as of December 31, 2000, are also noted below.

<i>Portfolio</i>	<i>Net Capital Loss Carryovers</i>	<i>Post-October</i>		<i>Federal Tax Cost</i>	<i>Unrealized Appreciation</i>	<i>Unrealized (Depreciation)</i>	<i>Net Appreciation/ (Depreciation)</i>
		<i>Capital Losses</i>	<i>Currency Losses</i>				
Janus Aspen Growth Portfolio	—	\$(54,709,276)	—	\$3,536,855,608	\$680,601,374	\$(576,255,870)	\$104,345,504

4. EXPENSES

The Portfolios' expenses may be reduced through expense-reduction arrangements. Those arrangements include the use of broker commissions paid to DST Securities, Inc. and uninvested cash balances earning interest with the Portfolios' custodian. The Statements of Operations reflect the total expenses before any offset, the amount of the offset and the net expenses. The expense ratios listed in the Financial Highlights reflect expenses prior to any expense offset (gross expense ratio) and after expense offsets (net expense ratio). Both expense ratios reflect expenses after waivers.

Janus Aspen Series Retirement Shares incurred a pro rata share of operating expenses. In addition, the Retirement Shares paid a distribution fee of up to .25% of average net assets and a participant administration fee of up to .25% of average net assets.

Janus Aspen Series Service Shares incur a pro rata share of operating expenses. In addition, the Service Shares pay a distribution fee of up to .25% of average net assets.

5. EXPENSE RATIOS

Listed below are the gross expense ratios for the various Portfolios that would be in effect, absent the waiver of certain fees, offsets and/or voluntary reduction of the advisory fee to the effective rate of the corresponding Janus retail fund. Expense ratios are annualized for all periods less than one year.

<i>Portfolio</i>	<i>Institutional Shares</i>					<i>Service Shares</i>
	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>	<i>1996</i>	<i>2000</i>
Janus Aspen Growth Portfolio	0.67%	0.69%	0.75%	0.78%	0.83%	0.92%

Explanations of | Charts, Tables and Financial Statements

1. PERFORMANCE OVERVIEWS

When comparing the performance of a Portfolio with an index, keep in mind that market indexes do not include brokerage commissions that would be incurred if you purchased the individual securities in the index. They also do not include taxes payable on dividends and interest or operating expenses incurred if you maintained a Portfolio invested in the index.

Average annual total returns are also quoted for each class of Portfolio. Average annual total return is calculated by taking the growth or decline in value of an investment over a period of time, including reinvestment of dividends and distributions, then calculating the annual compounded percentage rate that would have produced the same result had the rate of growth been constant throughout the period.

2. SCHEDULES OF INVESTMENTS

Following the performance overview section is each Portfolio's Schedule of Investments. This schedule reports the industry concentrations and types of securities held in each Portfolio on the last day of the reporting period. Securities are usually listed by type (common stock, corporate bonds, U.S. government obligations, etc.) and by industry classification (banking, communications, insurance, etc.).

The market value of each security is quoted as of the last day of the reporting period. The value of securities denominated in foreign currencies is converted into U.S. dollars.

Portfolios that invest in foreign securities also provide a summary of investments by country. This summary reports the Portfolio's exposure to different countries by providing the percentage of securities invested in each country.

2A. FORWARD CURRENCY CONTRACTS

A table listing forward currency contracts follows each Portfolio's Schedule of Investments (if applicable). Forward currency contracts are agreements to deliver or receive a preset amount of currency at a future date. Forward currency contracts are used to hedge against foreign currency risk in the Portfolio's long-term holdings.

The table provides the name of the foreign currency, the settlement date of the contract, the amount of the contract, the value of the currency in U.S. dollars and the amount of unrealized gain or loss. The amount of unrealized gain or loss reflects the change in currency exchange rates from the time the contract was opened to the last day of the reporting period.

3. STATEMENT OF OPERATIONS

This statement details the Portfolios' income, expenses, gains and losses on securities and currency transactions, and appreciation or depreciation of current Portfolio holdings.

The first section in this statement, titled "Investment Income," reports the dividends earned from stocks and interest earned from interest-bearing securities in the Portfolio.

The next section reports the expenses and expense offsets incurred by the Portfolios, including the advisory fee paid to the investment adviser, transfer agent fees, shareholder

servicing expenses, and printing and postage for mailing statements, financial reports and prospectuses.

The last section lists the increase or decrease in the value of securities held in the Portfolios. Portfolios realize a gain (or loss) when they sell their position in a particular security. An unrealized gain (or loss) refers to the change in net appreciation or depreciation of the Portfolios during the period. "Net Gain/(Loss) on Investments" is affected both by changes in the market value of Portfolio holdings and by gains (or losses) realized during the reporting period.

4. STATEMENT OF ASSETS AND LIABILITIES

This statement is often referred to as the “balance sheet.” It lists the assets and liabilities of the Portfolios on the last day of the reporting period.

The Portfolios’ assets are calculated by adding the value of the securities owned, the receivable for securities sold but not yet settled, the receivable for dividends declared but not yet received on stocks owned and the receivable for Portfolio shares sold to investors but not yet settled. The Portfolios’ liabilities include payables for securities

purchased but not yet settled, Portfolio shares redeemed but not yet paid and expenses owed but not yet paid. Additionally, there may be other assets and liabilities such as forward currency contracts.

The last section of this statement reports the net asset value (NAV) per share on the last day of the reporting period for each class of the Portfolio. The NAV is calculated by dividing the Portfolios’ net assets (assets minus liabilities) by the number of shares outstanding.

5. STATEMENT OF CHANGES IN NET ASSETS

This statement reports the increase or decrease in the Portfolios’ net assets during the reporting period. Changes in the Portfolios’ net assets are attributable to investment operations, dividends, distributions and capital share transactions. This is important to investors because it shows exactly what caused the Portfolios’ net asset size to change during the period.

The first section summarizes the information from the Statement of Operations regarding changes in net assets due to the Portfolios’ investment performance. The Portfolios’ net assets may also change as a result of dividend and capital gains distributions to investors. If investors receive their dividends in cash, money is taken out of the Portfolio to pay the distribution. If investors reinvest their dividends, the Portfolios’ net assets will not be affected. If you compare each Portfolio’s “Net Decrease from Dividends and

Distributions” to the “Reinvested dividends and distributions,” you’ll notice that dividend distributions had little effect on each Portfolio’s net assets. This is because all of Janus investors reinvest their distributions.

The reinvestment of dividends is included under “Capital Share Transactions.” “Capital Shares” refers to the money investors contribute to the Portfolios through purchases or withdrawal via redemptions. Each Portfolio’s net assets will increase and decrease in value as investors purchase and redeem shares from a Portfolio.

The section entitled “Net Assets Consist of” breaks down the components of the Portfolios’ net assets. Because Portfolios must distribute substantially all earnings, you’ll notice that a significant portion of net assets is shareholder capital.

Explanations of Charts, Tables and Financial Statements *(continued)*

6. FINANCIAL HIGHLIGHTS

This schedule provides a per-share breakdown of the components that affect the net asset value (NAV) for current and past reporting periods for each class of the Portfolio. Not only does this table provide you with total return, it also reports total distributions, asset size, expense ratios and portfolio turnover rate.

The first line in the table reflects the NAV per share at the beginning of the reporting period. The next line reports the net investment income per share, which comprises dividends and interest income earned on securities held by the Portfolios. Following is the total of gains, realized and unrealized. Dividends and distributions are then subtracted to arrive at the NAV per share at the end of the period.

Also included are the expense ratios, or the percentage of net assets that was used to cover operating expenses during the period. Expense ratios vary across the Portfolios for a number of reasons, including the differences in management fees, average shareholder account size, the frequency of dividend payments and the extent of foreign investments, which entail greater transaction costs.

The Portfolios' expenses may be reduced through expense-reduction arrangements. These arrangements include the use of brokerage commissions, uninvested cash

balances earning interest or balance credits. The Statement of Operations reflects total expenses before any such offset, the amount of offset and the net expenses. The expense ratios listed in the Financial Highlights reflect total expenses both prior to any expense offset and after the offsets.

The ratio of net investment income summarizes the income earned divided by the average net assets of a Portfolio during the reporting period. Don't confuse this ratio with a Portfolio's yield. The net investment income ratio is not a true measure of a Portfolio's yield because it doesn't take into account the dividends distributed to the Portfolio's investors.

The next ratio is the portfolio turnover rate, which measures the buying and selling activity in a Portfolio. Portfolio turnover is affected by market conditions, changes in the size of a Portfolio, the nature of the Portfolio's investments and the investment style of the portfolio manager. A 100% rate implies that an amount equal to the value of the entire Portfolio is turned over in a year; a 50% rate means that an amount equal to the value of half the Portfolio is traded in a year; and a 200% rate means that an amount equal to the value of the Portfolio is sold every six months.

