

Annual report to
contract holders for the year
ended December 31, 2003

Annual report

For contract holders of Scudder DestinationsSM

The Alger American Fund

Credit Suisse Trust

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PROSPECTUS SUPPLEMENTS

This section includes supplements to
your current prospectus.

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

(Prospectus Supplement documents are not part of the Annual Report.)

Scudder Variable Series II

Blue Chip Portfolio

Supplement to the currently effective prospectus

Effective May 16, 2003, the following information replaces the disclosure for Scudder Variable Series II: Blue Chip Portfolio in "The portfolio managers" section of the prospectus:

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

Janet Campagna

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

- Joined Deutsche Asset Management in 1999 and the portfolio in 2003.
- Head of global and tactical asset allocation.
- Investment strategist and manager of the asset allocation strategies group for Barclays Global Investors from 1994 to 1999.
- Over 15 years of investment industry experience.
- Master's degree in Social Science from California Institute of Technology.
- Ph.D in Political Science from University of California at Irvine.

Robert Wang

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

- Joined Deutsche Asset Management in 1995 as portfolio manager for asset allocation after 13 years of experience of trading fixed income and derivative securities at J.P. Morgan.
- Senior portfolio manager for Multi Asset Class Quantitative Strategies: New York.
- Joined the portfolio in 2003.

Scudder Variable Series II

- Scudder Technology Growth Portfolio

Supplement to the currently effective prospectuses

On July 24, 2003, shareholders of Scudder Technology Growth Portfolio voted to approve (i) a change in the portfolio's classification from a diversified company to a non-diversified company and (ii) a change to the portfolio's concentration policy to require the portfolio to concentrate its assets in the group of industries constituting the technology sector and permit the portfolio to concentrate its assets in one or more industries in the technology sector.

The following replaces the third paragraph under the section entitled "The Main Risks of Investing in the Portfolio."

Non-Diversification Risk. The portfolio is classified as "non-diversified." This means that it may invest in securities of relatively few issuers. Thus, the performance of one or a small number of portfolio holdings can affect overall performance more than if the portfolio invested in a larger number of issuers.

Concentration Risk. The portfolio concentrates its investments in the group of industries constituting the technology sector. As a result, market price movements, market saturation and rapid product obsolescence affecting companies in this field will have a significant impact on the portfolio's performance. Additionally, many technology companies are smaller companies that may have limited business lines and financial resources, making them highly vulnerable to business and economic risks.

Scudder Variable Series I

- Growth and Income Portfolio

Supplement to the currently effective prospectuses

Effective August 19, 2003, the following information replaces the disclosure for SVS I Growth and Income Portfolio in "The portfolio managers" section of the prospectus:

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

Gregory S. Adams

CFA, Managing Director of Deutsche Asset Management and Lead Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management and the portfolio in 1999.
- Over 16 years of investment industry experience.
- Previously managed Chase Vista Growth & Income Fund, Chase Vista Large Cap Equity Fund, Chase Vista Balanced Fund and other equity portfolios for Chase Asset Management.

Andrew Brudenell

CFA, Vice President of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management in 1997 and the portfolio in 2003.
- Portfolio Manager for US Large Cap Core Equity: New York.
- MS, London School of Economics.

Please Retain This Supplement for Future Reference

Scudder Variable Series II

- Global Blue Chip Portfolio

Supplement to the currently effective prospectuses

Effective August 22, 2003, the following information replaces the disclosure for Scudder Variable Series II: Global Blue Chip Portfolio in "The portfolio managers" section of the prospectuses:

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

Steve M. Wreford

Director of Deutsche Asset Management and Co-Manager of the portfolio.

- Joined Deutsche Asset Management in 2000 and the portfolio in 2002.
- Responsible for European Telecommunications Research.
- Prior to that, five years of experience as a telecommunication and technology equity analyst for CCF International, New York; CCF Charterhouse, London and as a management consultant for KPMG, UK.
- Chartered Accountant, UK (US CPA equivalent).

Oliver Kratz

Director of Deutsche Asset Management and Co-Manager of the portfolio.

- Joined Deutsche Asset Management in 1996 and the portfolio in 2003.
- Head of global portfolio selection team for Alpha Emerging Markets Equity: New York.
- Prior to that, two years of experience at Merrill Lynch, Brown Brothers Harriman and McKinsey & Co.; authored *Frontier Emerging Markets Securities Price Behavior and Valuation*; Kluwers Academic Publishers, 1999.
- MALD and Ph.D from The Fletcher School, administered jointly by Harvard University and Tufts University.

Please Retain This Supplement for Future Reference

Supplement to the currently effective Prospectus for each of the listed funds:

Scudder Investments VIT Funds

Equity 500 Index Fund
EAFE Equity Index Fund
Small Cap Index Fund
Scudder Real Estate Securities Portfolio

Scudder Variable Series I

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

Scudder Variable Series II

Scudder Aggressive Growth Portfolio

Scudder Blue Chip Portfolio
Scudder Contrarian Value Portfolio
Scudder Fixed Income Portfolio
Scudder Global Blue Chip Portfolio
Scudder Government Securities Portfolio
Scudder Growth Portfolio
Scudder High Income Portfolio
Scudder International Select Equity Portfolio
Scudder Money Market Portfolio
Scudder Small Cap Growth Portfolio
Scudder Strategic Income Portfolio
Scudder Technology Growth Portfolio
Scudder Total Return Portfolio
SVS Davis Venture Value Portfolio

SVS Dreman Financial Services Portfolio
SVS Dreman High Return Equity Portfolio
SVS Dreman Small Cap Value Portfolio
SVS Eagle Focused Large Cap Growth Portfolio
SVS Focus Value+Growth Portfolio
SVS Index 500 Portfolio
SVS INVESCO Dynamic Growth Portfolio
SVS Janus Growth and Income Portfolio
SVS Janus Growth Opportunities Portfolio
SVS MFS Strategic Value Portfolio
SVS Oak Strategic Equity Portfolio
SVS Turner Mid Cap Growth Portfolio

Record owners of the Scudder Investments VIT Funds and the Scudder Variable Series Portfolios are the insurance companies that offer the Funds/Portfolios as choices for holders of certain variable annuity contracts or variable life insurance policies. We have a verification process for new insurance company accounts to help the government fight the funding of terrorism and money laundering activities. Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. What this means to you: When an Insurance Company opens an account, we will ask for its name, address, and other information that will allow us to identify the company. This information will be verified to ensure the identity of all persons opening an account.

For certain Insurance Companies, we might request additional information (for instance, we would ask for documents such as the Insurance Company's articles of incorporation) to help us verify the Insurance Company's identity.

We will not complete the purchase of any fund shares for an account until all information has been provided and the application has been submitted in "good order." Once the application is determined to be in good order, the fund purchase(s) will be effected at the net asset value per share next calculated (less any applicable sales charges).

We may reject a new account application if the Insurance Company doesn't provide any required or requested identifying information, or for other reasons.

We may refuse, cancel or rescind any purchase or exchange order; freeze any account (meaning the Insurance Company will not be able to purchase or redeem fund shares in your account); suspend account services; and/or involuntarily redeem the account if we think that the account is being used for fraudulent or illegal purposes by the Insurance Company or by you, the contract owner; one or more of these actions will be taken when, at the sole discretion of a fund, they are deemed to be in the fund's best interest or when the fund is requested or compelled to do so by governmental authority or by applicable law.

We may close and liquidate an account if we are unable to verify provided information, or for other reasons; if we decide to close the account, the fund shares will be redeemed at the net asset value per share next calculated after we determine to close the account (less any applicable sales charges); the Insurance Company/you may be subject to gain or loss on the redemption of the fund shares and the Insurance Company/you may incur tax liability.

Scudder Variable Series II

- Scudder Fixed Income Portfolio

Supplement to the currently effective prospectus

Effective October 17, 2003, the following information replaces the disclosure for Scudder Variable Series II: Scudder Fixed Income Portfolio in "The portfolio managers" section of the prospectus.

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

Gary W. Bartlett

CFA, Managing Director of Deutsche Asset Management and Lead Manager of the portfolio.

- Joined Deutsche Asset Management in 1992 and the portfolio in 2002.
- Began investment career in 1982.
- MBA, Drexel University.

J. Christopher Gagnier

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

- Joined Deutsche Asset Management in 1997 and the portfolio in 2002.
- Prior to that, portfolio manager, Paine Webber (1984–1997).
- Began investment career in 1979.
- MBA, University of Chicago.

Warren S. Davis

Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management in 1995 and the portfolio in 2002.
- Began investment career in 1985.
- MBA, Drexel University.

Daniel R. Taylor

CFA, Managing Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management in 1998 and the portfolio in 2002.
- Prior to that, fixed income portfolio manager, asset-backed securities analyst and senior credit analyst, CoreStates Investment Advisors, from 1992 to 1998.

Thomas Flaherty

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

- Joined Deutsche Asset Management in 1995 and the portfolio in 2002.
- Began investment career in 1984.

Andrew P. Cestone

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

- Joined Deutsche Asset Management in 1998 and the portfolio in 2002.
- Prior to that, Investment Analyst, Phoenix Investment Partners, from 1997 to 1998.
- Prior to that, Credit Officer, asset based lending group, Fleet Bank, from 1995 to 1997.

Scudder Variable Series II

- Scudder Total Return Portfolio

Supplement to the currently effective prospectus

Effective October 17, 2003, the following information replaces the disclosure for Scudder Variable Series II: Scudder Total Return Portfolio in "The portfolio managers" section of the prospectus.

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

Julie M. Van Cleave

CFA, Managing Director of Deutsche Asset Management and Lead Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management and the portfolio in 2002.
- Head of Large Cap Growth Portfolio Selection Team.
- Previous experience includes 18 years' investment industry experience at Mason Street Advisors, most recently serving as Managing Director and team leader for the large cap investment team.
- MBA, University of Wisconsin — Madison.

J. Christopher Gagnier

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

- Joined Deutsche Asset Management in 1997 and the portfolio in 2002.
- Prior to that, portfolio manager, Paine Webber (1984–1997).
- Began investment career in 1979.

Warren S. Davis

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

- Joined Deutsche Asset Management in 1995 and the portfolio in 2002.
- Analyst specializing in mortgage- and asset-backed securities.
- Began investment career in 1985.
- MBA, Drexel University.

Gary W. Bartlett

CFA, Managing Director of Deutsche Asset Management and Lead Manager of the portfolio.

- Joined Deutsche Asset Management in 1992 and the portfolio in 2002.
- Began investment career in 1982.
- MBA, Drexel University.

Daniel R. Taylor

CFA, Managing Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management in 1998 and the portfolio in 2002.
- Prior to that, fixed income portfolio manager, asset backed securities analyst and senior credit analyst, CoreStates Investment Advisors (1992–1998).

Thomas Flaherty

Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management in 1995 and the portfolio in 2002.
- Began investment career in 1984.

Jack A. Zehner

Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management and the portfolio in 2002.
- Previous experience includes eight years' investment industry experience at Mason Street Advisors where he served most recently as Director — Common Stock.
- MBA, Marquette University.

Janet Campagna

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

- Joined Deutsche Asset Management in 1999 and the portfolio in 2002.
- Head of global and tactical asset allocation.
- Investment strategist and manager of the asset allocation strategies group for Barclays Global Investors from 1994 to 1999.
- Over fifteen years of investment industry experience.
- Master's degree in Social Science from California Institute of Technology.
- Ph.D, Political Science from University of California at Irvine.

Andrew P. Cestone

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

- Joined Deutsche Asset Management in 1998 and the portfolio in 2002.
- Prior to that, investment analyst, Phoenix Investment Partners, from 1997 to 1998.
- Prior to that, credit officer, asset based lending group, Fleet Bank, from 1995 to 1997.

Thomas J. Schmid

CFA, Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management and the portfolio in 2002.
- Previous experience includes 15 years' investment industry experience, most recently as Director — Common Stock at Mason Street Advisors.
- MBA, University of Chicago.

Please Retain This Supplement for Future Reference

INVESCO VARIABLE INVESTMENT FUNDS, INC.

INVESCO VIF – UTILITIES FUND

Supplement dated November 20, 2003
to the Prospectus dated April 30, 2003

Effective December 1, 2003, the following replaces in its entirety the information appearing under the heading “**Fund Management – PORTFOLIO MANAGER**” on page 6 of the Prospectus:

The following individual is primarily responsible for the day-to-day management of the Fund's holdings:

- John S. Segner, Portfolio Manager, who has been responsible for the fund since 2003 and has been associated with the advisor and/or its affiliates since 1997.

**The Alger American Fund
Class O Shares**

**Alger American Small Capitalization Portfolio
Alger American MidCap Growth Portfolio
Alger American Growth Portfolio
Alger American Leveraged AllCap Portfolio**

Supplement dated September 26, 2003 to the Prospectus dated May 1, 2003

The information in the paragraph on page 7 of the Fund's Prospectus under the heading "Portfolio Managers" is hereby amended as follows:

Mr. Chung has become President of the Manager, effective September 2003; he remains Chief Investment Officer.