Report of Independent Accountants

To the Trustees and Shareholders
of Janus Aspen Series

In our opinion, the accompanying statements of assets and liabilities, including the schedules of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Janus Aspen Growth Portfolio, Janus Aspen Aggressive Growth Portfolio, Janus Aspen Capital Appreciation Portfolio, Janus Aspen Balanced Portfolio, Janus Aspen Equity Income Portfolio, Janus Aspen Growth and Income Portfolio, Janus Aspen Strategic Value Portfolio, Janus Aspen International Growth Portfolio, Janus Aspen Worldwide Growth Portfolio, Janus Aspen Global Life Sciences Portfolio, Janus Aspen Global Technology Portfolio, Janus Aspen Flexible Income Portfolio, Janus Aspen High-Yield Portfolio and Janus Aspen Money Market Portfolio (constituting the Janus Aspen Series, hereafter referred to as the "Portfolios") at December 31, 2000, and the results of each of their operations, the changes in each of their net assets and the financial highlights for each of the periods indicated, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Portfolios'

management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2000, by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP



Denver, Colorado
February 5, 2001

Long-Term | Capital Gain Designation *(unaudited)*

For federal income tax purposes, the Funds designated the following capital gain dividends for the year ended December 31, 2000.

Aspen Growth Portfolio	\$260,891,590
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Results of Shareholder Vote *(unaudited)*

A Special Meeting of Shareholders of the Retirement Shares class (the “Retirement Shares”) of each portfolio other than High-Yield Portfolio was held on July 20, 2000 to approve a reorganization that would transfer the assets relating to the Retirement Shares class of each Janus Aspen Series Portfolio to a corresponding Fund of the Janus Adviser Series. Janus Capital redeemed its investment in

the Retirement Shares of the High-Yield Portfolio on July 26, 2000 since it was the only shareholder. There were no Retirement Shares for Global Life Sciences, Global Technology and Strategic Value Portfolios.

The results of the Special Meeting of Shareholders of the Retirement Shares class are noted below:

Retirement Shares	Record Total Shares	Number of Shares			Percentage of Outstanding Shares			Percentage of Shares Voted		
		<i>Affirmative</i>	<i>Against</i>	<i>Abstain</i>	<i>Affirmative</i>	<i>Against</i>	<i>Abstain</i>	<i>Affirmative</i>	<i>Against</i>	<i>Abstain</i>
Janus Aspen Series Growth Portfolio	3,844,138.777	2,152,506.092	20,480.501	5,775.811	55.994%	0.533%	0.151%	98.795%	0.940%	0.265%
Janus Aspen Series Aggressive Growth Portfolio	2,556,474.750	1,722,462.919	5,720.301	5,048.067	67.376%	0.224%	0.198%	99.379%	0.330%	0.291%
Janus Aspen Series Capital Appreciation Portfolio	1,908,961.378	1,118,787.308	—	6,849.828	58.607%	—	0.359%	99.391%	—	0.609%
Janus Aspen Series Balanced Portfolio	3,665,692.430	1,970,553.966	2,896.120	25,521.419	53.757%	0.079%	0.696%	98.578%	0.145%	1.277%
Janus Aspen Series Equity Income Portfolio	49,441.500	24,681.682	67.000	699.000	49.921%	0.135%	1.414%	96.990%	0.263%	2.747%
Janus Aspen Series Growth and Income Portfolio	556,636.686	264,754.512	64,778.000	—	47.563%	11.638%	—	80.342%	19.658%	—
Janus Aspen Series International Growth Portfolio	810,972.797	412,659.724	1,395.231	549.740	50.885%	0.172%	0.067%	99.531%	0.336%	0.133%
Janus Aspen Series Worldwide Growth Portfolio	6,669,660.791	4,029,247.743	25,044.224	38,063.102	60.412%	0.375%	0.571%	98.458%	0.612%	0.930%
Janus Aspen Series Flexible Income Portfolio	64,623.028	38,164.993	—	49.184	59.058%	—	0.076%	99.871%	—	0.129%
Janus Aspen Series Money Market Portfolio	4,393,352.228	2,235,491.121	—	—	50.883%	—	—	100.000%	—	—

Janus|Aspen Series

2000 Annual Report

Janus Aspen Growth and Income Portfolio



JANUS

Janus Aspen Growth and Income Portfolio



David Corkins
portfolio manager

For the 12 months ended December 31, 2000, Janus Aspen Growth and Income Portfolio returned a loss of 14.10% for its Institutional Shares and a loss of 14.31% for its Service Shares. The returns trailed the Portfolio's benchmark, the S&P 500 Index, which declined 9.10%.⁽¹⁾

While my goal remains to outperform the S&P 500 over three- to five-year spans, I share your disappointment with anything

short of that goal in the intermediate term. As a whole, the market experienced incredible volatility in 2000, with large swings from week to week. Early on, the technology sector boomed, but later declined sharply. Then the market obsessed over interest rates. Finally, signs of slower economic growth appeared during the fall and accelerated during December. When we first sensed a slowdown was coming, we prepared by increasing the Portfolio's fixed-income exposure with some short-term Treasuries and higher-grade corporate issues.

Despite our relative underperformance, a number of our holdings still managed to turn in positive results, including American International Group (AIG), the largest nonbank financial company in the U.S. Domestically, increased rates and premiums boosted returns, but AIG also gained from its growing presence in Asia, especially in the struggling Japanese market. There, partnerships with local interests have positioned AIG to gain from an industry recovery.

As a whole, the U.S. insurance industry is becoming more shareholder-friendly. Insurers are increasing property casualty rates after a long stagnant period, and the companies that under-price risk are finding that's no longer an effective business strategy. Plus, companies with higher risk exposure are getting caught in a consolidation wave driven by industry leaders like AIG's M.R. Greenberg and Berkshire Hathaway's Warren Buffet. In light of these developments, I've increased my exposure to the sector, including a position in Marsh & McLennan Companies, a leading insurance broker.

Another sector on the rise is natural gas, and the Portfolio was rewarded for holdings in Burlington Resources, Coastal Corp. and Enron Corp. As power generators build new capacity to meet the growing worldwide demand for electricity, they're increasingly turning to natural gas instead of coal or nuclear power. Burlington Resources and Coastal, which was recently purchased by El Paso Electric, are well-run natural gas exploration and production companies that are profiting from the recent developments, in addition to a winter-driven spike in prices. Meanwhile, Enron, North America's largest buyer and seller of natural gas, is benefiting from increased transaction levels in the sector.

We also believe we've found special situations in DuPont and Verizon Communications, which both had rough years. DuPont

is a chemical manufacturer that broadly diversified over the years. However, growth by acquisition proved challenging, so it started to pare down its holdings by spinning off Conoco in late 1998. It looks ready to similarly jettison its pharmaceutical holdings, which will allow it to further focus on its core business units. Verizon runs the nation's largest wireless business and is active in the digital subscriber line (DSL) arena, where competitors on the margin are falling off. I think there's real value there, and I was further encouraged when, in late November, the company raised its earnings expectations for the next two years.

On the down side, our media holdings such as Liberty Media Group and Time Warner suffered as a result of lowered advertising revenue expectations – minimal price increases are the anticipated norm in the near-term. Liberty Media, an AT&T tracking stock, has suffered because it invests in telecommunications and media, two slumping sectors. Nonetheless, I believe the stock is very inexpensive at current levels.

The largest holding in Liberty Media's basket is Time Warner, which we also hold. In light of the overlap, we reduced our stake in the multimedia giant, although we're still excited about the long-term potential in the Time Warner-America Online merger.

As for 2001, the U.S. economy is clearly slowing, creating a tough environment for a number of industries. And while it's not clear what, if any, additional steps the Federal Reserve will take to stimulate the economy, we will diligently watch the central bank's actions for any impact it may have on the economy.

Regardless of the depth or duration of a slowdown, there will always be companies that outperform their competitors, although it's a tougher path to success. A volatile market can provide solid buying opportunities for investors who know where the undervalued companies lurk. Through the latter stages of 2000, we increased the Portfolio's cash holdings in an effort to better capitalize on those situations as we uncover them.

Thank you for your investment in Janus Aspen Growth and Income Portfolio.

Portfolio Asset Mix (% of Assets)	December 31, 2000	December 31, 1999
Equities	76.2%	77.7%
Top Ten Equities	27.2%	27.7%
Number of Stocks	79	94
Fixed-Income Securities	8.8%	4.7%
Cash and Cash Equivalents	15.0%	17.6%

(1) All returns include reinvested dividends and capital gains.

Past performance does not guarantee future results.

Average Annual Total Return⁽¹⁾

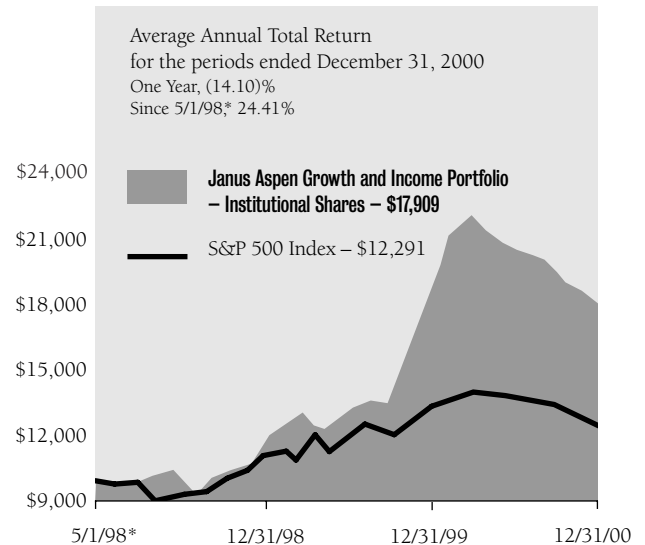
For the Periods Ended December 31, 2000

Institutional Shares (Inception Date 5/1/98)	
1 Year	(14.10)%
From Inception	24.41%
S&P 500 Index	
1 Year	(9.10)%
From Inception of Institutional Shares	8.04%
Service Shares (Inception Date 12/31/99)	
1 Year	(14.31)%
From Portfolio Inception	24.09%

Returns shown for Service Shares for periods to their inception are derived from the historical performance of Institutional Shares, adjusted to reflect the higher operating expenses of Service Shares.

In recent years returns have sustained significant gains and losses due to market volatility in the technology sector.

Performance Overview⁽¹⁾



*The Portfolio's inception date.

Source - Lipper, Inc. 2000.

(1) Past performance is no guarantee of future results and investment results and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Total return includes reinvestment of dividends and capital gains. The Portfolio may differ significantly from the securities held in the index. The index is not available for direct investment; therefore its performance does not reflect the expenses associated with the active management of an actual portfolio. These returns do not reflect the charges and expenses of any particular insurance product or qualified plan.

SCHEDULE OF INVESTMENTS

Shares or Principal Amount	Market Value
Common Stock - 74.6%	
Aerospace and Defense - 0.7%	
17,725 Boeing Co.	\$1,169,850
Audio and Video Products - 0.6%	
9,100 Sony Corp. ....	.629,509
5,316 Sony Corp. (ADR) ....	.370,791
	1,000,300
Automotive - Cars and Light Trucks - 0.5%	
26,997 BMW A.G. ....	.882,044
Brewery - 1.3%	
49,343 Anheuser-Busch Companies, Inc.	2,245,106
Broadcast Services and Programming - 2.1%	
271,678 AT&T Corp./Liberty Media Group - Class A*	3,684,633
Cable Television - 2.8%	
117,603 Comcast Corp. - Special Class A*	4,909,925
Casino Hotels - 0.8%	
119,740 Park Place Entertainment Corp.*	1,429,396
Cellular Telecommunications - 1.0%	
9,746 Crown Castle International Corp.* ....	.263,751
33,684 Nextel Communications, Inc. - Class A* ....	.833,679
30,985 Sprint Corp./PCS Group* ....	.633,256
	1,730,686
Chemicals - Diversified - 1.2%	
43,123 E.I. du Pont de Nemours and Co.	2,083,380
Commercial Services - Financial - 1.0%	
36,192 Paychex, Inc.	1,759,836

Shares or Principal Amount	Market Value
Computers - 0.9%	
12,195 Apple Computer, Inc.	\$ 181,401
51,549 Sun Microsystems, Inc.*	1,436,928
	1,618,329
Computers - Memory Devices - 3.0%	
75,123 EMC Corp.*	4,995,679
4,107 VERITAS Software Corp.* ....	.359,362
	5,355,041
Cosmetics and Toiletries - 1.4%	
22,920 Gillette Co. ....	.827,985
22,185 Procter & Gamble Co.	1,740,136
	2,568,121
Cruise Lines - 0.7%	
44,927 Royal Caribbean Cruises, Ltd.	1,188,319
Diversified Financial Services - 3.6%	
125,680 Citigroup, Inc.	6,417,535
Diversified Operations - 4.8%	
385 Berkshire Hathaway, Inc. - Class B* ....	.906,290
112,548 General Electric Co.	5,395,270
38,575 Honeywell International, Inc.	1,825,080
3,180 Minnesota Mining and Manufacturing Co. ....	.383,190
	8,509,830
Electric - Integrated - 0.1%	
2,340 Duke Energy Corp. ....	.199,485

See Notes to Schedules of Investments.

Janus Aspen Growth and Income Portfolio

SCHEDULE OF INVESTMENTS

Shares or Principal Amount	Market Value	Shares or Principal Amount	Market Value
Electronic Components – Semiconductors – 2.9%		Pipelines – 3.3%	
61,415 Advanced Micro Devices, Inc.*	\$ 848,295	64,148 Enron Corp.	\$ 5,332,303
26,944 Intel Corp.	815,056	8,786 Kinder Morgan, Inc.	458,519
76,226 Texas Instruments, Inc.	3,611,207		5,790,822
	5,274,558	Poultry – 0.1%	
Entertainment Software – 0.3%		17,985 WLR Foods, Inc.*	252,914
14,405 Electronic Arts, Inc.*	614,013	Printing – Commercial – 0.5%	
Finance – Consumer Loans – 1.4%		26,581 Valassis Communications, Inc.*	838,963
45,720 Household International, Inc.	2,514,600	Radio – 0.8%	
Finance – Credit Card – 0.2%		50,824 Infinity Broadcasting Corp. – Class A*	1,419,895
7,816 American Express Co.	429,391	Retail – Apparel and Shoe – 0.5%	
Insurance Brokers – 1.2%		36,760 Gap, Inc.	937,380
17,544 Marsh & McLennan Companies, Inc.	2,052,648	Retail – Building Products – 0.8%	
Internet Applications Software – 0.1%		29,604 Home Depot, Inc.	1,352,533
17,720 Liberate Technologies, Inc.*	241,435	Semiconductor Components/Integrated Circuits – 1.2%	
Internet Brokers – 0.9%		45,819 Maxim Integrated Products, Inc.*	2,190,721
56,971 Charles Schwab Corp.	1,616,552	Super-Regional Banks – 0.8%	
Internet Infrastructure Software – 0.1%		48,710 U.S. Bancorp	1,421,723
11,179 Inktomi Corp.*	199,825	Telecommunication Equipment – 3.7%	
Internet Security – 1.1%		132,140 Nokia Oyj (ADR)	5,748,090
25,746 VeriSign, Inc.*	1,910,031	71,766 Telefonaktiebolaget L.M. Ericsson A.B. (ADR)	802,882
Life and Health Insurance – 2.5%			6,550,972
32,655 American General Corp.	2,661,383	Telecommunication Equipment – Fiber Optics – 1.0%	
47,579 John Hancock Financial Services, Inc.*	1,790,160	34,211 Corning, Inc.	1,806,768
	4,451,543	Telecommunication Services – 2.5%	
Medical – Drugs – 4.9%		48,281 Cox Communications, Inc. – Class A*	2,248,084
17,717 Allergan, Inc.	1,715,227	164,016 McLeodUSA, Inc. – Class A*	2,316,726
43,000 Bristol-Myers Squibb Co.	3,179,313		4,564,810
4,145 Celgene Corp.*	134,713	Telephone – Integrated – 2.6%	
16,505 Eli Lilly and Co.	1,535,997	37,815 SBC Communications, Inc.	1,805,666
48,810 Pfizer, Inc.	2,245,260	90,028 Telefonica S.A.*	1,487,598
	8,810,510	26,940 Verizon Communications, Inc.	1,350,368
Medical Instruments – 1.0%			4,643,632
29,689 Medtronic, Inc.	1,792,473	Toys – 0.6%	
Money Center Banks – 0.6%		70,560 Mattel, Inc.	1,018,886
23,555 Chase Manhattan Corp.	1,070,280	Web Hosting/Design – 0.3%	
Motorcycle and Motor Scooter Manufacturing – 0.4%		9,166 Macromedia, Inc.*	556,835
20,053 Harley-Davidson, Inc.	797,107	Total Common Stock (cost \$132,435,290)	132,848,650
Multi-Line Insurance – 1.5%		Corporate Bonds – 5.6%	
27,284 American International Group, Inc.	2,689,179	Automotive – Cars and Light Trucks – 0.2%	
Multimedia – 2.9%		\$300,000 DaimlerChrysler N.A. Holdings Corp., 6.67%	
70,090 Time Warner, Inc.	3,661,502	company guaranteed notes, due 2/15/02	301,500
27,992 Viacom, Inc. – Class B*	1,308,626	Cable Television – 0.1%	
9,210 Walt Disney Co.	266,514	5,000 Adelphia Communications Corp., 7.75%	
	5,236,642	senior notes, due 1/15/09	4,063
Networking Products – 2.6%		178,000 Telewest Communications PLC, 9.875%	
120,544 Cisco Systems, Inc.*	4,610,808	senior notes, due 2/1/10	154,860
Oil Companies – Exploration and Production – 1.5%			158,923
51,320 Burlington Resources, Inc.	2,591,660	Cellular Telecommunications – 0.1%	
Oil Companies – Integrated – 3.3%		89,000 VoiceStream Wireless Corp., 10.375%	
22,389 Coastal Corp.	1,977,229	senior notes, due 11/15/09	95,341
16,215 Conoco, Inc. – Class A	464,154	Computers – 0.1%	
39,170 Exxon Mobil Corp.	3,405,342	178,000 Sun Microsystems, Inc., 7.50%	
	5,846,725	senior notes, due 8/15/06	183,562

See Notes to Schedules of Investments.