Andrew Silverberg has been appointed assistant portfolio manager of the MidCap Growth Portfolio effective September 2003. Mr. Silverberg has been employed by the Manager as an analyst and later as an Assistant Vice President and analyst since October 2001, prior to which period he was a research analyst at Mark Asset Management Corporation from June 1999 until September 2001 and a research intern at MBF Capital Corporation from December 1998 until June 1999.

INVESCO Variable Investment Funds, Inc.

INVESCO VIF – Utilities Fund

Supplement dated December 16, 2003,
to the Prospectus dated April 30, 2003
as supplemented November 20, 2003 and December 4, 2003

The following supplement supercedes and replaces in its entirety, the supplement dated December 4, 2003.

The Board of Directors of INVESCO Variable Investment Funds, Inc. (“IVIF”), on behalf of INVESCO VIF Core Equity Fund, INVESCO VIF Dynamics Fund, INVESCO VIF Financial Services Fund, INVESCO VIF Growth Fund, INVESCO VIF Health Sciences Fund, INVESCO VIF High Yield Fund, INVESCO VIF Leisure Fund, INVESCO VIF Real Estate Opportunity Fund, INVESCO VIF Small Company Growth Fund, INVESCO VIF Technology Fund, INVESCO VIF Telecommunications Fund, INVESCO VIF Total Return Fund and INVESCO VIF Utilities Fund (the “IVIF Funds”), voted to request shareholders to approve the following items that will affect one or more of the IVIF Funds:

- An Agreement and Plan of Reorganization which provides for the redomestication of each of the IVIF Funds as funds of AIM Variable Insurance Funds (the “Redomestication”), a Delaware statutory trust, and in connection therewith, the sale of all of IVIF’s assets and the dissolution of IVIF as a Maryland corporation;
- A new advisory agreement between IVIF and A I M Advisors, Inc. (AIM);
- A new sub-advisory agreement between AIM and INVESCO Institutional (N.A.), Inc.;
- The Election of sixteen directors to the Board of Directors of IVIF; and
- To transact such other business as may properly come before the Special Meeting or any adjournment thereof.

The proposed Redomestication relates to an integration initiative announced on March 27, 2003, by AMVESCAP PLC (“AMVESCAP”), the parent company of both AIM and INVESCO Funds Group, Inc., with respect to its North American mutual fund operations. AMVESCAP has recommended simplifying the organizational structure of the funds within The AIM Family of Funds[®] (the “AIM Funds”) and the INVESCO Family of Funds (the “INVESCO Funds”) so that they are all organized as Delaware statutory trusts, using as few entities as practicable. This change should provide these Funds with greater flexibility in conducting their business operations.

The Board of Directors of IVIF has called a meeting of IVIF’s shareholders to be held on or about March 26, 2004 to vote on these and other proposals. Only shareholders of record as of the close of business on January 9, 2004 are entitled to vote at the meeting. Proposals that are approved are expected to become effective on or about April 30, 2004.

Effective April 30, 2004, A I M Distributors, Inc. (the “distributor”) will be IVIF Funds’ distributor and will be responsible for the sale of the IVIF Funds’ shares. All references in this Prospectus shall refer to A I M Distributors, Inc. The distributor’s address is: A I M Distributors, Inc. 11 Greenway Plaza, Suite 100, Houston, Texas 77046-1173.

On December 2, 2003 each of the Securities and Exchange Commission (“SEC”) and the Office of the Attorney General of the State of New York (“NYAG”) filed civil proceedings against INVESCO Funds Group, Inc. (“INVESCO”), the investment advisor of your Fund, and Raymond R. Cunningham, in his capacity as the chief executive officer of INVESCO. In addition, on December 2, 2003, the State of Colorado filed civil proceedings against INVESCO. Neither your Fund nor any other INVESCO Fund has been named as a defendant in any of these proceedings.

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

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

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

No relief is being sought against your Fund or any of the INVESCO Funds in any of these proceedings.

If INVESCO is unsuccessful in its defense of these proceedings, it could be barred from serving as an investment advisor for any investment company registered under the Investment Company Act of 1940, as amended (a "registered investment company"). Similarly, if Mr. Cunningham is unsuccessful in his defense of these proceedings, he could be barred from serving as an officer or director of any registered investment company.

In addition to the complaints described above, multiple lawsuits, including class action and shareholder derivative suits, have been filed against certain INVESCO Funds, AIM Funds, INVESCO, AMVESCAP and certain related parties, primarily based upon the allegations in the complaints described above. Such lawsuits allege a variety of theories for recovery including, but not limited to: (i) violation of various provisions of the Federal securities laws; (ii) breach of fiduciary duty; and (iii) breach of contract. The lawsuits have been filed in both Federal and state courts and seek such remedies as compensatory damages; restitution, rescission; accounting for wrongfully gotten gains, profits and compensation; injunctive relief; disgorgement; equitable relief; interest and the payment of attorneys' and experts' fees. The following list identifies such lawsuits that have been served as of the date of this supplement:

- **Jerry Fattah, Custodian For Basim Fattah v. INVESCO Advantage Health Sciences Fund, et al.**, in the United States District Court, District of Colorado (Civil Action Number 03-F-2456), filed on December 4, 2003.
- **Joel Goodman v. INVESCO Funds Group, Inc., et al.**, in the District Court, City and County of Denver, Colorado (Case Number 03CV9268), filed on December 5, 2003.
- **L. Scott Karlin, Derivatively on Behalf of INVESCO Funds Group, Inc. v. AMVESCAP PLC, INVESCO, Inc., et al.**, in the United States District Court, District of Colorado (Civil Action No. 03-MK-2406), filed on November 28, 2003.
- **Edward Lowinger and Sharon Lowinger v. INVESCO Advantage Health Sciences Fund, et al.**, in the United States District Court, Southern District of New York (Civil Action No. 03-CV-9634), filed on December 4, 2003.

- **Richard Raver v. INVESCO Funds Group, Inc., et al.**, in the United States District Court, District of Colorado (Civil Action No. 03-F-2441), filed on December 2, 2003.

More detailed information regarding each of the cases identified above is provided in each fund's statement of additional information. Additional lawsuits arising out of these circumstances and presenting similar allegations and requests for relief may be filed against the funds, INVESCO, AMVESCAP and related parties in the future. Information about any similar additional lawsuits will be provided in the statement of additional information.

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

THE ALGER AMERICAN FUND

Supplement dated December 5, 2003, to the Prospectuses dated May 1, 2003 And supplemented September 26, 2003

THE FOLLOWING SUBSECTION IS ADDED TO THE SECTION ENTITLED
"MANAGEMENT AND ORGANIZATION":

Legal Proceedings

In response to inquiries from the New York Attorney General ("NYAG") and the Securities and Exchange Commission ("SEC"), the Manager and its counsel have been investigating certain shareholder trading practices in the mutual funds that it manages. Results of that investigation, which is continuing, are being shared with the NYAG, the SEC and the boards of the funds. The Manager has assured the boards of the funds that if it is determined that improper market timing in any of the funds detrimentally affected the fund's performance, the Manager will make appropriate restitution.

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

On October 31, 2003, Peter D. DeMayo, as Custodian for James Liam DeMayo, identifying himself as a shareholder of Spectra Fund, filed a purported class action lawsuit against The Alger Fund, Spectra Fund, various portfolios of The Alger Fund, the Manager, Connelly, Veras Management Partners, LLP and John Does 1-100 in the United States District Court for the Southern District of New York, and served the complaint in the lawsuit on the Manager and the fund defendants on November 10, 2003. The suit, based primarily upon the SEC settlement with Mr. Connelly, alleges, among other things, that the fund defendants made false and misleading statements in their prospectuses in violation of Section 11 of the Securities Act of 1933, that other defendants violated the "control person" provisions of Section 15 of the Securities Act and Section 20(a) of the Securities Exchange Act of 1934, that all defendants committed fraud in violation of Section 10(b) of the Securities Exchange Act and Rule 10b-5 thereunder, and that the Manager breached a fiduciary duty to plaintiffs. The suit seeks, among other things, compensatory damages, recovery of advisory fees paid to the Manager, and payment of the plaintiff's counsel and expert fees.

Another class action which names the same defendants and Alger American Growth [Fund], includes the same allegations, and seeks, among other things, the same relief was filed in the same court on November 20, 2003, and the complaint was served on the Manager and the fund defendants on that date. The lawsuit was filed by Robert Garfield, who identified himself as a shareholder of a fund defendant.

Another class action similar to the DeMayo action but naming six portfolios of The Alger Institutional Fund as additional defendants was filed in the same court on November 13, 2003, by Dana Buhs, identifying herself as a shareholder of Alger LargeCap Growth Portfolio, and the complaint was served on the Manager and the fund defendants on December 2, 2003. Another class action against the Buhs defendants was filed in the same court on November 13, 2003 by Bryon Billman, identifying himself as a shareholder of Alger MidCap Growth Portfolio, and the complaint was served on

the Manager and the fund defendants on December 2, 2003; the complaint alleges violations of Section 34 of the Investment Company Act of 1940 and breach of fiduciary duty and seeks injunctive relief, damages, fees and expenses and other relief. Similar class actions against the same and related parties and involving similar allegations and requests for relief may be commenced in the near future. The Manager has stated that it does not believe that such lawsuits will materially affect its ability to perform its management contracts with any of the mutual funds that it manages, and none of the fund defendants believes that it will be materially adversely affected by the pending lawsuits.

Scudder Variable Series II

- Scudder Technology Growth Portfolio

Supplement to the currently effective prospectuses

Effective January 12, 2004, the following information replaces the disclosure for Scudder Variable Series II: Scudder Technology Growth Portfolio in "The portfolio managers" section of the prospectuses.

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

Ian Link

CFA, Managing Director of Deutsche Asset Management and Lead Manager of the portfolio.

- Joined Deutsche Asset Management and the portfolio in 2004.
- Head of Technology Global Sector Team.
- Prior to joining Deutsche Asset Management, had 14 years of experience as senior vice president, fund manager, head of communications and technology teams and equity analyst for Franklin Templeton Investments.
- MBA, University of California, Berkeley.

Anne Meisner

Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management in 2001, after 9 years of experience at Goldman Sachs as vice president, both in the fixed income technology division, as well as in equity research as the lead Infrastructure Software analyst, previously serving as member of technical staff at Bell Communications Research (formerly Bell Labs).
- Analyst for global equity, Hardware and Software sector: New York.
- Joined the portfolio in 2003.
- MBA, Columbia University Business School.
- MS, Computer Science, Michigan State University.

Scudder Variable Series II

- SVS Janus Growth And Income Portfolio

Supplement to the currently effective prospectuses

The following information replaces the disclosure for Scudder Variable Series II: SVS Janus Growth And Income Portfolio in "The Portfolio Manager" section of the prospectuses.

The portfolio's subadvisor is Janus Capital Management LLC ("Janus") (formerly, Janus Capital Corporation). The portfolio manager is Minyoung Sohn. He joined Janus in 1998 as a research analyst. Mr. Sohn joined the portfolio in 2004 and holds a Bachelor's degree in Government and Economics from Dartmouth College. Mr. Sohn has earned the right to use the Chartered Financial Analyst designation.

Scudder Variable Series II

- Scudder Fixed Income Portfolio

Supplement to the currently effective prospectus

The following information replaces the disclosure for Scudder Variable Series II: Scudder Fixed Income Portfolio in "The Portfolio's Main Investment Strategy" section of the prospectus.

The Portfolio's Main Investment Strategy

The portfolio seeks high current income.

The portfolio pursues its goal by investing primarily in a diversified portfolio of fixed-income securities.

Under normal circumstances, the portfolio invests at least 80% of net assets, plus the amount of any borrowings for investment purposes, in bonds of the top four grades of credit quality. The portfolio invests primarily in investment grade fixed-income securities rated within the top three rating categories. The portfolio may invest up to 20% of its total assets in investment grade fixed-income securities rated within the fourth highest rating category.

The portfolio can buy many types of fixed-income securities, including those of the US Treasury, as well as US government agencies and instrumentalities, corporate, mortgage-backed and asset-backed securities, taxable municipal and tax-exempt municipal bonds and liquid Rule 144A securities. Generally, the portfolio invests in US bonds or instruments, but up to 25% of total assets could be in US dollar-denominated securities of foreign issuers and governments.

The portfolio managers utilize a core US fixed-income strategy that seeks to add incremental returns to the Lehman Brothers Aggregate Bond Index. In managing the portfolio, the managers generally use a "bottom-up" approach. The managers focus on the securities and sectors they believe are undervalued relative to the market, rather than relying on interest rate forecasts. The managers seek to identify pricing inefficiencies of individual securities in the fixed-income market. Normally, the average duration of portfolio will be kept within 0.25 years of the duration of the Lehman Brothers Aggregate Bond Index.

Company research lies at the heart of the portfolio's investment process. In selecting individual securities for investment, the portfolio managers:

- assign a relative value, based on creditworthiness, cash flow and price, to each bond;
- determine the intrinsic value of each issue by examining credit, structure, option value and liquidity risks. The managers look to exploit any inefficiencies between intrinsic value and market trading price;
- use credit analysis to determine the issuer's ability to pay interest and repay principals on its bonds; and
- subordinate sector weightings to individual bonds that may add above-market value.