Janus Aspen Growth and Income Portfolio

SCHEDULE OF INVESTMENTS

Shares or Principal Amount	Market Value
Diversified Financial Services – 1.8%	
General Electric Capital Corp.:	
\$1,115,000 7.00%, notes, due 3/1/02	\$1,128,938
373,000 6.52%, notes, due 10/8/02	376,730
580,000 7.00%, notes, due 2/3/03	591,600
500,000 6.75%, notes, due 9/11/03	509,375
493,000 6.81%, notes, due 11/3/03	503,476
	3,110,119
Enterprise Software/Services – 0.6%	
478,000 BEA Systems, Inc., 4.00%	
convertible subordinated notes	
due 12/15/06†	1,059,368
Finance – Auto Loans – 0.2%	
400,000 Ford Motor Credit Co., 6.55%	
notes, due 9/10/02	401,500
Finance – Investment Bankers/Brokers – 0.1%	
215,000 Merrill Lynch & Company, Inc., 6.80%	
notes, due 11/3/03	216,881
Food – Retail – 0.1%	
150,000 Safeway, Inc., 7.00%	
notes, due 9/15/02	151,125
Oil Companies – Exploration and Production – 0.1%	
353,000 Devon Energy Corp., zero coupon	
convertible debentures, due 6/27/20	172,087
Retail – Discount – 0.6%	
1,075,000 Wal-Mart Stores, Inc., 6.875%	
notes, due 8/1/02	1,089,781
Super-Regional Banks – 0.2%	
443,000 Firststar Bank N.A., 7.125%	
subordinated notes, due 12/1/09	447,984
Telecommunication Equipment – Fiber Optics – 0.3%	
695,000 Corning, Inc., zero coupon	
convertible debenture, due 11/8/15	496,925
Telecommunication Services – 0.3%	
23,000 Allegiance Telecom, Inc., 12.875%	
senior notes, due 5/15/08	22,425
NTL, Inc.:	
76,000 7.00%, convertible subordinated notes	
due 12/15/08	58,805
807,000 5.75%, convertible subordinated notes	
due 12/15/09†	388,369
	469,599
Telephone – Integrated – 0.2%	
270,000 CenturyTel, Inc., 8.375%	
notes, due 10/15/10	281,138
150,000 Qwest Capital Funding, Inc., 7.75%	
notes, due 8/15/06†	153,375
	434,513
Toys – 0.2%	
Mattel, Inc.:	
140,000 6.00%, notes, due 7/15/03	131,425
250,000 6.125%, notes, due 7/15/05	220,625
	352,050
Web Hosting/Design – 0%	
27,000 Exodus Communications, Inc., 11.25%	
senior notes, due 7/1/08	24,030

Shares or Principal Amount	Market Value
Wireless Equipment – 0.4%	
\$ 772,000 American Tower Corp., 5.00%	
convertible notes, due 2/15/10†	\$ 701,555
Total Corporate Bonds (cost \$9,694,508)	9,866,843
Preferred Stock – 1.6%	
Automotive – Cars and Light Trucks – 0.6%	
354 Porsche A.G.	1,153,262
Cable Television – 0.2%	
6,202 Comcast Corp., convertible, 2.00%	
(Sprint Corp./PCS Group)	266,686
Electric – Integrated – 0.8%	
25,826 Reliant Energy, Inc., convertible, 2.00%	
(Time Warner, Inc.)	1,346,180
Web Hosting/Design – 0%	
31,446 PSINet, Inc., convertible, 7.00%†	31,446
Total Preferred Stock (cost \$5,016,029)	2,797,574
U.S. Government Obligations – 3.2%	
U.S. Treasury Notes:	
\$ 3,250,000 6.125%, due 8/31/02	3,293,453
2,465,000 5.25%, due 8/15/03	2,471,187
Total U.S. Government Obligations (cost \$5,676,854)	5,764,640
Repurchase Agreement – 16.3%	
29,000,000 Deutsche Bank Securities, Inc., 6.05%	
dated 12/29/00, maturing 1/2/01,	
to be repurchased at \$29,019,494	
collateralized by \$23,529,947 in U.S.	
Government Agencies, 0%-8.25%,	
1/2/01-8/6/38; \$10,927,507 in U.S.	
Treasuries, 0%-13.375%, 1/4/01-5/15/30;	
with respective values of \$23,231,506	
and \$6,348,500 (cost \$29,000,000)	29,000,000
U.S. Government Agency – 5.6%	
Federal Home Loan Bank System	
10,000,000 6.37%, 1/23/01 (cost \$9,960,950)	9,961,325
Total Investments (total cost \$191,783,631) – 106.9%	190,239,032
Liabilities, net of Cash, Receivables and Other Assets – (6.9%)	(12,214,627)
Net Assets – 100%	\$178,024,405

Summary of Investments by Country, December 31, 2000

Country	% of Investment Securities	Market Value
Finland	3.0%	\$ 5,748,090
Germany	1.1%	2,035,306
Japan	0.5%	1,000,300
Spain	0.8%	1,487,598
Sweden	0.4%	802,882
United Kingdom	0.1%	154,860
United States††	94.1%	179,009,996
Total	100.0%	\$190,239,032

†† Includes Short-Term Securities (73.6% excluding Short-Term Securities)

See Notes to Schedules of Investments.

Statements of Assets & Liabilities

Janus Aspen
Growth and
Income
Portfolio

As of December 31, 2000 (all numbers in
thousands except net asset value per share)

Assets:	
Investments at cost	\$191,784
Investments at value:	\$190,239
Cash	90
Receivables:	
Investments sold	866
Portfolio shares sold	374
Dividends	31
Interest	302
Due from Advisor	—
Other assets	24
Forward currency contracts	—
Total Assets	191,926
Liabilities:	
Payables:	
Investments purchased	13,629
Portfolio shares repurchased	89
Advisory fees	96
Accrued expenses	88
Forward currency contracts	—
Total Liabilities	13,902
Net Assets	\$178,024
Net Assets – Institutional Shares	\$123,812
Shares Outstanding, \$0.001 Par Value (unlimited shares authorized)	7,111
Net Asset Value Per Share	\$ 17.41
Net Assets – Service Shares	\$ 54,212
Shares Outstanding, \$0.001 Par Value (unlimited shares authorized)	3,124
Net Asset Value Per Share	\$ 17.35

See Notes to Financial Statements.

Statements of Operations

Janus Aspen
Growth and
Income
Portfolio

For the fiscal year ended December 31, 2000
(all numbers in thousands)

Investment Income:	
Interest	\$ 2,104
Dividends	595
Foreign tax withheld	(5)
Total Investment Income	2,694
Expenses:	
Advisory fees	936
Transfer agent expenses	3
Registration fees	113
System fees	13
Custodian fees	49
Insurance expense	—
Audit fees	10
Distribution fees – Retirement Shares*	17
Distribution fees – Service Shares	32
Administrative fees – Retirement Shares*	17
Other expenses	4
Total Expenses	1,194
Expense and Fee Offsets	(4)
Net Expenses	1,190
Excess Expense Reimbursement	—
Net Expenses After Reimbursement	1,190
Net Investment Income/(Loss)	1,504
Net Realized and Unrealized Gain/(Loss) on Investments:	
Net realized gain/(loss) from securities transactions	(4,264)
Net realized gain/(loss) from foreign currency transactions	—
Net realized gain/(loss) from futures contracts	—
Change in net unrealized appreciation or depreciation of investments and foreign currency	(25,126)
Net Realized and Unrealized Gain/(Loss) on Investments	(29,390)
Net Increase/(Decrease) in Net Assets Resulting from Operations	\$(27,886)

*See Note 1 in Notes to Financial Statements.

See Notes to Financial Statements.

Statements of Changes in Net Assets

Janus Aspen Growth and Income Portfolio

2000 1999

For the fiscal year ended December 31
(all numbers in thousands)

Operations:		
Net investment income/(loss)	\$ 1,504	\$ 165
Net realized gain/(loss) from investment transactions	(4,264)	2,395
Change in unrealized net appreciation or depreciation of investments and foreign currency	(25,126)	22,577
Net Increase in Net Assets Resulting from Operations	(27,886)	25,137
Dividends and Distributions to Shareholders:		
Net investment income*	(1,255)	(137)
Net realized gain from investment transactions*	—	—
Distributions (in excess of realized gains)*	(2,330)	—
Tax Return of Capital	—	—
Net Decrease from Dividends and Distributions	(3,585)	(137)
Capital Share Transactions:		
Shares sold		
Institutional Shares	74,754	59,997
Retirement Shares	15,655	6,207
Service Shares	59,784	—
Reinvested dividends and distributions		
Institutional Shares	3,199	137
Retirement Shares	237	—
Service Shares	148	—
Shares repurchased		
Institutional Shares	(14,889)	(5,500)
Retirement Shares	(1,929)	(804)
Service Shares	(1,032)	—
Shares transferred – Retirement Shares ⁽¹⁾	(17,894)	—
Net Increase/(Decrease) from Capital Share Transactions	118,033	60,037
Net Increase/(Decrease) in Net Assets	86,562	85,037
Net Assets:		
Beginning of period	91,462	6,425
End of period	\$ 178,024	\$91,462
Net Assets Consist of:		
Capital (par value and paid-in surplus)*	\$ 183,607	\$65,574
Undistributed net investment income/(loss)*	279	30
Undistributed net realized gain/(loss) from investments*	(4,318)	2,276
Unrealized appreciation/(depreciation) of investments and foreign currency	(1,544)	23,582
Total	\$ 178,024	\$91,462
Transactions in Portfolio Shares – Institutional Shares		
Shares sold	3,626	3,889
Reinvested dividends and distributions	167	7
Total	3,793	3,896
Shares Repurchased	(749)	(365)
Net Increase/(Decrease) in Portfolio Shares	3,044	3,531
Shares Outstanding, Beginning of Period	4,067	536
Shares Outstanding, End of Period	7,111	4,067
Transactions in Portfolio Shares – Retirement Shares ⁽²⁾		
Shares sold	670,648	392,132
Reinvested dividends and distributions	12,309	—
Total	682,957	392,132
Shares Repurchased	(92,538)	—
Shares Transferred ⁽¹⁾	(928,105)	(55,446)
Net Increase/(Decrease) in Portfolio Shares	(337,686)	336,686
Shares Outstanding, Beginning of Period	337,686	1,000
Shares Outstanding, End of Period	—	337,686
Transactions in Portfolio Shares – Service Shares ⁽²⁾		
Shares sold	3,170,558	—
Reinvested dividends and distributions	8,192	—
Total	3,178,750	—
Shares Repurchased	(54,597)	—
Net Increase/(Decrease) in Portfolio Shares	3,124,153	—
Shares Outstanding, Beginning of Period	—	—
Shares Outstanding, End of Period	3,124,153	—
Purchases and Sales of Investment Securities: (excluding short-term securities)		
Purchases of securities	\$ 156,034	\$60,532
Proceeds from sales of securities	43,629	15,498
Purchases of long-term U.S. government obligations	5,674	—
Proceeds from sales of long-term U.S. government obligations	—	—

(1) A reorganization of the Retirement Shares of the Trust occurred at the close of business on July 31, 2000. All Capital and Shares were transferred to the corresponding fund of the newly formed Janus Adviser Series. See Note 1 in Notes to Financial Statements.

(2) Transactions in Portfolio Shares – Retirement and Service Shares numbers are not in thousands.

*See Note 3 in Notes to Financial Statements.

See Notes to Financial Statements.

Financial | Highlights – Institutional Shares

For a share outstanding throughout
each fiscal year or period ended December 31

Janus Aspen Growth and Income Portfolio
2000 1999 1998⁽¹⁾

Net Asset Value, Beginning of Period	\$20.77	\$11.96	\$10.00
Income from Investment Operations:			
Net investment income/(loss)	.19	.04	.02
Net gains/(losses) on securities (both realized and unrealized)	(3.08)	8.81	1.96
Total from Investment Operations	(2.89)	8.85	1.98
Less Distributions:			
Dividends (from net investment income)	(.16)	(.04)	(.02)
Distributions (in excess from capital gains)	(.31)	—	—
Total Distributions	(.47)	(.04)	(.02)
Net Asset Value, End of Period	\$17.41	\$20.77	\$11.96
Total Return*	(14.10)%	74.04%	19.80%
Net Assets, End of Period (in thousands)	\$123,812	\$84,480	\$6,413
Average Net Assets for the Period (in thousands)	\$124,282	\$28,838	\$2,883
Ratio of Gross Expenses to Average Net Assets** ⁽²⁾	0.78%	1.06%	1.25%
Ratio of Net Expenses to Average Net Assets** ⁽²⁾	0.78%	1.05%	1.25%
Ratio of Net Investment Income to Average Net Assets**	1.07%	0.56%	0.66%
Portfolio Turnover Rate**	37%	59%	62%

*Total return not annualized for periods of less than one full year.

**Annualized for periods of less than one full year.

(1) Period May 1, 1998 (inception) to December 31, 1998.

(2) See footnote #5 in Notes to Financial Statements.

See Notes to Financial Statements.

Financial | Highlights – Service Shares

*For a share outstanding throughout
each fiscal year ended December 31*

*Janus Aspen
Growth and Income Portfolio
2000*

Net Asset Value, Beginning of Period	\$20.63
Income from Investment Operations:	
Net investment income/(loss)	.07
Net gains/(losses) on securities (both realized and unrealized)	(2.99)
Total from Investment Operations	(2.92)
Less Distributions:	
Dividends (from net investment income)	(.05)
Distributions (from capital gains)	—
Distributions (in excess from capital gains)	(.31)
Total Distributions	(.36)
Net Asset Value, End of Period	\$17.35
Total Return	(14.31)%
Net Assets, End of Period (in thousands)	\$54,212
Average Net Assets for the Period (in thousands)	\$12,868
Ratio of Gross Expenses to Average Net Assets ⁽¹⁾	1.11%
Ratio of Net Expenses to Average Net Assets ⁽¹⁾	1.10%
Ratio of Net Investment Income/(Loss) to Average Net Assets	1.20%
Portfolio Turnover Rate	37%

(1) See footnote #5 in Notes to Financial Statements.

Notes to Schedules of Investments

ADR American Depository Receipt

EUR Euro

GBP British Pound

GDR Global Depository Receipt

*Non-income producing security

**A portion of this security has been segregated to cover segregation requirements on forward currency contracts.

† Securities are exempt from the registration requirements of the Securities Act of 1933 and may be deemed to be restricted for resale.

ΔPAY PHONES – Premium Accelerated Yield Participating Hybrid Option Note Exchangeable Securities.

Ω Step-up bonds are obligations which increase the interest payment rate at a specified point in time. Rate shown reflects current rate which may step up at a future date.

§ Restricted/Illiquid Securities are valued at fair value determined in good faith under procedures established by and under the supervision of the Trustees.

Security Transactions

Restricted securities held by a Portfolio may not be sold except in exempt transactions or in a public offering registered under the Securities Act of 1933. The risk of investing in such securities is generally greater than the risk of investing in the securities of widely held, publicly traded companies. Lack of a secondary market and resale restrictions may result in the inability of a Portfolio to sell a security at a fair price and may substantially delay the sale of the security that each portfolio seeks to sell. In addition, these securities may exhibit greater price volatility than securities for which secondary markets exist.

Schedule of Restricted or Illiquid Securities

	Acquisition Date	Acquisition Cost	Fair Value	Value as % of Net Assets
<i>Janus Aspen Aggressive Growth Portfolio</i>				
Hanover Compressor Co. ⁽¹⁾	5/22/00	\$26,887,500	\$36,863,829	0.34%

(1) The Portfolio has registration rights for certain restricted securities held at December 31, 2000. The issuer incurs all registration costs. Shelf registration took place on January 16, 2000.

The Investment Company Act of 1940 defines affiliates as those companies in which a Fund holds 5% or more of the outstanding voting securities. Following is a summary of the transactions with each such affiliate for the period ended December 31, 2000:

	Purchases		Sales		Realized Gain/(Loss)	Dividend Income	Market Value at 12/31/00
	Shares	Cost	Shares	Cost			
<i>Janus Aspen Aggressive Growth Portfolio</i>							
Inktomi Corp.	1,536,479	\$186,707,100	980,580	\$127,960,643	(\$112,014,133)	—	\$9,936,695

Variable Rate Notes. The interest rate, which is based on specific, or an index of, market interest rates, is subject to change. Rates in the security description are as of December 31, 2000.

Money market funds may hold securities with stated maturities of greater than 397 days when those securities have features that allow a fund to “put” back the security to the issuer or to a third party within 397 days of acquisition. The maturity dates shown in the security descriptions are the stated maturity dates.

Repurchase Agreements held by a Portfolio are fully collateralized, and such collateral is in the possession of the Portfolio’s custodian. The collateral is evaluated daily to ensure its market value equals or exceeds the current market value of the repurchase agreements including accrued interest. In the event of default on the obligation to repurchase, the Portfolio has the right to liquidate the collateral and apply the proceeds in satisfaction of the obligation. In the event of default or bankruptcy by the other party to the agreement, realization and/or retention of the collateral or proceeds may be subject to legal proceedings.

Notes to Financial Statements

The following section describes the organization and significant accounting policies of the Portfolios and provides more detailed information about the schedules and tables that appear throughout this report. In addition, the Notes explain how the Portfolios operate and the methods used in preparing and presenting this report.

I. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Janus Aspen Series (the “Trust”) was organized as a Delaware Trust on May 20, 1993, and is registered under the Investment Company Act of 1940 (the “1940 Act”) as a no-load, open-end management investment company. The Trust offers fourteen Portfolios or series of shares with differing investment objectives and policies. Eleven Portfolios invest primarily in equity securities: Janus Aspen Growth Portfolio, Janus Aspen Aggressive Growth Portfolio, Janus Aspen Capital Appreciation Portfolio, Janus Aspen Balanced Portfolio, Janus Aspen Equity Income Portfolio, Janus Aspen Growth and Income Portfolio, Janus Aspen Strategic Value Portfolio, Janus Aspen International Growth Portfolio, Janus Aspen Worldwide Growth Portfolio, Janus Aspen Global Life Sciences Portfolio and Janus Aspen Global Technology Portfolio. Two Portfolios invest primarily in income-producing securities: Janus Aspen Flexible Income Portfolio and Janus Aspen High-Yield Portfolio. Janus Aspen Money Market Portfolio invests in short-term money market securities. Each Portfolio is diversified as defined in the 1940 Act, with the exception of the Aggressive Growth Portfolio, Capital Appreciation Portfolio, Global Life Sciences Portfolio, Global Technology Portfolio and Strategic Value Portfolio, which are nondiversified.