Portfolio Maturity. The managers intend to maintain a dollar weighted effective average portfolio maturity of five to ten years. Subject to its portfolio maturity policy, the portfolio may purchase individual securities with any stated maturity. The dollar weighted average portfolio maturity may be shorter than the stated maturity due to several factors, including but not limited to prepayment patterns, call dates and put features. In implementing this strategy, the portfolio may experience a high portfolio turnover rate.

The following disclosure replaces the last sentence under the section entitled "The Main Risks of Investing in the Portfolio."

This portfolio is designed for individuals who are seeking to earn higher current income than an investment in money market mutual funds may provide.

Effective 60 days from the date of this notice, the following information replaces the third paragraph under the section entitled "The Portfolio's Main Investment Strategy":

Under normal circumstances, the portfolio invests at least 80% of its net assets, plus the amount of any borrowings for investment purposes, determined at the time of purchase, in fixed income securities. The portfolio invests primarily in investment grade fixed income securities rated within the top three rating categories. The portfolio may invest up to 20% of its total assets in investment grade fixed income securities rated within the fourth highest rating category.

Please Retain This Supplement for Future Reference



The Alger American Fund

**Alger American
Balanced Portfolio**

Annual Report

December 31, 2003



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Dear Shareholders,

January 26, 2004

The year was dramatic, both economically and politically. It began shortly after the Dow hit a five year low and ended with a robust recovery. At the beginning of 2003, the markets had been down three years in a row, something that hadn't happened since 1939-1941. Overshadowed by national security concerns, the markets remained essentially stagnant into the spring. The looming American-led invasion of Iraq dominated the headlines and the attention of the American public. In spite of encouraging economic data, both Wall Street and Main Street were preoccupied with war. On March 19th, the United States invaded Iraq. The markets then fluctuated with the perceived progress of the military campaign. Later in the spring, as the U.S. military achieved success, at least relative to very pessimistic media opinion, the markets recovered dramatically.

Throughout 2003, the U.S. economy grew steadily, aided by the Federal Reserve, by tax policy, and by improving corporate outlooks. On June 25, 2003, the Fed cut the Fed Funds Rate to 1.00%, a 40 year low. The combination of low interest rates, tax cuts, increased federal spending and the mortgage refinancing boom boosted the economy significantly. Fueled by a spike in consumer spending and high productivity, third quarter GDP growth soared to 8.2%, the highest rate since 1984. The fourth quarter also saw significant economic expansion. Productivity growth also was exceptional in 2003, as it was in 2002. The one soft spot was the job market. Historically, there has always been a lag time between economic recovery and job creation. For the month of December, the unemployment rate was at 5.7%, below its peak of 6.4%.

By the end of the year, the public mood had shifted. Both the economy and the markets experienced remarkable growth, and investors seemed to have gained a level of rational confidence that was absent from both the bull market of the late 1990s and the bear market of 2000 through 2002. The Dow rose almost 28% for the year, to 10454. The S&P 500 rose about 28%, while the Nasdaq Composite was up a staggering 50%. Interest rates and inflation remained low, though interest rates did increase slightly as the economy picked up. The yield on the US Treasury 10-year note was pushed up to 4.25% at December 31, up from 4.05% a year earlier.

The Alger American Balanced Portfolio had a return of 19.03% for the year, compared to a return of 29.76% for the Russell 1000 Growth Index and 4.68% for the Lehman Brothers Government/Credit Bond Index. Information technology stocks represented approximately 29% of the portfolio, and outperformed the Russell 1000 Growth Index. Our performance in this sector was boosted by superior returns from Intel,

Yahoo!, and Cisco. Our holdings in the consumer discretionary sector were above market weight and outperformed the Russell 1000 Growth Index. Internet and retailing stocks like eBay and Best Buy were large contributors to our overall returns. The fixed income portion of the portfolio benefited from its position in corporate bonds. Corporate credit outperformed Treasuries as the economy improved, as corporations reduced debt levels, and as interest rates rose in response to increased economic activity.

Looking Ahead

As we head into 2004, we believe that the economy will continue to grow at a strong pace. Trillions of dollars sit in money market and savings accounts, and as the economy continues to grow steadily, we believe that investors will look to put those dollars to more productive use in the equity markets. We think that as investors search for better returns on their capital, high quality, high growth companies should do well. Fundamentally, these tend to be companies with management teams that not only led their companies through the downturn of the last three years, but looked forward while doing so. They continued to invest in their products and services, and they should reap the benefits if the economy accelerates in 2004.

True, many people are unsettled by the situation in Iraq, the federal deficit, and most importantly, the job market. But consumer demand remains strong and business spending continues to increase. The result should be wage increases or job creation, or both. We expect that consumers will continue to hold up the economy as they have always done. Home mortgage refinancing activity has begun to slow, but federal spending and tax cuts should continue to provide economic liquidity well into 2004. And as a general rule, Wall Street consistently underestimates the ability of consumers to find new ways to maintain spending, so we are not convinced about the recent predictions that the consumer may be tapped out.

Other signs are also encouraging. Mergers and acquisitions are a necessary component of a healthy economy. At a minimum, M&A activity is a sign that business leaders are optimistic enough about future prospects in their industry that they feel confident to take risks. October 2003 was the biggest month for M&A deals since July 2001, and we expect that M&A activity will continue to increase in the coming fiscal year.

In short, we believe the coming year is likely to be shaped by an economy expanding at the very least between 3.5% and 4% annually and by rational exuberance in the equity markets. Investors have maintained high expectations for future earn-

ings. They are optimistic, but cautious, as are we. Having survived the bubble and the bust, we, like you, would prefer not to see a repeat of either.

We hope that we have served you well this year. We know that the issues surrounding trading activities in the mutual fund industry have raised questions, and we are doing everything we can to address your concerns and justify your confidence in us. You have entrusted us to find the best investments, and we hope that we will continue to earn that trust. We strive for the utmost rigor and integrity in our investment process, and we are committed to making sure that every aspect of our company is run with the same integrity.

Respectfully submitted,

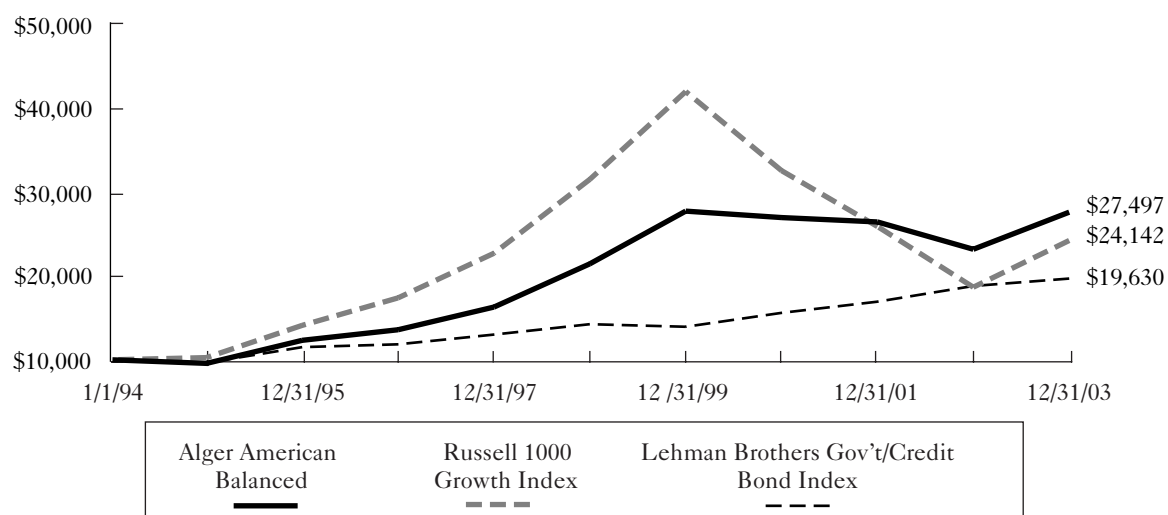
A handwritten signature in black ink, appearing to read "Dan C. Chung". The signature is fluid and cursive, with the first name "Dan" being the most prominent.

Dan C. Chung
Chief Investment Officer

ALGER AMERICAN BALANCED PORTFOLIO

Portfolio Highlights Through December 31, 2003 (Unaudited)

HYPOTHETICAL \$10,000 INVESTMENT—10 Years Ended December 31, 2003



The chart above illustrates the growth in value of a hypothetical \$10,000 investment made in Alger American Balanced Class O shares, the Russell 1000 Growth Index, and the Lehman Brothers Government/Credit Bond Index for the ten years ended December 31, 2003. Figures for the Alger American Balanced Portfolio Class O shares, the Russell 1000 Growth Index (an unmanaged index of common stocks), and the Lehman Brothers Government/Credit Bond Index (an unmanaged index of government and corporate bonds), include reinvestment of dividends and/or interest. Performance for the Alger American Balanced Class S shares will vary from the results shown above due to differences in expenses that class bears.

PERFORMANCE COMPARISON THROUGH December 31, 2003

	Average Annual Total Returns			
	1 Year	5 Years	10 Years	Since Inception
Class O (Inception 9/5/89)	19.03%	5.17%	10.64%	9.60%
Russell 1000 Growth Index	29.76%	(5.11%)	9.21%	9.74%
Lehman Brothers Gov't/Credit Bond Index	4.68%	6.65%	6.98%	8.14%
Class S (Inception 5/1/02)	18.73%	*	*	5.27%
Russell 1000 Growth Index	29.76%	*	*	2.73%
Lehman Brothers Gov't/Credit Bond Index	4.68%	*	*	8.49%

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, 2003

<u>Shares</u>	COMMON STOCKS—56.1%	<u>Value</u>	<u>Shares</u>	<u>Value</u>
	BIOTECHNOLOGY—3.0%			INDUSTRIAL CONGLOMERATES—3.2%
62,296	Amgen Inc.*	\$ 3,849,893	160,800	General Electric Company
15,100	Chiron Corporation*	860,549	225,550	Tyco International Ltd.
56,200	Genentech, Inc.*	5,258,634		
		<u>9,969,076</u>		
	CAPITAL MARKETS—1.2%		62,200	INSURANCE—1.2%
16,900	Affiliated Managers Group, Inc.*	1,176,071		American International Group, Inc.
59,400	T. Rowe Price Group Inc.	2,816,154		
		<u>3,992,225</u>		
	COMMERCIAL BANKS—0.5%		94,650	INTERNET & CATALOG RETAIL—4.1%
50,600	U.S. Bancorp	1,506,868	97,000	Amazon.com, Inc.*
			49,650	eBay Inc.*
				NetFlix Inc.*
				<u>13,962,965</u>
	COMMUNICATION EQUIPMENT—3.5%			INTERNET SOFTWARE & SERVICES—1.7%
248,350	Cisco Systems, Inc.*	6,032,422	130,700	Yahoo! Inc.*
346,800	Corning Incorporated*	3,617,124		
128,050	Nokia Oyj, ADR#	2,176,850		
		<u>11,826,396</u>		
	COMPUTERS & PERIPHERALS—2.3%		97,150	MEDIA—2.7%
205,600	EMC Corporation*	2,656,352	71,650	Disney (Walt) Company
124,650	Hewlett-Packard Company	2,863,211	162,709	Fox Entertainment Group, Inc. Cl. A*
120,900	Seagate Technology	2,285,010	18,198	Hughes Electronics Corporation*
		<u>7,804,573</u>	59,550	News Corporation Limited Sponsored ADR#
				XM Satellite Radio Holdings Inc. Cl. A*
				<u>9,168,178</u>
	CONSUMER FINANCE—0.9%			MULTILINE RETAIL—1.1%
29,700	American Express Company	1,432,431	92,300	Target Corporation
23,300	Capital One Financial Corporation	1,428,057		
		<u>2,860,488</u>		
	DIVERSIFIED FINANCIAL SERVICES—0.7%		63,140	OIL & GAS—1.1%
47,865	Citigroup Inc.	2,323,367		Devon Energy Corporation
	ENERGY EQUIPMENT & SERVICES—0.6%		19,725	PHARMACEUTICALS—4.4%
48,300	BJ Services Company*	1,733,970	25,400	Abbott Laboratories
			81,300	Allergan, Inc.
			82,150	GlaxoSmithKline PLC Sponsored ADR#
			45,600	Novartis AG ADR#
			37,500	Teva Pharmaceutical Industries Ltd. ADR#
				Watson Pharmaceuticals Inc.*
				<u>919,185</u>
	FREIGHT & LOGISTICS—0.5%			1,950,974
24,400	United Parcel Service, Inc. Cl. B	1,819,020		3,790,206
				3,769,863
				2,585,976
				<u>1,725,000</u>
	HEALTH CARE EQUIPMENT & SUPPLIES—2.7%			14,741,204
141,950	Boston Scientific Corporation*	5,218,082		
61,300	Medtronic, Inc.	2,979,793		
13,350	Varian Medical Systems, Inc.*	922,485		
		<u>9,120,360</u>		
	HEALTH CARE PROVIDERS & SERVICES—2.4%			
101,100	Caremark Rx, Inc.*	2,560,863		
74,550	Medco Health Solutions, Inc.*	2,533,955		
50,700	UnitedHealth Group Incorporated	2,949,726		
		<u>8,044,544</u>		
	HOTELS, RESTAURANTS & LEISURE—1.5%		274,900	SEMICONDUCTORS & SEMICONDUCTOR EQUIPMENT—6.9%
66,800	International Game Technology	2,384,760	99,350	Analog Devices, Inc.
77,850	Starwood Hotels & Resorts Worldwide, Inc.	2,800,265	108,900	Applied Materials, Inc.*
		<u>5,185,025</u>	149,000	Intel Corporation
			192,100	Teradyne, Inc.*
			110,900	Texas Instruments Incorporated
			89,900	Xilinx, Inc.*
				<u>3,482,726</u>
				23,407,845
				SOFTWARE—5.4%
			176,950	Microsoft Corporation
			115,100	PeopleSoft, Inc.*
			75,450	Synopsys, Inc.*
				VERITAS Software Corporation *
				<u>7,570,746</u>
				4,034,460
				3,885,776
				<u>2,803,722</u>
				18,294,704