Institutional Shares of the Trust are issued and redeemed only in connection with investment in and payments under variable annuity contracts and variable life insurance contracts (collectively “variable insurance contracts”), as well as certain qualified retirement plans. Effective May 1, 1997, the Trust issued the Retirement Shares. Retirement Shares of the Trust were issued and redeemed only in connection with certain qualified retirement plans.

Effective December 31, 1999, the Trust issued a new class of shares, the Service Shares. Service Shares of the Trust are issued and redeemed only in connection with investment in and payments under variable annuity contracts and variable life insurance contracts (collectively “variable insurance contracts”), as well as certain qualified retirement plans.

Janus Capital Corporation (“Janus Capital”) redeemed its investment in the Retirement Shares of the High-Yield Portfolio on July 26, 2000, since it was the only shareholder.

A reorganization of the Retirement Shares of the Trust occurred at the close of business on July 31, 2000. Each of the reorganized Portfolios of Janus Aspen Series allocated a pro rata share (percentage of the Retirement Shares

to the total Portfolio) of each security position to the corresponding Fund of the newly formed Janus Adviser Series except for securities that were subject to restrictions on resale or transfer, such as private placement securities. Each pro rata share was rounded to eliminate fractional shares and odd lots of securities. Janus Capital, the investment adviser of both Janus Aspen Series and Janus Adviser Series, has agreed to limit expenses of the Funds formed from this reorganization so that they will not increase before July 31, 2003. Specifically, Janus Capital will limit the expenses of each of the new Funds (excluding brokerage commissions, interest, taxes and extraordinary expenses) to the expense ratio of the corresponding Janus Aspen Series Portfolio set forth in the May 1, 2000 Janus Aspen Series Prospectus. These limitations will stay in place until at least July 31, 2003. In addition, Janus Capital paid all the fees associated with the reorganization.

The following accounting policies have been consistently followed by the Trust and are in conformity with accounting principles generally accepted in the investment company industry.

INVESTMENT VALUATION

Securities are valued at the closing price for securities traded on a principal securities exchange (U.S. or foreign) and on the NASDAQ National Market. Securities traded on over-the-counter markets and listed securities for which no sales are reported are valued at the latest bid price (or yield equivalent thereof) obtained from one or more dealers making a market for such securities or by a pricing service approved by the Trustees. Short-term investments maturing within 60 days and all money market securities in the Money Market Portfolio are valued at amortized cost, which approximates market value. Foreign securities are converted to U.S. dollars using exchange rates at the close of the New York Stock Exchange. When market quotations are not readily available, securities are valued at fair value as determined in good faith under procedures established by the Trustees.

INVESTMENT TRANSACTIONS AND INVESTMENT INCOME

Investment transactions are accounted for as of the date purchased or sold. Dividend income is recorded on the ex-dividend date. Certain dividends from foreign securities will be recorded as soon as the Trust is informed of the dividend if such information is obtained subsequent to the ex-dividend date. Interest income is recorded on the accrual basis and includes amortization of discounts and

Notes to Financial Statements *(continued)*

premiums. Gains and losses are determined on the identified cost basis, which is the same basis used for federal income tax purposes. Income and gains and losses are allocated daily to each class of shares based upon the ratio of net assets represented by each class as a percentage of total net assets.

SECURITY LENDING

The Portfolios may lend securities to qualified parties (typically brokers or other financial institutions) for the purpose of earning additional income. All loans will be continuously secured by collateral that consists of cash, U.S. government securities, letters of credit and such other collateral permitted by the SEC and policies approved by the Trustees. As with other extension of credits, there is the risk of delay in recovering a loaned security or the risk of loss in collateral rights if the borrower fails financially. Securities lending will only be made to parties that Janus Capital deems creditworthy and in good standing.

The borrower pays fees at the fund's direction to its lending agent. Additionally, the lending agent invests the cash collateral and retains a portion of the interest earned. The lending fees and the Portfolios portion of the interest income earned on cash collateral are included in interest income on the statement of operations. During the period ended December 31, 2000, the following Portfolio had security lending fees totaling:

Portfolio	Lending Fees
Janus Aspen Growth and Income Portfolio	\$4,201

FORWARD CURRENCY TRANSACTIONS AND FUTURES CONTRACTS

The Portfolios enter into forward currency contracts in order to hedge their exposure to changes in foreign currency exchange rates on their foreign portfolio holdings and to lock in the U.S. dollar cost of firm purchase and sales commitments denominated in foreign currencies. A forward currency contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. The gain or loss arising from the difference between the U.S. dollar cost of the original contract and the value of the foreign currency in U.S. dollars upon closing such a contract is included in net realized gain or loss on foreign currency transactions. Forward currency contracts held by the Portfolios are fully collateralized by other securities, in possession at the Portfolio's custodian, which are denoted in the accompanying Schedule of Investments. The market value of these securities is evaluated daily to ensure that it is equal to or exceeds the current market value of the corresponding forward currency contract.

Currency gain and loss are also calculated on payables and receivables that are denominated in foreign currencies. The payables and receivables are generally related to security transactions and income.

The Portfolios do not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held at fiscal year end. Net unrealized appreciation or depreciation on investments and foreign currency translation arise from changes in the value of assets and liabilities, including investments in securities at fiscal year end, resulting from changes in the exchange rates and changes in market prices of securities held.

Futures contracts are marked to market daily, and the variation margin is recorded as an unrealized gain or loss. When a contract is closed, a realized gain or loss is recorded equal to the difference between the opening and closing value of the contract. Generally, open forward and futures contracts are marked to market (i.e., treated as realized and subject to distribution) for federal income tax purposes at fiscal year-end.

Foreign-denominated assets and forward currency contracts may involve more risks than domestic transactions, including: currency risk, political and economic risk, regulatory risk and market risk. Risks may arise from the potential inability of a counterparty to meet the terms of a contract and from unanticipated movements in the value of foreign currencies relative to the U.S. dollar.

The Portfolios may enter into futures contracts and options on securities, financial indexes and foreign currencies, forward contracts and interest-rate swaps and swap-related products. The Portfolios intend to use such derivative instruments primarily to hedge or protect from adverse movements in securities prices, currency rates or interest rates. The use of futures contracts and options may involve risks such as the possibility of illiquid markets or imperfect correlation between the value of the contracts and the underlying securities or that the counterparty will fail to perform its obligations.

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," which was effective for fiscal years beginning after June 15, 1999. In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities-Deferral of Effective Date of FASB Statement No. 133," delaying by one year the effective date of SFAS No. 133. The effective date for the

Portfolios will be January 1, 2001. In June 2000, the FASB issued No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," an amendment of SFAS No. 133. SFAS 133, as amended, may affect the accounting treatment of the Funds' derivative instruments and related assets. The Funds have not at this time quantified the impact, if any, on the Financial Statements, resulting from the adoption of this new standard.

In November 2000, a revised AICPA Audit and Accounting Guide, *Audits of Investment Companies*, was issued, and is effective for fiscal years beginning after December 15, 2000. The Portfolios have not adopted this pronouncement. The Portfolios expect that the impact of the adoption of this principle will not be material to the financial statements.

INITIAL PUBLIC OFFERINGS

The Portfolios may invest in initial public offerings (IPOs). IPOs and other investment techniques may have a magnified performance impact on a fund with a small asset base. The Portfolios may not experience similar performance as their assets grow.

ADDITIONAL INVESTMENT RISK

A portion of the Flexible Income and High-Yield Portfolios may be invested in lower-rated debt securities that have a higher risk of default or loss of value because of changes in the economy or in their respective industry.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

DIVIDEND DISTRIBUTIONS AND EXPENSES

Each Portfolio, except the Money Market Portfolio, makes at least semiannual distributions of substantially all of its investment income and at least an annual distribution of its net realized capital gains, if any. The Money Market Portfolio makes daily distributions of its income. All dividends and capital gains distributions from a Portfolio will be automatically reinvested into additional shares of that Portfolio.

Expenses are allocated daily to each class of shares based upon the ratio of net assets represented by each class as a percentage of total net assets. Expenses directly attributable to a specific class of shares are charged against the operations of such class.

FEDERAL INCOME TAXES

No provision for income taxes is included in the accompanying financial statements as the Portfolios intend to distribute to shareholders all taxable investment income and realized gains and otherwise comply with the Internal Revenue Code applicable to regulated investment companies.