THE ALGER AMERICAN FUND
ALGER AMERICAN BALANCED PORTFOLIO
SCHEDULE OF INVESTMENTS—DECEMBER 31, 2003 (Cont'd)

<u>Shares</u>	COMMON STOCKS—(Cont'd)	<u>Value</u>	<u>Principal Amount</u>	<u>Value</u>
	SPECIALTY RETAIL—3.3%			COMMERCIAL BANKS—1.4%
42,150	Best Buy Co., Inc.	\$ 2,201,916	\$2,000,000	Associates Corp. North America, 6.95%, 11/1/18
122,750	Home Depot, Inc.	4,356,397		\$ 2,303,916
151,850	The Gap, Inc.	3,524,438	1,500,000	Bank of America Corp., 7.40%, 1/15/11
51,250	TJX Companies, Inc.	<u>1,130,062</u>		1,761,712
		<u>11,212,813</u>	551,000	US Bancorp National Association, Minneapolis, 6.50%, 2/1/08
				<u>613,831</u>
				<u>4,679,459</u>
	WIRELESS TELECOMMUNICATION SERVICES—1.2%			COMMUNICATION SERVICES—.2%
37,800	Nextel Communications, Inc. Cl. A*	1,060,668		AT&T Wireless Services Inc., 7.50%, 5/1/07
125,150	Vodafone Group PLC Sponsored ADR#	<u>3,133,756</u>	675,000	<u>757,365</u>
		<u>4,194,424</u>		
	Total Common Stocks (Cost \$158,309,378)	<u>189,312,755</u>	801,000	COMPUTERS & PERIPHERALS—.3%
				International Business Machines Corporation, 8.375%, 11/1/19
	CORPORATE BONDS—16.3%			<u>1,052,204</u>
	AEROSPACE & DEFENSE—.7%			CONSUMER FINANCE—.3%
\$ 555,000	Boeing Capital Corp., 6.50%, 2/15/12	607,770	1,000,000	American Express Credit, 3.00%, 5/16/08
550,000	Northrop Grumman Corporation, 7.125%, 2/15/11	637,028	500,000	<u>979,664</u>
1,038,000	United Technologies, 4.875%, 11/1/06	<u>1,102,373</u>	1,225,000	DIVERSIFIED FINANCIAL SERVICES—.5%
		<u>2,347,171</u>		Block Financial Corp., 8.50%, 4/15/07
				577,863
				Household Finance Corp., 4.625%, 1/15/08
				<u>1,274,587</u>
				<u>1,852,450</u>
	AUTOMOTIVE—1.3%			DIVERSIFIED TELECOMMUNICATION SERVICES—1.1%
770,000	Ford Motor Credit Company, 6.875%, 2/1/06	822,225	490,000	Bell South Capital Funding Corp., 7.875%, 2/15/30
875,000	Ford Motor Credit Company, 7.875%, 6/15/10	978,945	555,000	596,765
790,000	DaimlerChrysler N.A. Holding Corp., 4.05%, 6/4/08	785,406	1,068,000	Sprint Capital Corp., 6.00%, 1/15/07
1,000,000	General Motors Acceptance Corp., 4.50%, 7/15/06	1,029,375	1,250,000	593,258
815,000	General Motors Acceptance Corp., 8.00%, 11/1/31	<u>917,951</u>		Verizon New York Inc., Series A, 6.875%, 4/1/12
		<u>4,533,902</u>		1,184,008
				Verizon Wireless Capital LLC Note, 5.375%, 12/15/06
				<u>1,334,969</u>
				<u>3,709,000</u>
	AUTOMOTIVE EQUIPMENT & SERVICES—.2%			ELECTRIC UTILITIES—1.2%
600,000	Hertz Corp., 4.70%, 10/2/06	<u>610,951</u>	660,000	AEP Texas North Company Senior Notes, 5.50%, 3/1/13
			1,500,000	677,369
	BEVERAGES—.7%			Con Edison Company Of New York, 5.625%, 7/1/12
825,000	Anheuser-Busch Companies, Inc., 7.00%, 12/1/25	908,768	873,000	1,595,088
1,500,000	Coca-Cola Enterprises Inc., 5.25%, 5/15/07	<u>1,610,341</u>	400,000	Dominion Resources, Inc., 5.00%, 3/15/13
		<u>2,519,109</u>	500,000	870,837
				Potomac Electric Power Co., 7.00%, 1/15/24
				411,918
				Washington Gas Light Co., 6.51%, 8/18/08
				<u>556,350</u>
				<u>4,111,562</u>
	CAPITAL MARKETS—1.6%			ENERGY EQUIPMENT & SERVICES—.5%
2,000,000	Goldman Sachs Group, Inc., 6.60%, 1/15/12	2,238,590	1,500,000	Baker Hughes Inc., 6.25%, 1/15/09
850,000	J.P. Morgan Chase & Co., 3.625%, 5/1/08	852,556		<u>1,670,112</u>
2,000,000	Morgan Stanley, 6.75%, 4/15/11	<u>2,266,144</u>		
		<u>5,357,290</u>		

THE ALGER AMERICAN FUND
ALGER AMERICAN BALANCED PORTFOLIO
SCHEDULE OF INVESTMENTS—DECEMBER 31, 2003 (Cont'd)

<u>Principal Amount</u>	U.S. GOVERNMENT & AGENCY OBLIGATIONS—(Cont'd)	<u>Value</u>	<u>Principal Amount</u>	SHORT-TERM INVESTMENTS—1.6%	<u>Value</u>
	U.S. Treasury Bonds,			U.S. AGENCY OBLIGATIONS—1.6%	
\$ 2,341,000	7.50%, 11/15/16	\$ 2,981,118	\$5,300,000	Federal Home Loan Banks,	
1,000,000	8.875%, 8/15/17	1,416,563		0.56%, 1/2/04	
1,676,000	9.125%, 5/15/18	2,431,315		(Cost \$5,299,918)	<u>\$ 5,299,918</u>
331,000	8.125%, 8/15/19	447,212		SECURITIES HELD UNDER	
7,860,000	6.25%, 8/15/23	8,961,327		REPURCHASE AGREEMENTS	
6,352,000	6.00%, 2/15/26	7,046,007		Securities Held Under Repurchase	
2,000,000	5.50%, 8/15/28	2,083,830		Agreements, 0.85%, 1/2/04, with	
1,107,000	5.25%, 11/15/28	1,115,347		Bear, Stearns & Co. Inc., dtd 12/31/03,	
275,000	5.25%, 2/15/29	277,514		repurchase price \$273,775; collateralized	
3,652,000	5.375%, 2/15/31	3,809,639		by U.S. Treasury Strips (par value	
	U.S. Treasury Notes,			\$505,000 due 11/15/15)	<u>273,749</u>
1,000,000	5.875%, 11/15/04	1,040,391		Total Short-Term Investments	
2,300,000	2.00%, 11/30/04	2,317,160		(Cost \$5,573,667)	<u>5,573,667</u>
1,145,000	1.75%, 12/31/04	1,151,128		Total Investments	
130,000	1.625%, 4/30/05	130,432		(Cost \$302,201,836)(b)	99.5% 336,107,415
3,000,000	6.75%, 5/15/05	3,217,032		Other Assets In Excess of Liabilities	<u>.5 1,562,254</u>
12,542,000	1.125%, 6/30/05	12,478,801		Net Assets	<u>100.0% \$337,669,669</u>
1,550,000	6.50%, 8/15/05	1,672,669			
626,000	5.75%, 11/15/05	672,315			
560,000	2.00%, 5/15/06	560,284			
113,000	6.50%, 10/15/06	125,902			
2,575,000	2.625%, 5/15/08	2,537,081			
2,298,000	3.125%, 9/15/08	2,297,373			
	Total U.S. Government & Agency Obligations				
	(cost \$83,066,093)	<u>83,843,071</u>			

* Non-income producing security.

American Depositary Receipts.

(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, 2003, the net unrealized appreciation on investments, based on cost for federal income tax purposes of \$304,172,365 amounted to \$31,935,050 which consisted of aggregate gross unrealized appreciation of \$34,143,122 and aggregate gross unrealized depreciation of \$2,208,072.

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
ALGER AMERICAN BALANCED PORTFOLIO
FINANCIAL HIGHLIGHTS

For a share outstanding throughout the period

Income from Investment Operations

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

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

(ii) Commenced operations May 1, 2002.

Ratios/Supplemental Data

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

THE ALGER AMERICAN FUND
ALGER AMERICAN BALANCED PORTFOLIO
STATEMENT OF ASSETS AND LIABILITIES

December 31, 2003

Assets:	
Investments in securities, at value (identified cost*)—see accompanying schedules of investments	\$336,107,415
Receivable for shares of beneficial interest sold	181,174
Interest and dividends receivable	1,991,283
Other assets	16,301
Total Assets	338,296,173
Liabilities:	
Payable for shares of beneficial interest redeemed	350,383
Accrued investment management fees	211,317
Accrued expenses	64,804
Total Liabilities	626,504
Net Assets	\$337,669,669
Net Assets Consist of:	
Paid-in capital	\$333,502,054
Undistributed net investment income (accumulated loss)	4,474,447
Undistributed net realized gain (accumulated loss)	(34,212,411)
Net unrealized appreciation	33,905,579
Net Assets	\$337,669,669
Class O	
Net Asset Value Per Share	\$13.16
Class S	
Net Asset Value Per Share	\$13.34
Shares of beneficial interest outstanding—Note 5	
Class O	23,471,258
Class S	2,150,221
*Identified cost	\$302,201,836

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
ALGER AMERICAN BALANCED PORTFOLIO
STATEMENT OF OPERATIONS

For the year ended December 31, 2003

INVESTMENT INCOME

Income:	
Interest	\$ 5,948,675
Dividends	1,188,572
Total Income	7,137,247
Expenses:	
Management fees—Note 3(a)	2,172,537
Custodian fees	103,620
Transfer agent fees	144,836
Professional fees	25,975
Trustees' fees	1,986
Miscellaneous	95,101
Total Expenses	2,544,055
Net Investment Income	4,593,192
REALIZED AND UNREALIZED GAIN ON INVESTMENTS	
Net realized gain on investments	17,967,071
Net change in unrealized appreciation (depreciation) on investments	28,325,706
Net realized and unrealized gain on investments	46,292,777
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$50,885,969

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, 2003

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

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

For the year ended December 31, 2002

Net investment income	\$ 5,440,751
Net realized loss on investments	(38,391,132)
Net change in unrealized appreciation (depreciation) on investments	(616,081)
Net decrease in net assets resulting from operations	(33,566,462)
Dividends to shareholders—Class O:	
Net investment income	(4,212,264)
Increase from shares of beneficial interest transactions:	
Class O	67,104,186
Class S	499,543
Net increase from shares of beneficial interest transactions—Note 5	67,603,729
Total increase	29,825,003
Net Assets	
Beginning of year	224,958,538
End of year	\$254,783,541
Undistributed net investment income (accumulated loss)	\$ 5,667,562

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
ALGER AMERICAN BALANCED PORTFOLIO
NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE 1—General:

The Alger American Fund (the “Fund”) is a diversified, open-end registered investment company organized as a business trust under the laws of the Commonwealth of Massachusetts. The Fund operates as a series company currently issuing six series of shares of beneficial interest: American Growth Portfolio, American Small Capitalization Portfolio, American Income and Growth Portfolio, American Balanced Portfolio, American MidCap Growth Portfolio and American Leveraged AllCap Portfolio. These financial statements include only the American Balanced Portfolio (the “Portfolio”). The Portfolio’s investment objectives are current income and long-term capital appreciation which it seeks to achieve through investing in equity and fixed income securities. Shares of the Portfolio are available and are being marketed exclusively as a pooled funding vehicle for qualified retirement plans and for life insurance companies writing all types of variable annuity contracts and variable life insurance policies.

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

NOTE 2—Significant Accounting Policies:

(a) **Investment Valuation:** Investments of the Portfolio are valued on each day the New York Stock Exchange (“NYSE”) is open as of the close of the NYSE (normally 4:00 p.m. Eastern time). Listed and unlisted securities for which such information is regularly reported are valued at the last reported sales price or, in the absence of reported sales, at the mean between the bid and the asked price, or, in the absence of a recent bid or asked price, the equivalent as obtained from one or more of the major market makers for the securities to be valued.

Securities for which market quotations are not readily available are valued according to procedures established by the Board of Trustees to determine fair value in good faith.

Securities having a remaining maturity of sixty days or less are valued at amortized cost which approximates market value.

(b) **Security Transactions and Investment Income:** Security transactions are recorded on a trade date basis. Resulting receivables and payables are carried at amounts which approximate fair value. Realized gains and losses from security transactions are recorded on the identified cost basis. Dividend income is recognized on the ex-dividend date and interest income is recognized on the accrual basis.

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

(c) **Repurchase Agreements:** The Portfolio enters into repurchase agreements with approved institutions. The repurchase agreements are collateralized by U.S. Government securities, which are either received and held in physical possession by the custodian or received by such custodian in book-entry form through the Federal Reserve book-entry system. The collateral is valued on a daily basis during the term of the agreement to ensure that its value equals or exceeds the agreed-upon repurchase price to be repaid to the Portfolio. Additional collateral is obtained when necessary.

(d) **Lending of Portfolio Securities:** The Portfolio lends its securities to financial institutions, provided that the market value of the securities loaned will not at any time exceed one third of the Portfolio’s total assets, as defined. The Portfolio earns fees on the securities loaned, which are included in interest income in the accompanying Statement of Operations. In order to protect against the risk of failure by the borrower to return the securities loaned or any delay in the delivery of such securities, the loan is collateralized by cash, letters of credit or U.S. Government securities that are maintained in an amount equal to at least 100 percent of the current market value of the loaned securities. The market value of the loaned securities is determined at the close of business of the Portfolio and any required additional collateral is delivered to the Portfolio on the next business day.

(e) **Dividends to Shareholders:** Dividends payable to shareholders are recorded by the Portfolio on the ex-dividend date.

Dividends from net investment income are declared and paid annually.

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

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

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

At December 31, 2003, the Portfolio reclassified \$135,895 from undistributed net investment income (accumulated loss) and \$135,895 from undistributed net realized gain (accumulated loss) to paid-in capital. Reclassifications result primarily from the difference in tax treatment of net operating losses. The reclassification had no

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

December 31, 2003

impact on the net asset value of the Portfolio and is designed to present the Portfolio's capital accounts on a tax basis.

(f) **Federal Income Taxes:** It is the Portfolio's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable income, including net realized capital gains, to its shareholders. Therefore, no federal income tax provision is required. The Portfolio is treated as a separate entity for the purpose of determining such compliance. At December 31, 2003 the net capital loss carryforward of the Portfolio, which may be used to offset future net realized gains, was \$32,867,045 and expires between 2009 and 2010.

(g) **Allocation Methods:** The Fund accounts separately for the assets, liabilities and operations of each portfolio. Expenses directly attributable to each portfolio are charged to that portfolio's operations; expenses which are applicable to all portfolios are allocated among them based on net assets. Income, realized and unrealized gains and losses, and expenses of each portfolio are allocated among the portfolio's classes based on relative net assets, with the exception of distribution fees, which are only applicable to Class S shares.

(h) **Other:** These financial statements have been prepared using estimates and assumptions that affect the reported amounts therein. Actual results may differ from those estimates.

NOTE 3—Investment Management Fees and Other Transactions with Affiliates:

(a) **Investment Management Fees:** Fees incurred by the Portfolio, pursuant to the provisions of its Investment Management Agreement (the "Agreement") with Fred Alger Management, Inc. ("Alger Management"), are payable monthly and computed based on the average daily net assets of the Portfolio at the annual rate of .75%.

The Agreement further provides that if in any fiscal year the aggregate expenses, excluding interest, taxes, brokerage commissions, and extraordinary expenses, exceed 1.25% of the average daily net assets of the Portfolio, Alger Management will reimburse the Portfolio for the excess expenses.

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

(c) **Brokerage Commissions:** During the year ended December 31, 2003, the Portfolio paid the Distributor \$672,644 in connection with securities transactions.

(d) **Transfer Agency Fees:** The Fund has entered into a transfer agency agreement with Alger Shareholder Services, Inc. ("Services"), an affiliate of Alger Management, whereby Services will act as transfer agent for the Portfolio.

(e) **Other:** Certain trustees and officers of the Fund are directors and officers of Alger Management, the Distributor and Services.

NOTE 4—Securities Transactions:

Purchases and sales of securities, other than short-term securities, of the Portfolio for the year ended December 31, 2003, were \$415,581,856 and \$373,058,249, 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, 2003, transactions of shares of beneficial interest were as follows:

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

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

December 31, 2003

During the period ended December 31, 2002, transactions of shares of beneficial interest were as follows:

	<u>Shares</u>	<u>Amount</u>
Class O:		
Shares sold	8,764,536	\$107,315,310
Dividends reinvested	345,834	4,212,264
Shares redeemed	(3,788,621)	(44,423,388)
Net increase	<u>5,321,749</u>	<u>\$ 67,104,186</u>
Class S*:		
Shares sold	43,065	\$ 499,810
Shares redeemed	(23)	(267)
Net increase	<u>43,042</u>	<u>\$ 499,543</u>

* Initially offered May 1, 2002.

NOTE 6—Tax Character of Distributions to Shareholders:

Distributions paid by the Portfolio during the year ended December 31, 2003, and the year ended December 31, 2002, consisted entirely of ordinary income.

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

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

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

NOTE 7—Regulatory Matters:

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

On October 16, 2003, the SEC commenced and settled a civil proceeding against a former vice chairman of Alger Management’s immediate parent, in connection with alleged market timing arrange-

ments with certain investors in The Alger Fund. That settlement specifically provided: “The findings herein are made pursuant to [the former vice chairman’s settlement] Offer and are not binding on any other person or entity in this or any other proceeding.” Neither Alger Management nor any of the Funds was a party to this proceeding.

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

Other related class actions have been commenced making substantially similar allegations on behalf of the same putative class. All these related class actions will be consolidated in accordance with the provisions of the Private Securities Litigation Reform Act. Among these related class actions is one entitled Garfield v. Fred Alger Management Inc., et al., 03 CV 9239, in the U.S. District Court for the Southern District of New York, in which “Alger American Growth” is named as a defendant.

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

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

REPORT OF INDEPENDENT AUDITORS

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 comprising The Alger American Fund) as of December 31, 2003, and the related statement of operations for the year then ended and the statement of changes in net assets and the financial highlights for each of the two years 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. The financial highlights for each of the three years ended December 31, 2001 were audited by other auditors, whose report, dated January 24, 2002, expressed an unqualified opinion on those financial highlights.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits 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 investments in securities as of December 31, 2003, 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, and audited by us, present fairly, in all material respects, the financial position of the Alger American Balanced Portfolio at December 31, 2003, and the results of its operations for the year then ended and the changes in its net assets and the financial highlights for each of the two years then ended, in conformity with accounting principles generally accepted in the United States.

ERNST & YOUNG LLP

New York, New York
January 30, 2004

Trustees and Officers of the Fund (Unaudited)

Information about the Trustees and officers of the Fund is set forth below. In the table the term “Alger Fund Complex” refers to the Fund, Spectra Fund, The Alger Fund, The Alger Institutional Fund, The China-U.S. Growth Fund and Castle Convertible Fund, Inc., each of which is a registered investment company managed by Fred Alger Management, Inc. (“Alger Management”). Each Trustee serves until an event of termination, such as death or resignation, or until his successor is duly elected; each officer’s term of office is one year. Unless otherwise noted, the address of each person named below is 111 Fifth Avenue, New York, NY 10003.

Name, Age, Position with the Fund and Address	Principal Occupations	Trustee and/or Officer Since	Number of Portfolios in the Alger Fund Complex which are Overseen by Trustee
<i>Interested Trustees</i>			
Fred M. Alger III (68) Chairman of the Board	Chairman of the Board of Alger Associates, Inc. (“Associates”), Fred Alger & Company, Incorporated (“Alger Inc.”), Alger Management, Alger Properties, Inc. (“Properties”), Alger Shareholder Services, Inc. (“Services”), Alger Life Insurance Agency, Inc. (“Agency”), Fred Alger International Advisory S.A. (“International”), and five of the six funds in the Alger Fund Complex; Chairman of the Boards of Alger SICAV (“SICAV”) and Analysts Resources, Inc. (“ARI”).	1988	22
<i>Non-Interested Trustees</i>			
Stephen E. O’Neil (71) Trustee	Attorney; Private investor since 1981; Director of Brown-Forman Corporation; Trustee/Director of the six funds in the Alger Fund Complex; formerly of Counsel to the law firm of Kohler & Barnes.	1988	23
Nathan E. Saint-Amand, M.D. (65) Trustee	Medical doctor in private practice; Member of the Board of the Manhattan Institute; Trustee/Director of the six funds in the Alger Fund Complex. Formerly Co-Chairman Special Projects Committee of Memorial Sloan Kettering.	1988	23

Name, Age, Position with the Fund and Address	Principal Occupations	Trustee and/or Officer Since	Number of Portfolios in the Alger Fund Complex which are Overseen by Trustee
<i>Officers</i>			
Dan C. Chung (41) President	President, Director and Chief Investment Officer of Alger Management; President and Director of Associates, Alger Inc., Properties, Services, Agency, International, ARI and Trust; Trustee/Director of four of the six funds in the Alger Fund Complex.	2001	N/A
Frederick A. Blum (50) Treasurer and Assistant Secretary	Executive Vice President of Alger Management; Treasurer and Assistant Secretary of the six funds in the Alger Fund Complex. Executive Vice President, Treasurer and Director of Trust.	1996	N/A
Dorothy G. Sanders (48) Secretary	Senior Vice President, General Counsel and Secretary of Alger, Inc., General Counsel and Secretary of Associates, Agency, Properties, Services, ARI and Alger Management; Secretary of International, and the six funds in the Alger Fund Complex. Formerly Senior Vice President, Fleet Financial Group.	2000	N/A

Mr. Alger is an “interested person” (as defined in the Investment Company Act) of the Fund because of his affiliation with Alger Management. Mr. Chung is Mr. Alger’s son-in-law. No Trustee is a director of any public company except as may be indicated under “Principal Occupations.”

The Statement of Additional Information contains additional information about the Fund’s Trustees and is available without charge upon request by calling (800) 992-3863.

Proxy Voting Policies (unaudited)

A description of the policies and procedures the Fund uses to determine how to vote proxies relating to portfolio securities is available, without charge, by calling (800) 992-3863.

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The Alger American Fund

**Alger American
Leveraged AllCap Portfolio**

Annual Report

December 31, 2003



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Dear Shareholders,

January 26, 2004

The year was dramatic, both economically and politically. It began shortly after the Dow hit a five year low and ended with a robust recovery. At the beginning of 2003, the markets had been down three years in a row, something that hadn't happened since 1939-1941. Overshadowed by national security concerns, the markets remained essentially stagnant into the spring. The looming American-led invasion of Iraq dominated the headlines and the attention of the American public. In spite of encouraging economic data, both Wall Street and Main Street were preoccupied with war. On March 19th, the United States invaded Iraq. The markets then fluctuated with the perceived progress of the military campaign. Later in the spring, as the U.S. military achieved success, at least relative to very pessimistic media opinion, the markets recovered dramatically.

Throughout 2003, the U.S. economy grew steadily, aided by the Federal Reserve, by tax policy, and by improving corporate outlooks. On June 25, 2003, the Fed cut the Fed Funds Rate to 1.00%, a 40 year low. The combination of low interest rates, tax cuts, increased federal spending and the mortgage refinancing boom boosted the economy significantly. Fueled by a spike in consumer spending and high productivity, third quarter GDP growth soared to 8.2%, the highest rate since 1984. The fourth quarter also saw significant economic expansion. Productivity growth also was exceptional in 2003, as it was in 2002. The one soft spot was the job market. Historically, there has always been a lag time between economic recovery and job creation. For the month of December, the unemployment rate was at 5.7%, below its peak of 6.4%.

By the end of the year, the public mood had shifted. Both the economy and the markets experienced remarkable growth, and investors seemed to have gained a level of rational confidence that was absent from both the bull market of the late 1990s and the bear market of 2000 through 2002. The Dow rose almost 28% for the year, to 10454. The S&P 500 rose about 28%, while the Nasdaq Composite was up a staggering 50%. Interest rates and inflation remained low, though interest rates did increase slightly as the economy picked up. The yield on the US Treasury 10-year note was pushed up to 4.25% at December 31, up from 4.05% a year earlier.

The Alger American Leveraged AllCap Portfolio increased 34.72% while the Russell 3000 Growth Index increased 30.95%. More than 29% of the portfolio holdings were in the information technology sector, which experienced superior returns and outperformed the Russell 3000 Growth Index. Stocks such as Yahoo!, a global internet business and consumer services company, and National Semiconductor

Corporation, a maker of analog microchips, experienced triple digit gains. Our health care stocks were above market weight at 28% of the portfolio, and outperformed the Russell 3000 Growth Index. While the performance of our holdings in this sector was mixed, strong performance from stocks such as Zimmer Holdings and Boston Scientific Corporation boosted our overall returns. The portfolio suffered from holdings in the consumer staples sector, but we trimmed our positions in this sector over the course of the year, and the overall impact on the portfolio's performance was minimal.