Notes to Financial Statements *(continued)*

2. INVESTMENT ADVISORY AGREEMENT AND OTHER TRANSACTIONS WITH AFFILIATES

The management fee for each equity Portfolio decreased to an annual rate of .65% of average net assets, effective May 1, 2000. The management fee for the corresponding Janus retail fund corresponding to each equity Portfolio also decreased to this rate, effective January 31, 2000. Due to the fee reductions described below, this had the effect of lowering each equity Portfolio's management fee on January 31, 2000, also. Prior to May 1, 2000, investment advisory fees for eight of the Portfolios were payable to Janus Capital based upon annual rates of .75% of the first \$300 million of average net assets, .70% of the next \$200 million of average net assets, and .65% of the average net assets in excess of \$500 million. However, Janus Capital had voluntarily agreed to reduce each Portfolio's advisory fee to the extent that such fee exceeded the effective rate of the Janus retail fund corresponding to such Portfolio. The effective rate is the advisory fee calculated by the corresponding retail fund as of the last day of each calendar quarter (expressed as an annual rate). Janus Aspen Growth Portfolio, Janus Aspen Aggressive Growth Portfolio, Janus Aspen Capital Appreciation Portfolio, Janus Aspen International Growth Portfolio, Janus Aspen Worldwide Growth Portfolio, Janus Aspen Balanced Portfolio, Janus Aspen Equity Income Portfolio and Janus Aspen Growth and Income Portfolio advisory fees were reduced to the effective rates of Janus Fund, Janus Enterprise Fund, Janus Twenty Fund, Janus Overseas Fund, Janus Worldwide Fund, Janus Balanced Fund, Janus Equity Income Fund and Janus Growth and Income Fund, respectively. The effective rate for each Portfolio for the period ended December 31, 1999, was .65%, .66%, .65%, .65%, .65%, .66%, .69% and .65%, respectively. The Flexible Income Portfolio is subject to advisory fees payable to Janus Capital based upon annual rates of .65% of the first \$300 million of average net assets plus .55% of average net assets in excess of \$300 million. The High-Yield Portfolio's advisory fee rate is payable at the rate of .75% of the first \$300 million of average net assets plus .65% of average net assets in excess of \$300 million. The Money Market Portfolio's advisory fee rate is .25% of average net assets. For additional information on the specific fees for the Service Shares, please refer to note 4 of the financial statements.

Janus Capital has agreed to reduce its fee to the extent normal operating expenses exceed 1% of the average net assets of the Flexible Income and High-Yield Portfolios and .50% of the average net assets of the Money Market Portfolio for a fiscal year. Janus Capital has also agreed to reduce its fee to the extent that normal operating expenses exceed 1.25% of the average net assets of the Equity Income, Global Life Sciences, Global Technology and Strategic Value Portfolios.

Janus Capital has agreed to continue these fee waivers and reductions until at least the next annual renewal of the advisory contracts. The participant administration fee and distribution fee applicable to the Retirement Shares, as well as the distribution fee applicable to the Service Shares, are not included in these expense limits.

Officers and certain trustees of the Trust are also officers and/or directors of Janus Capital; however, they receive no compensation from the Trust.

Janus Service Corporation ("Janus Service"), a wholly owned subsidiary of Janus Capital, receives certain out-of-pocket expenses for transfer agent services.

Janus Distributors, Inc., a wholly owned subsidiary of Janus Capital, is a distributor of the Portfolios. The Retirement and Service Shares have adopted a Distribution and Shareholder Servicing Plan (The "Plan") pursuant to Rule 12b-1 under The 1940 Act. The Plan authorizes payments by the Portfolios in connection with the distribution of the Retirement and Service Shares at an annual rate, as determined from time to time by the Board of Trustees, of up to .25% of the Retirement and Service Shares' average daily net assets.

DST Systems, Inc. (DST), an affiliate of Janus Capital through a degree of common ownership, provides accounting systems to the Portfolios. DST Securities, Inc., a wholly owned subsidiary of DST, provides brokerage services on certain portfolio transactions. Brokerage commissions paid to DST Securities, Inc. serve to reduce fees and expenses. Brokerage commissions paid, fees reduced and the net fees paid to DST for the period ended December 31, 2000, are noted below:

Portfolio	DST Securities, Inc. Commissions Paid*	Portfolio Expense Reduction*	DST Systems Costs
Janus Aspen Growth and Income Portfolio	\$305	\$ 229	\$14,491

*The difference between commissions paid to DST Securities, Inc. and expenses reduced constituted commissions paid to an unaffiliated clearing broker.

3. FEDERAL INCOME TAX

Net investment income dividends and capital gains distributions are determined in accordance with income tax regulations that may differ from generally accepted accounting principles. These differences are due to differing treatments for items such as deferral of wash sales,

foreign currency transactions, net operating losses and capital loss carryforwards. Permanent items identified in the period ended December 31, 2000, have been reclassified among the components of net assets as follows:

	<i>Undistributed Net Investment Income</i>	<i>Undistributed Net Realized Gains and Losses</i>	<i>Paid-In Capital</i>
Janus Aspen Growth and Income Portfolio	\$(461)	\$1,593	\$(1,132)

The Portfolios have elected to treat gains and losses on forward foreign currency contracts as capital gains and losses. Other foreign currency gains and losses on debt instruments are treated as ordinary income for federal income tax purposes pursuant to Section 988 of the Internal Revenue Code. As of December 31, 2000, the net capital loss carryovers noted below are available to offset future realized capital gains and thereby reduce future taxable gains distributions. These carryovers expire between December 31, 2006 and December 31, 2008.

In 2000, the Portfolios noted below incurred "Post-October" losses during the period from November 1 through December 31, 2000. These losses will be deferred for tax purposes and recognized in 2001.

The aggregate cost of investments and the composition of unrealized appreciation and depreciation of investments for federal income tax purposes as of December 31, 2000, are also noted below.

<i>Portfolio</i>	<i>Net Capital Loss Carryovers</i>	<i>Post-October</i>		<i>Federal Tax Cost</i>	<i>Unrealized Appreciation</i>	<i>Unrealized (Depreciation)</i>	<i>Net Appreciation/ (Depreciation)</i>
		<i>Capital Losses</i>	<i>Currency Losses</i>				
Janus Aspen Growth and Income Portfolio	\$(4,122,093)	—	\$(27)	\$191,979,941	\$16,879,590	\$(18,620,499)	\$(1,740,909)

Notes to Financial Statements *(continued)*

4. EXPENSES

The Portfolios' expenses may be reduced through expense-reduction arrangements. Those arrangements include the use of broker commissions paid to DST Securities, Inc. and uninvested cash balances earning interest with the Portfolios' custodian. The Statements of Operations reflect the total expenses before any offset, the amount of the offset and the net expenses. The expense ratios listed in the Financial Highlights reflect expenses prior to any expense offset (gross expense ratio) and after expense offsets (net expense ratio). Both expense ratios reflect expenses after waivers.

Janus Aspen Series Retirement Shares incurred a pro rata share of operating expenses. In addition, the Retirement Shares paid a distribution fee of up to .25% of average net assets and a participant administration fee of up to .25% of average net assets.

Janus Aspen Series Service Shares incur a pro rata share of operating expenses. In addition, the Service Shares pay a distribution fee of up to .25% of average net assets.

5. EXPENSE RATIOS

Listed below are the gross expense ratios for the various Portfolios that would be in effect, absent the waiver of certain fees, offsets and/or voluntary reduction of the advisory fee to the effective rate of the corresponding Janus retail fund. Expense ratios are annualized for all periods less than one year.

<i>Portfolio</i>	<i>2000</i>	<i>Institutional Shares</i>				<i>Service Shares</i>
		<i>1999</i>	<i>1998</i>	<i>1997</i>	<i>1996</i>	<i>2000</i>
Janus Aspen Growth and Income Portfolio	0.78%	1.15%	3.06% ⁽¹⁾	N/A	N/A	1.11%

(1) Period May 1, 1998 (inception) to December 31, 1998.

Explanations of | Charts, Tables and Financial Statements

1. PERFORMANCE OVERVIEWS

When comparing the performance of a Portfolio with an index, keep in mind that market indexes do not include brokerage commissions that would be incurred if you purchased the individual securities in the index. They also do not include taxes payable on dividends and interest or operating expenses incurred if you maintained a Portfolio invested in the index.

Average annual total returns are also quoted for each class of Portfolio. Average annual total return is calculated by taking the growth or decline in value of an investment over a period of time, including reinvestment of dividends and distributions, then calculating the annual compounded percentage rate that would have produced the same result had the rate of growth been constant throughout the period.

2. SCHEDULES OF INVESTMENTS

Following the performance overview section is each Portfolio's Schedule of Investments. This schedule reports the industry concentrations and types of securities held in each Portfolio on the last day of the reporting period. Securities are usually listed by type (common stock, corporate bonds, U.S. government obligations, etc.) and by industry classification (banking, communications, insurance, etc.).

The market value of each security is quoted as of the last day of the reporting period. The value of securities denominated in foreign currencies is converted into U.S. dollars.

Portfolios that invest in foreign securities also provide a summary of investments by country. This summary reports the Portfolio's exposure to different countries by providing the percentage of securities invested in each country.

2A. FORWARD CURRENCY CONTRACTS

A table listing forward currency contracts follows each Portfolio's Schedule of Investments (if applicable). Forward currency contracts are agreements to deliver or receive a preset amount of currency at a future date. Forward currency contracts are used to hedge against foreign currency risk in the Portfolio's long-term holdings.

The table provides the name of the foreign currency, the settlement date of the contract, the amount of the contract, the value of the currency in U.S. dollars and the amount of unrealized gain or loss. The amount of unrealized gain or loss reflects the change in currency exchange rates from the time the contract was opened to the last day of the reporting period.

3. STATEMENT OF OPERATIONS

This statement details the Portfolios' income, expenses, gains and losses on securities and currency transactions, and appreciation or depreciation of current Portfolio holdings.

The first section in this statement, titled "Investment Income," reports the dividends earned from stocks and interest earned from interest-bearing securities in the Portfolio.