Looking Ahead

As we head into 2004, we believe that the economy will continue to grow at a strong pace. Trillions of dollars sit in money market and savings accounts, and as the economy continues to grow steadily, we believe that investors will look to put those dollars to more productive use in the equity markets. We think that as investors search for better returns on their capital, high quality, high growth companies should do well. Fundamentally, these tend to be companies with management teams that not only led their companies through the downturn of the last three years, but looked forward while doing so. They continued to invest in their products and services, and they should reap the benefits if the economy accelerates in 2004.

True, many people are unsettled by the situation in Iraq, the federal deficit, and most importantly, the job market. But consumer demand remains strong and business spending continues to increase. The result should be wage increases or job creation, or both. We expect that consumers will continue to hold up the economy as they have always done. Home mortgage refinancing activity has begun to slow, but federal spending and tax cuts should continue to provide economic liquidity well into 2004. And as a general rule, Wall Street consistently underestimates the ability of consumers to find new ways to maintain spending, so we are not convinced about the recent predictions that the consumer may be tapped out.

Other signs are also encouraging. Mergers and acquisitions are a necessary component of a healthy economy. At a minimum, M&A activity is a sign that business leaders are optimistic enough about future prospects in their industry that they feel confident to take risks. October 2003 was the biggest month for M&A deals since July 2001, and we expect that M&A activity will continue to increase in the coming fiscal year.

In short, we believe the coming year is likely to be shaped by an economy expanding at the very least between 3.5% and 4% annually and by rational exuberance in the equity markets. Investors have maintained high expectations for future earnings. They are optimistic, but cautious, as are we. Having survived the bubble and the bust, we, like you, would prefer not to see a repeat of either.

We hope that we have served you well this year. We know that the issues surrounding trading activities in the mutual fund industry have raised questions, and we are doing everything we can to address your concerns and justify your confidence in us. You have entrusted us to find the best investments, and we hope that we will continue to earn that trust. We strive for the utmost rigor and integrity in our investment process, and we are committed to making sure that every aspect of our company is run with the same integrity.

Respectfully submitted,

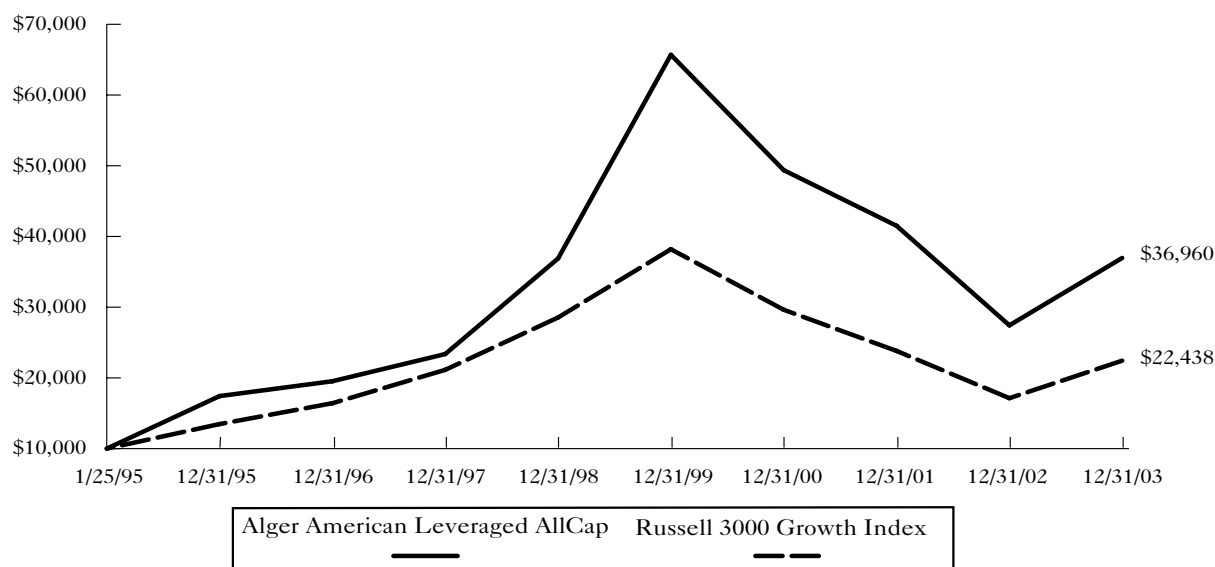
A handwritten signature in cursive script, appearing to read "Dan C. Chung".

Dan C. Chung
Chief Investment Officer

ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO

Portfolio Highlights Through December 31, 2003 (Unaudited)

HYPOTHETICAL \$10,000 INVESTMENT FROM JANUARY 25, 1995 TO DECEMBER 31, 2003



The chart above illustrates the growth in value of a hypothetical \$10,000 investment made in Alger American Leveraged AllCap Class O shares and the Russell 3000 Growth Index on January 25, 1995, the inception date of the Alger American Leveraged AllCap Portfolio, through December 31, 2003. Figures for the Alger American Leveraged AllCap Class O shares and the Russell 3000 Growth Index (an unmanaged index of common stocks), include reinvestment of dividends. Performance for Alger American Leveraged AllCap Class S shares will vary from the results shown above due to differences in expenses that class bears.

PERFORMANCE COMPARISON THROUGH December 31, 2003

	Average Annual Total Returns		
	1 Year	5 Years	Since Inception
Class O (Inception 1/25/95)	34.72%	0.04%	15.76%
Russell 3000 Growth Index	30.95%	(4.70%)	9.47%
Class S (Inception 5/1/02)	34.23%	*	(1.06%)
Russell 3000 Growth Index	30.95%	*	2.86%

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, 2003

<u>Shares</u>	COMMON STOCKS—96.3%	<u>Value</u>	<u>Shares</u>	<u>Value</u>	
BIOTECHNOLOGY—8.4%			HOTELS, RESTAURANTS & LEISURE—1.3%		
94,500	Amgen Inc.*	\$ 5,840,100	115,200	International Game Technology	\$ 4,112,640
149,200	Genentech, Inc.*	13,960,644	29,900	Royal Caribbean Cruises Ltd.	1,040,221
46,100	Invitrogen Corporation*	3,227,000			<u>5,152,861</u>
332,700	Millennium Pharmaceuticals, Inc.*	6,211,509			
180,600	QLT Inc.*	3,404,310			
		<u>32,643,563</u>			
CAPITAL MARKETS—2.8%			84,800	INFORMATION TECHNOLOGY SERVICES—1.0%	
179,700	Bank of New York Company, Inc. (The)	5,951,664		Cognizant Technology Solutions Corporation Cl. A*	<u>3,870,272</u>
84,000	Morgan Stanley	4,861,080			
		<u>10,812,744</u>	261,100	INTERNET & CATALOG RETAIL—4.3%	
COMMERCIAL BANKS—1.4%				eBay Inc.*	<u>16,864,449</u>
176,300	U.S. Bancorp	5,250,214			
COMMERCIAL SERVICES & SUPPLIES—1.5%			289,800	INTERNET SOFTWARE & SERVICES—5.4%	
45,650	Apollo Group, Inc. Cl. A*	3,104,200	359,100	United Online, Inc.*	4,865,742
126,800	Monster Worldwide Inc.*	2,784,528		Yahoo! Inc.*	<u>16,220,547</u>
		<u>5,888,728</u>			<u>21,086,289</u>
COMMUNICATION EQUIPMENT—10.6%			57,500	MACHINERY—1.2%	
396,100	Advanced Fibre Communications, Inc.*	7,981,415		Caterpillar Inc.	<u>4,773,650</u>
1,021,300	Brocade Communications Systems, Inc.*	5,903,114	332,300	MEDIA—4.2%	
896,000	CIENA Corporation*	5,949,440	487,200	Disney (Walt) Company	7,752,559
363,500	Cisco Systems, Inc.*	8,829,415		Time Warner Inc.*	<u>8,764,728</u>
318,900	Comverse Technology, Inc.*	5,609,451			<u>16,517,287</u>
686,800	Corning Incorporated*	7,163,324			
		<u>41,436,159</u>	26,200	PHARMACEUTICALS—5.2%	
CONSUMER FINANCE—1.6%			361,000	Allergan, Inc.	2,012,422
103,350	Capital One Financial Corporation	6,334,322	96,300	Pfizer Inc.	12,754,130
				Teva Pharmaceutical Industries Ltd. ADR#	<u>5,461,173</u>
DIVERSIFIED FINANCIAL SERVICES—2.5%					<u>20,227,725</u>
203,600	Citigroup Inc.	9,882,744	351,400	SEMICONDUCTORS & SEMICONDUCTOR EQUIPMENT—15.4%	
ENERGY EQUIPMENT & SERVICES—1.1%			347,600	Applied Materials, Inc.*	7,888,930
162,900	Halliburton Company	4,235,400	188,300	Broadcom Corporation Cl. A*	11,849,684
HEALTH CARE EQUIPMENT & SUPPLIES—5.8%			245,595	Intel Corporation	6,063,260
332,990	Boston Scientific Corporation*	12,240,712	423,300	Intersil Corporation Cl. A	6,103,036
66,700	Guidant Corporation	4,015,340	405,700	Kulicke & Soffa Industries Inc.*	6,087,054
30,900	Varian Medical Systems, Inc.*	2,135,190	156,800	Micron Technology, Inc.*	5,464,779
57,100	Zimmer Holdings, Inc.*	4,019,840	90,900	National Semiconductor Corporation*	6,179,488
		<u>22,411,082</u>	223,600	Novellus Systems, Inc.*	3,822,345
HEALTH CARE PROVIDERS & SERVICES—4.3%				Texas Instruments Incorporated	<u>6,569,368</u>
174,500	Health Management Associates, Inc. Cl. A	4,188,000			<u>60,027,944</u>
144,300	Medco Health Solutions, Inc.*	4,904,757	254,600	SOFTWARE—8.0%	
105,000	Quest Diagnostics Incorporated*	7,676,550	401,900	Activision, Inc.*	4,633,720
		<u>16,769,307</u>	317,100	Novell Inc.*	4,227,988
			544,400	Oracle Corporation*	4,185,720
			156,400	PeopleSoft, Inc.*	12,412,320
				VERITAS Software Corporation *	<u>5,811,824</u>
					<u>31,271,572</u>

THE ALGER AMERICAN FUND
ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO
SCHEDULE OF INVESTMENTS—DECEMBER 31, 2003 (Cont'd)

<u>Shares</u>	COMMON STOCKS—(Cont'd)	<u>Value</u>	<u>Principal Amount</u>	SHORT-TERM INVESTMENTS—3.2%	<u>Value</u>
	SPECIALTY RETAIL—6.6%			U.S. AGENCY OBLIGATIONS—3.1%	
145,200	Bed Bath & Beyond Inc.*	\$ 6,294,420	\$12,000,000	Federal Home Loan Banks, 0.56%, 1/2/04	
304,600	Home Depot, Inc.	10,810,254		(Cost \$11,999,813)	<u>\$ 11,999,813</u>
68,500	Pacific Sunwear of California, Inc.*	1,446,720			
301,900	The Gap, Inc.	<u>7,007,099</u>		SECURITIES HELD UNDER REPURCHASE	
		<u>25,558,493</u>		AGREEMENTS—1.1%	
	TEXTILES, APPAREL & LUXURY			Securities Held Under Repurchase	
	GOODS—1.1%			Agreements, 0.85%, 1/2/04, with	
110,600	Coach, Inc.*	<u>4,175,150</u>		Bear, Stearns & Co. Inc., dtd 12/31/03,	
	THRIFTS & MORTGAGE FINANCE—1.0%			repurchase price \$294,128;	
67,100	MGIC Investment Corp.	<u>3,820,674</u>		collateralized by U.S. Treasury Strips	
	WIRELESS TELECOMMUNICATION			(par value \$540,000 due 11/15/15)	<u>294,107</u>
	SERVICES—1.6%			Total Short-Term Investments	
156,200	Nextel Communications, Inc. Cl. A*	4,382,972		(Cost \$12,293,920)	<u>12,293,920</u>
52,900	SpectraSite, Inc.*	<u>1,838,275</u>		Total Investments	
		<u>6,221,247</u>		(Cost \$333,023,028)(a)	99.5% 387,525,796
	Total Common Stocks			Other Assets In Excess of Liabilities	<u>.5 2,090,898</u>
	(Cost \$320,729,108)	<u>375,231,876</u>		Net Assets	<u>100.0% \$389,616,694</u>

* Non-income producing security.

American Depositary Receipts.

(a) At December 31, 2003, the net unrealized appreciation on investments, based on cost for federal income tax purposes of \$333,023,028 amounted to \$54,502,768 which consisted of aggregate gross unrealized appreciation of \$59,758,892 and aggregate gross unrealized depreciation of \$5,256,124.

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO
FINANCIAL HIGHLIGHTS

For a share outstanding throughout the period

Income from Investment Operations

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

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

(ii) Commenced operations May 1, 2002.

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

Ratios/Supplemental Data

Total Return	Net Assets, End of Period (000's omitted)	Ratio of Expenses to Average Net Assets	Ratio of Net Investment Income (Loss) to Average Net Assets	Portfolio Turnover Rate
34.72%	\$ 382,289	0.97%	(0.36)%	161.71%
(33.91)	271,373	0.96	(0.49)	203.05
(15.93)	443,209	0.92	0.00	103.03
(24.83)	476,517	0.90	(0.03)	132.28
78.06	362,500	0.93	(0.49)	155.74
34.23%	\$ 7,328	1.21%	(0.63)%	161.71%
(26.81)	281	1.32	(0.92)	203.05

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

December 31, 2003

Assets:	
Investments in securities, at value (identified cost*)—see accompanying schedules of investments	\$387,525,796
Receivable for investment securities sold	3,305,373
Receivable for shares of beneficial interest sold	170,020
Interest and dividends receivable	123,718
Other assets	17,460
Total Assets	391,142,367
Liabilities:	
Payable for investment securities purchased	938,398
Payable for shares of beneficial interest redeemed	232,417
Accrued investment management fees	272,946
Accrued expenses	81,912
Total Liabilities	1,525,673
Net Assets	\$389,616,694
Net Assets Consist of:	
Paid-in capital	\$585,171,128
Undistributed net investment income (accumulated loss)	—
Undistributed net realized gain (accumulated loss)	(250,057,202)
Net unrealized appreciation	54,502,768
Net Assets	\$389,616,694
Class O	
Net Asset Value Per Share	\$28.09
Class S	
Net Asset Value Per Share	\$27.96
Shares of beneficial interest outstanding—Note 6	
Class O	13,609,494
Class S	262,147
*Identified cost	\$333,023,028

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO
STATEMENT OF OPERATIONS

For the year ended December 31, 2003

INVESTMENT INCOME

Income:	
Interest	\$ 178,471
Dividends	1,813,565
Total Income	1,992,036
Expenses:	
Management fees—Note 3(a)	2,777,390
Custodian fees	106,520
Transfer agent fees	163,376
Professional fees	29,683
Trustees' fees	1,986
Miscellaneous	85,967
Total Expenses	3,164,922
Net Investment Loss	(1,172,886)
REALIZED AND UNREALIZED GAIN ON INVESTMENTS	
Net realized gain on investments	30,410,378
Net change in unrealized appreciation (depreciation) on investments	65,817,117
Net realized and unrealized gain on investments	96,227,495
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$95,054,609

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, 2003

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

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

For the year ended December 31, 2002

Net investment loss	\$ (1,711,232)
Net realized loss on investments	(112,551,348)
Net change in unrealized appreciation (depreciation) on investments	(34,471,626)
Net decrease in net assets resulting from operations	(148,734,206)
Dividends to shareholders—Class O:	
Net investment income	(28,241)
Increase (decrease) from shares of beneficial interest transactions:	
Class O	(23,086,500)
Class S	293,689
Net decrease from shares of beneficial interest transactions—Note 6	(22,792,811)
Total decrease	(171,555,258)
Net Assets	
Beginning of year	443,209,020
End of year	\$ 271,653,762
Undistributed net investment income (accumulated loss)	\$ —

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO
NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE 1—General:

The Alger American Fund (the “Fund”) is a diversified, open-end registered investment company organized as a business trust under the laws of the Commonwealth of Massachusetts. The Fund operates as a series company currently issuing six series of shares of beneficial interest: American Growth Portfolio, American Small Capitalization Portfolio, American Income and Growth Portfolio, American Balanced Portfolio, American MidCap Growth Portfolio and American Leveraged AllCap Portfolio. These financial statements include only the American Leveraged AllCap Portfolio (the “Portfolio”). The Portfolio invests primarily in equity securities and has an investment objective of long-term capital appreciation. Shares of the Portfolio are available and are being marketed exclusively as a pooled funding vehicle for qualified retirement plans and for life insurance companies writing all types of variable annuity contracts and variable life insurance policies.

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

NOTE 2—Significant Accounting Policies:

(a) **Investment Valuation:** Investments of the Portfolio are valued on each day the New York Stock Exchange (“NYSE”) is open as of the close of the NYSE (normally 4:00 p.m. Eastern time). Listed and unlisted securities for which such information is regularly reported are valued at the last reported sales price or, in the absence of reported sales, at the mean between the bid and the asked price, or, in the absence of a recent bid or asked price, the equivalent as obtained from one or more of the major market makers for the securities to be valued.

Securities for which market quotations are not readily available are valued according to procedures established by the Board of Trustees to determine fair value in good faith.

Securities having a remaining maturity of sixty days or less are valued at amortized cost which approximates market value.

(b) **Security Transactions and Investment Income:** Security transactions are recorded on a trade date basis. Resulting receivables and payables are carried at amounts which approximate fair value. Realized gains and losses from security transactions are recorded on the identified cost basis. Dividend income is recognized on the ex-dividend date and interest income is recognized on the accrual basis.

(c) **Repurchase Agreements:** The Portfolio enters into repurchase agreements with approved institutions. The repurchase agreements are collateralized by U.S. Government securities, which are either

received and held in physical possession by the custodian or received by such custodian in book-entry form through the Federal Reserve book-entry system. The collateral is valued on a daily basis during the term of the agreement to ensure that its value equals or exceeds the agreed-upon repurchase price to be repaid to the Portfolio. Additional collateral is obtained when necessary.

(d) **Lending of Portfolio Securities:** The Portfolio lends its securities to financial institutions, provided that the market value of the securities loaned will not at any time exceed one third of the Portfolio’s total assets, as defined. The Portfolio earns fees on the securities loaned, which are included in interest income in the accompanying Statement of Operations. In order to protect against the risk of failure by the borrower to return the securities loaned or any delay in the delivery of such securities, the loan is collateralized by cash, letters of credit or U.S. Government securities that are maintained in an amount equal to at least 100 percent of the current market value of the loaned securities. The market value of the loaned securities is determined at the close of business of the Portfolio and any required additional collateral is delivered to the Portfolio on the next business day.

(e) **Dividends to Shareholders:** Dividends payable to shareholders are recorded by the Portfolio on the ex-dividend date.

Dividends from net investment income are declared and paid annually.

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

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

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

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

(f) **Federal Income Taxes:** It is the Portfolio’s policy to comply with the requirements of the Internal Revenue Code applicable to regu-

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

December 31, 2003

lated investment companies and to distribute all of its taxable income, including net realized capital gains, to its shareholders. Therefore, no federal income tax provision is required. The Portfolio is treated as a separate entity for the purpose of determining such compliance. At December 31, 2003, the net capital loss carryforward of the Portfolio, which may be used to offset future net realized gains, was \$250,057,203 and expires between 2009 and 2010.

(g) **Allocation Methods:** The Fund accounts separately for the assets, liabilities and operations of each portfolio. Expenses directly attributable to each portfolio are charged to that portfolio's operations; expenses which are applicable to all portfolios are allocated among them based on net assets. Income, realized and unrealized gains and losses, and expenses of each portfolio are allocated among the portfolio's classes based on relative net assets, with the exception of distribution fees, which are only applicable to Class S shares.

(h) **Other:** These financial statements have been prepared using estimates and assumptions that affect the reported amounts therein. Actual results may differ from those estimates.

NOTE 3—Investment Management Fees and Other Transactions with Affiliates:

(a) **Investment Management Fees:** Fees incurred by the Portfolio, pursuant to the provisions of its Investment Management Agreement (the "Agreement") with Fred Alger Management, Inc. ("Alger Management"), are payable monthly and computed based on the average daily net assets of the Portfolio at the annual rate of .85%.

The Agreement further provides that if in any fiscal year the aggregate expenses, excluding interest, taxes, brokerage commissions, and extraordinary expenses, exceed 1.50% of the average daily net assets of the Portfolio, Alger Management will reimburse the Portfolio for the excess expenses.

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

(c) **Brokerage Commissions:** During the year ended December 31, 2003, the Portfolio paid the Distributor \$920,980 in connection with securities transactions.

(d) **Transfer Agency Fees:** The Fund has entered into a transfer agency agreement with Alger Shareholder Services, Inc. ("Services"), an affiliate of Alger Management, whereby Services will act as transfer agent for the Portfolio.

(e) **Other:** Certain trustees and officers of the Fund are directors and officers of Alger Management, the Distributor and Services.

NOTE 4—Securities Transactions:

Purchases and sales of securities, other than short-term securities, of the Portfolio for the year ended December 31, 2003, were \$524,905,687 and \$502,935,812, 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. This line of credit was not utilized during the year ended December 31, 2003.

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, 2003, transactions of shares of beneficial interest were as follows:

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

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

December 31, 2003

During the period ended December 31, 2002, transactions of shares of beneficial interest were as follows:

	<u>Shares</u>	<u>Amount</u>
Class O:		
Shares sold	4,441,227	\$ 118,686,176
Dividends reinvested	1,029	28,241
Shares redeemed	(5,478,468)	(141,800,917)
Net decrease	<u>(1,036,212)</u>	<u>\$ (23,086,500)</u>
Class S*:		
Shares sold	14,226	\$ 309,589
Shares redeemed	(760)	(15,900)
Net increase	<u>13,466</u>	<u>\$ 293,689</u>

* Initially offered May 1, 2002.

NOTE 7—Tax Character of Distributions to Shareholders:

For the year ended December 31, 2003, there were no distributions paid and for the year ended December 31, 2002, distributions paid by the Portfolio consisted entirely of ordinary income.

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

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

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

NOTE 8—Regulatory Matters:

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

On October 16, 2003, the SEC commenced and settled a civil proceeding against a former vice chairman of Alger Management’s immediate parent, in connection with alleged market timing

arrangements with certain investors in The Alger Fund. That settlement specifically provided: “The findings herein are made pursuant to [the former vice chairman’s settlement] Offer and are not binding on any other person or entity in this or any other proceeding.” Neither Alger Management nor any of the Funds was a party to this proceeding.

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

Other related class actions have been commenced making substantially similar allegations on behalf of the same putative class. All these related class actions will be consolidated in accordance with the provisions of the Private Securities Litigation Reform Act. Among these related class actions is one entitled Garfield v. Fred Alger Management Inc., et al., 03 CV 9239, in the U.S. District Court for the Southern District of New York, in which “Alger American Growth” is named as a defendant.

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

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

REPORT OF INDEPENDENT AUDITORS

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 comprising The Alger American Fund) as of December 31, 2003, and the related statement of operations for the year then ended and the statement of changes in net assets and the financial highlights for each of the two years 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. The financial highlights for each of the three years ended December 31, 2001 were audited by other auditors, whose report, dated January 24, 2002, expressed an unqualified opinion on those financial highlights.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits 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 investments in securities as of December 31, 2003, 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, and audited by us, present fairly, in all material respects, the financial position of the Alger American Leveraged AllCap Portfolio at December 31, 2003, and the results of its operations for the year then ended and the changes in its net assets and the financial highlights for each of the two years then ended, in conformity with accounting principles generally accepted in the United States.

ERNST & YOUNG LLP

New York, New York
January 30, 2004

Trustees and Officers of the Fund (Unaudited)

Information about the Trustees and officers of the Fund is set forth below. In the table the term “Alger Fund Complex” refers to the Fund, Spectra Fund, The Alger Fund, The Alger Institutional Fund, The China-U.S. Growth Fund and Castle Convertible Fund, Inc., each of which is a registered investment company managed by Fred Alger Management, Inc. (“Alger Management”). Each Trustee serves until an event of termination, such as death or resignation, or until his successor is duly elected; each officer’s term of office is one year. Unless otherwise noted, the address of each person named below is 111 Fifth Avenue, New York, NY 10003.

Name, Age, Position with the Fund and Address	Principal Occupations	Trustee and/or Officer Since	Number of Portfolios in the Alger Fund Complex which are Overseen by Trustee
<i>Interested Trustees</i>			
Fred M. Alger III (68) Chairman of the Board	Chairman of the Board of Alger Associates, Inc. (“Associates”), Fred Alger & Company, Incorporated (“Alger Inc.”), Alger Management, Alger Properties, Inc. (“Properties”), Alger Shareholder Services, Inc. (“Services”), Alger Life Insurance Agency, Inc. (“Agency”), Fred Alger International Advisory S.A. (“International”), and five of the six funds in the Alger Fund Complex; Chairman of the Boards of Alger SICAV (“SICAV”) and Analysts Resources, Inc. (“ARI”).	1988	22
<i>Non-Interested Trustees</i>			
Stephen E. O’Neil (71) Trustee	Attorney; Private investor since 1981; Director of Brown-Forman Corporation; Trustee/Director of the six funds in the Alger Fund Complex; formerly of Counsel to the law firm of Kohler & Barnes.	1988	23
Nathan E. Saint-Amand, M.D. (65) Trustee	Medical doctor in private practice; Member of the Board of the Manhattan Institute; Trustee/Director of the six funds in the Alger Fund Complex. Formerly Co-Chairman Special Projects Committee of Memorial Sloan Kettering.	1988	23

Name, Age, Position with the Fund and Address	Principal Occupations	Trustee and/or Officer Since	Number of Portfolios in the Alger Fund Complex which are Overseen by Trustee
<i>Officers</i>			
Dan C. Chung (41) President	President, Director and Chief Investment Officer of Alger Management; President and Director of Associates, Alger Inc., Properties, Services, Agency, International, ARI and Trust; Trustee/Director of four of the six funds in the Alger Fund Complex.	2001	N/A
Frederick A. Blum (50) Treasurer and Assistant Secretary	Executive Vice President of Alger Management; Treasurer and Assistant Secretary of the six funds in the Alger Fund Complex. Executive Vice President, Treasurer and Director of Trust.	1996	N/A
Dorothy G. Sanders (48) Secretary	Senior Vice President, General Counsel and Secretary of Alger, Inc., General Counsel and Secretary of Associates, Agency, Properties, Services, ARI and Alger Management; Secretary of International, and the six funds in the Alger Fund Complex. Formerly Senior Vice President, Fleet Financial Group.	2000	N/A

Mr. Alger is an “interested person” (as defined in the Investment Company Act) of the Fund because of his affiliation with Alger Management. Mr. Chung is Mr. Alger’s son-in-law. No Trustee is a director of any public company except as may be indicated under “Principal Occupations.”