The next section reports the expenses and expense offsets incurred by the Portfolios, including the advisory fee paid to the investment adviser, transfer agent fees, shareholder

servicing expenses, and printing and postage for mailing statements, financial reports and prospectuses.

The last section lists the increase or decrease in the value of securities held in the Portfolios. Portfolios realize a gain (or loss) when they sell their position in a particular security. An unrealized gain (or loss) refers to the change in net appreciation or depreciation of the Portfolios during the period. "Net Gain/(Loss) on Investments" is affected both by changes in the market value of Portfolio holdings and by gains (or losses) realized during the reporting period.

Explanations of Charts, Tables and Financial Statements *(continued)*

4. STATEMENT OF ASSETS AND LIABILITIES

This statement is often referred to as the “balance sheet.” It lists the assets and liabilities of the Portfolios on the last day of the reporting period.

The Portfolios’ assets are calculated by adding the value of the securities owned, the receivable for securities sold but not yet settled, the receivable for dividends declared but not yet received on stocks owned and the receivable for Portfolio shares sold to investors but not yet settled. The Portfolios’ liabilities include payables for securities

purchased but not yet settled, Portfolio shares redeemed but not yet paid and expenses owed but not yet paid. Additionally, there may be other assets and liabilities such as forward currency contracts.

The last section of this statement reports the net asset value (NAV) per share on the last day of the reporting period for each class of the Portfolio. The NAV is calculated by dividing the Portfolios’ net assets (assets minus liabilities) by the number of shares outstanding.

5. STATEMENT OF CHANGES IN NET ASSETS

This statement reports the increase or decrease in the Portfolios’ net assets during the reporting period. Changes in the Portfolios’ net assets are attributable to investment operations, dividends, distributions and capital share transactions. This is important to investors because it shows exactly what caused the Portfolios’ net asset size to change during the period.

The first section summarizes the information from the Statement of Operations regarding changes in net assets due to the Portfolios’ investment performance. The Portfolios’ net assets may also change as a result of dividend and capital gains distributions to investors. If investors receive their dividends in cash, money is taken out of the Portfolio to pay the distribution. If investors reinvest their dividends, the Portfolios’ net assets will not be affected. If you compare each Portfolio’s “Net Decrease from Dividends and

Distributions” to the “Reinvested dividends and distributions,” you’ll notice that dividend distributions had little effect on each Portfolio’s net assets. This is because all of Janus investors reinvest their distributions.

The reinvestment of dividends is included under “Capital Share Transactions.” “Capital Shares” refers to the money investors contribute to the Portfolios through purchases or withdrawal via redemptions. Each Portfolio’s net assets will increase and decrease in value as investors purchase and redeem shares from a Portfolio.

The section entitled “Net Assets Consist of” breaks down the components of the Portfolios’ net assets. Because Portfolios must distribute substantially all earnings, you’ll notice that a significant portion of net assets is shareholder capital.

6. FINANCIAL HIGHLIGHTS

This schedule provides a per-share breakdown of the components that affect the net asset value (NAV) for current and past reporting periods for each class of the Portfolio. Not only does this table provide you with total return, it also reports total distributions, asset size, expense ratios and portfolio turnover rate.

The first line in the table reflects the NAV per share at the beginning of the reporting period. The next line reports the net investment income per share, which comprises dividends and interest income earned on securities held by the Portfolios. Following is the total of gains, realized and unrealized. Dividends and distributions are then subtracted to arrive at the NAV per share at the end of the period.

Also included are the expense ratios, or the percentage of net assets that was used to cover operating expenses during the period. Expense ratios vary across the Portfolios for a number of reasons, including the differences in management fees, average shareholder account size, the frequency of dividend payments and the extent of foreign investments, which entail greater transaction costs.

The Portfolios' expenses may be reduced through expense-reduction arrangements. These arrangements include the use of brokerage commissions, uninvested cash

balances earning interest or balance credits. The Statement of Operations reflects total expenses before any such offset, the amount of offset and the net expenses. The expense ratios listed in the Financial Highlights reflect total expenses both prior to any expense offset and after the offsets.

The ratio of net investment income summarizes the income earned divided by the average net assets of a Portfolio during the reporting period. Don't confuse this ratio with a Portfolio's yield. The net investment income ratio is not a true measure of a Portfolio's yield because it doesn't take into account the dividends distributed to the Portfolio's investors.

The next ratio is the portfolio turnover rate, which measures the buying and selling activity in a Portfolio. Portfolio turnover is affected by market conditions, changes in the size of a Portfolio, the nature of the Portfolio's investments and the investment style of the portfolio manager. A 100% rate implies that an amount equal to the value of the entire Portfolio is turned over in a year; a 50% rate means that an amount equal to the value of half the Portfolio is traded in a year; and a 200% rate means that an amount equal to the value of the Portfolio is sold every six months.

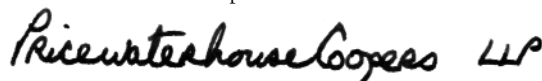
Report of | Independent Accountants

To the Trustees and Shareholders
of Janus Aspen Series

In our opinion, the accompanying statements of assets and liabilities, including the schedules of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Janus Aspen Growth Portfolio, Janus Aspen Aggressive Growth Portfolio, Janus Aspen Capital Appreciation Portfolio, Janus Aspen Balanced Portfolio, Janus Aspen Equity Income Portfolio, Janus Aspen Growth and Income Portfolio, Janus Aspen Strategic Value Portfolio, Janus Aspen International Growth Portfolio, Janus Aspen Worldwide Growth Portfolio, Janus Aspen Global Life Sciences Portfolio, Janus Aspen Global Technology Portfolio, Janus Aspen Flexible Income Portfolio, Janus Aspen High-Yield Portfolio and Janus Aspen Money Market Portfolio (constituting the Janus Aspen Series, hereafter referred to as the "Portfolios") at December 31, 2000, and the results of each of their operations, the changes in each of their net assets and the financial highlights for each of the periods indicated, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Portfolios'

management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2000, by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP



Denver, Colorado
February 5, 2001

Long-Term | Capital Gain Designation *(unaudited)*

For federal income tax purposes, the Funds designated the following capital gain dividends for the year ended December 31, 2000.

Aspen Growth and Income Portfolio	\$8,451
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Results of Shareholder Vote *(unaudited)*

A Special Meeting of Shareholders of the Retirement Shares class (the “Retirement Shares”) of each portfolio other than High-Yield Portfolio was held on July 20, 2000 to approve a reorganization that would transfer the assets relating to the Retirement Shares class of each Janus Aspen Series Portfolio to a corresponding Fund of the Janus Adviser Series. Janus Capital redeemed its investment in

the Retirement Shares of the High-Yield Portfolio on July 26, 2000 since it was the only shareholder. There were no Retirement Shares for Global Life Sciences, Global Technology and Strategic Value Portfolios.

The results of the Special Meeting of Shareholders of the Retirement Shares class are noted below:

Retirement Shares	Record Total Shares	Number of Shares			Percentage of Outstanding Shares			Percentage of Shares Voted		
		<i>Affirmative</i>	<i>Against</i>	<i>Abstain</i>	<i>Affirmative</i>	<i>Against</i>	<i>Abstain</i>	<i>Affirmative</i>	<i>Against</i>	<i>Abstain</i>
Janus Aspen Series Growth Portfolio	3,844,138.777	2,152,506.092	20,480.501	5,775.811	55.994%	0.533%	0.151%	98.795%	0.940%	0.265%
Janus Aspen Series Aggressive Growth Portfolio	2,556,474.750	1,722,462.919	5,720.301	5,048.067	67.376%	0.224%	0.198%	99.379%	0.330%	0.291%
Janus Aspen Series Capital Appreciation Portfolio	1,908,961.378	1,118,787.308	—	6,849.828	58.607%	—	0.359%	99.391%	—	0.609%
Janus Aspen Series Balanced Portfolio	3,665,692.430	1,970,553.966	2,896.120	25,521.419	53.757%	0.079%	0.696%	98.578%	0.145%	1.277%
Janus Aspen Series Equity Income Portfolio	49,441.500	24,681.682	67.000	699.000	49.921%	0.135%	1.414%	96.990%	0.263%	2.747%
Janus Aspen Series Growth and Income Portfolio	556,636.686	264,754.512	64,778.000	—	47.563%	11.638%	—	80.342%	19.658%	—
Janus Aspen Series International Growth Portfolio	810,972.797	412,659.724	1,395.231	549.740	50.885%	0.172%	0.067%	99.531%	0.336%	0.133%
Janus Aspen Series Worldwide Growth Portfolio	6,669,660.791	4,029,247.743	25,044.224	38,063.102	60.412%	0.375%	0.571%	98.458%	0.612%	0.930%
Janus Aspen Series Flexible Income Portfolio	64,623.028	38,164.993	—	49.184	59.058%	—	0.076%	99.871%	—	0.129%
Janus Aspen Series Money Market Portfolio	4,393,352.228	2,235,491.121	—	—	50.883%	—	—	100.000%	—	—

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This annual report must be preceded or accompanied by the current prospectus.

Kemper DestinationsSM (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 1 Kemper Drive, Long Grove, IL 60049. Kemper DestinationsSM may not be available in all states. The contract contains limitations and policy forms may vary by state.

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