The Statement of Additional Information contains additional information about the Fund’s Trustees and is available without charge upon request by calling (800) 992-3863.

Proxy Voting Policies (unaudited)

A description of the policies and procedures the Fund uses to determine how to vote proxies relating to portfolio securities is available, without charge, by calling (800) 992-3863.

**CREDIT
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CREDIT SUISSE FUNDS

Annual Report

December 31, 2003

CREDIT SUISSE TRUST ▪ EMERGING MARKETS PORTFOLIO

Credit Suisse Trust (the "Trust") shares are not available directly to individual investors, but may be offered only through certain insurance products and pension and retirement plans.

More complete information about the Trust, including charges and expenses, is provided in the *Prospectus*, which should be read carefully before investing. You may obtain additional copies by calling 800-222-8977 or by writing to Credit Suisse Trust, P.O. Box 55030, Boston, MA 02205-5030.

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

The Portfolio's investment adviser and co-administrators may waive some fees and/or reimburse some expenses, without which performance would be lower. Waivers and/or reimbursements are subject to change.

*Returns include change in share price and reinvestment of dividends and capital gains. **Past performance cannot guarantee future results.** Returns and share price will fluctuate, and redemption value may be more or less than original cost.*

The views of the Portfolio's management are as of the date of the letter and the Portfolio holdings described in this document are as of December 31, 2003; these views and Portfolio holdings may have changed subsequent to these dates. Nothing in this document is a recommendation to purchase or sell securities.

Portfolio shares are not deposits or other obligations of Credit Suisse Asset Management, LLC ("CSAM") or any affiliate, are not FDIC-insured and are not guaranteed by CSAM or any affiliate.

Credit Suisse Trust — Emerging Markets Portfolio
Annual Investment Adviser's Report
December 31, 2003 (Unaudited)

February 3, 2004

Dear Shareholder:

For the 12 months ended December 31, 2003, Credit Suisse Trust — Emerging Markets Portfolio¹ (the "Portfolio") had a gain of 42.88%, versus an increase of 56.28% for the Morgan Stanley Capital International Emerging Markets Free Index.²

The period was a positive one for most stock markets around the world. While markets initially struggled, due largely to shifting perceptions of how a war with Iraq might proceed, they began to recover in late March on progress made by the U.S. and its allies. When the war came to a swift and seemingly successful end in April, a major cloud of uncertainty lifted and investors embraced risk. Optimism over a potential recovery in the U.S. economy — and by extension, the global economy — also supported equities. Grounds for this optimism included historically low interest rates, a significant tax-reduction package, and an upturn in leading economic indicators in the U.S., Europe and Asia. Within this environment of lowered risk thresholds, emerging markets outperformed developed stock markets for the 12 months.

The Portfolio participated in the rally in emerging markets, but it lagged its benchmark. We attribute this in large part to our relatively defensive strategies in the early stages of the market's upturn (which included having a larger-than-usual cash position). The Portfolio was also hindered by its underweighting in smaller markets (e.g., Indonesia and Israel) that had sizable gains for the year.

In terms of the Portfolio's regional allocation in the period, within Latin America, we favored Brazil over Mexico, based on the reform momentum occurring in Brazil and its potential to benefit the country's financial markets. We viewed Mexico as less compelling from a reform and economic perspective, though we liked certain stocks there based on company-specific factors. We added to smaller markets such as Chile, whose stock market was aided by rising commodity prices, although liquidity constraints within the market limited our ability to be aggressively overweight there.

In Asia, our primary overweighted positions during the year were Taiwan, India and Thailand, based on a combination of economic and company-specific factors. We maintained a neutral weighting in South Korea. While generally favoring the exporters in that market, the overhang of concerns on the credit card industry and consumer debt proved to be strong headwinds for financial-services stocks and other domestic stocks. We were generally underweighted in China throughout the year. While no less enthusiastic about the China story, we found better opportunities to play the China theme through stocks elsewhere in the region.

Within the Eastern Europe/Middle East/Africa segment (EMEA), we were generally underweighted. Most of this reflected our underweighting in South Africa — the segment's largest market — based on our view that the rand would

Credit Suisse Trust — Emerging Markets Portfolio
Annual Investment Adviser's Report (continued)
December 31, 2003 (Unaudited)

be "stronger for longer," proving ultimately detrimental to the earnings profile of key exporters and resource stocks. In addition, macro news flow in Central Europe precluded an aggressive "convergence play" strategy, in our view. Our two key overweights in the segment were Turkey and Russia. Despite some high profile negative political news in Russia, we were generally positive about the top-down outlook for the energy and materials sector and the economy in general, while valuations remained appealing to us. In Israel, our main move was to add some domestic stocks in the period.

Going forward, we are fairly optimistic that the key global factors aiding emerging markets in 2003 could remain in force. These markets were supported by improved risk appetite; an upturn in growth indicators and commodity prices; stimulative monetary policy; and large valuation gaps between developed and emerging equity markets. We believe these trends are still in place, though not to the degree seen at the beginning of last year.

With global growth recovery becoming more evident recently, and markets focusing on the possibility of rising interest rates, we are shifting towards markets we think are more likely to benefit from a cyclical upturn and improving domestic conditions. For us, this suggests a regional tilt more towards Asia. We have also added further to our positions in South Korea, Mexico and Taiwan, at the expense of Brazil. In terms of sectors, we are moving more strongly from global cyclicals into domestic cyclicals and financials, particularly in Asia, as we think these offer more exposure to improving macroeconomic environments. We have reduced our materials exposure, in the belief that any slowdown in China's growth will likely negatively affect selected stocks within the sector.

The Credit Suisse Emerging Markets Team

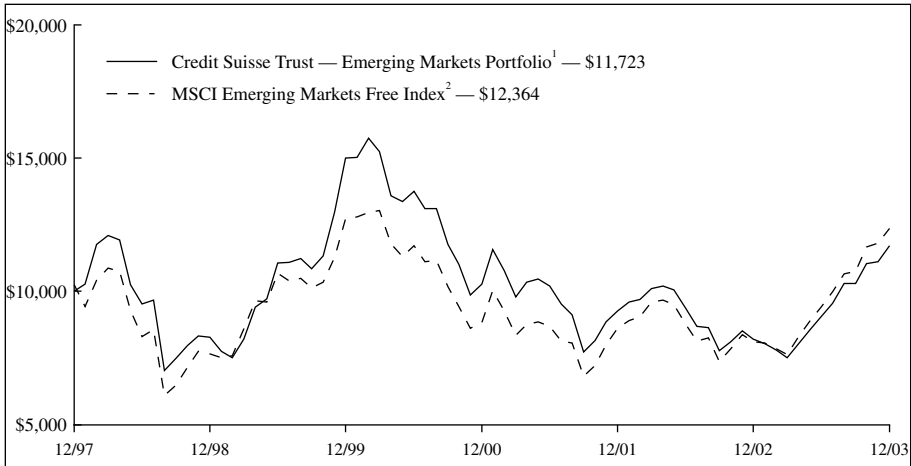
Neil Gregson
Emily Alejos
Annabel Betz
Matthew J.K. Hickman

International investing entails special risk considerations, including currency fluctuations, lower liquidity, economic and political risks, and differences in accounting methods; these risks are generally heightened for emerging-market investments. The Portfolio may involve a greater degree of risk than other funds that seek capital growth by investing in larger, more-developed markets.

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

Credit Suisse Trust — Emerging Markets Portfolio
Annual Investment Adviser’s Report (continued)
 December 31, 2003 (Unaudited)

**Comparison of Change in Value of \$10,000 Investment in the
 Credit Suisse Trust — Emerging Markets Portfolio¹
 and the MSCI Emerging Markets Free Index² from Inception (12/31/97).**



Past performance is not predictive of future performance. Investment return and principal value of an investment will fluctuate so that an investor’s shares upon redemption may be worth more or less than their original cost. The performance results do not reflect the deduction of taxes that a shareholder would pay on portfolio distributions or the redemption of portfolio shares. Performance includes the effect of deducting expenses, but does not include charges and expenses attributable to any particular variable contract or Plan. Accordingly, the Prospectus of the sponsoring Participating Insurance Company separate account or Plan documents or other informational materials supplied by Plan sponsors should be carefully reviewed for information on relevant charges and expenses. Excluding these charges and expenses from quotations of performance has the effect of increasing the performance quoted, and the effect of these charges should be considered when comparing performance to that of other mutual funds.

Average Annual Returns as of December 31, 2003¹

<u>1 Year</u>	<u>5 Years</u>	<u>Since Inception</u>
42.88%	7.23%	2.68%

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

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

Credit Suisse Trust — Emerging Markets Portfolio
Schedule of Investments
 December 31, 2003

	<u>Number of Shares</u>	<u>Value</u>
COMMON STOCKS (91.2%)		
Brazil (6.4%)		
<i>Beverages (1.6%)</i>		
Companhia de Bebidas das Americas ADR	46,400	\$ 1,183,664
<i>Diversified Telecommunication Services (1.0%)</i>		
Tele Norte Leste Participacoes SA ADR	48,800	752,984
<i>Oil & Gas (3.3%)</i>		
Petroleo Brasileiro SA - Petrobras ADR	90,500	2,412,730
<i>Paper & Forest Products (0.5%)</i>		
Aracruz Celulose SA ADR	10,400	364,416
TOTAL BRAZIL		<u>4,713,794</u>
Chile (1.6%)		
<i>Diversified Telecommunication Services (0.5%)</i>		
Compania de Telecomunicaciones de Chile SA ADR	24,300	363,285
<i>Electric Utilities (1.1%)</i>		
Enersis SA ADR*	110,000	809,600
TOTAL CHILE		<u>1,172,885</u>
Czech Republic (0.6%)		
<i>Industrial Conglomerates (0.6%)</i>		
Cesky Telecom AS GDR	40,600	456,750
TOTAL CZECH REPUBLIC		<u>456,750</u>
Hong Kong (5.0%)		
<i>Computers & Peripherals (0.9%)</i>		
Legend Group, Ltd.	1,550,000	663,822
<i>Energy Equipment & Services (1.0%)</i>		
China Oilfield Services, Ltd.	2,178,000	771,470
<i>Industrial Conglomerates (1.0%)</i>		
China Merchants Holdings International Company, Ltd.	552,000	725,217
<i>Transportation Infrastructure (0.7%)</i>		
Hopewell Highway Infrastructure, Ltd.*	875,000	495,894
<i>Wireless Telecommunication Services (1.4%)</i>		
China Unicom, Ltd.	1,122,000	1,047,754
TOTAL HONG KONG		<u>3,704,157</u>
Hungary (0.9%)		
<i>Pharmaceuticals (0.9%)</i>		
Gedeon Richter Rt.	5,600	662,955
TOTAL HUNGARY		<u>662,955</u>
India (5.9%)		
<i>Automobiles (1.8%)</i>		
Maruti Udyog, Ltd.*	155,400	1,281,688

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Emerging Markets Portfolio
Schedule of Investments (continued)
 December 31, 2003

	<u>Number of Shares</u>	<u>Value</u>
COMMON STOCKS		
India		
<i>Banks (2.8%)</i>		
State Bank of India, Ltd. GDR	61,800	\$ 2,062,884
<i>Pharmaceuticals (1.3%)</i>		
Dr. Reddy's Laboratories, Ltd. ADR	14,200	449,430
Ranbaxy Laboratories, Ltd. GDR	20,800	530,400
		<u>979,830</u>
TOTAL INDIA		<u>4,324,402</u>
Indonesia (0.6%)		
<i>Banks (0.2%)</i>		
PT Bank Rakyat Indonesia*	955,500	141,808
<i>Tobacco (0.4%)</i>		
PT Hanjaya Mandala Sampoerna Tbk	541,000	287,441
TOTAL INDONESIA		<u>429,249</u>
Israel (2.1%)		
<i>Banks (0.5%)</i>		
Bank Hapoalim, Ltd.	153,000	375,973
<i>Internet Software & Services (0.4%)</i>		
Check Point Software Technologies, Ltd.*	18,900	317,898
<i>Pharmaceuticals (1.2%)</i>		
Teva Pharmaceutical Industries, Ltd. ADR	15,200	861,992
TOTAL ISRAEL		<u>1,555,863</u>
Malaysia (4.0%)		
<i>Banks (2.4%)</i>		
Public Bank Berhad	2,207,193	1,800,605
<i>Media (1.2%)</i>		
Astro All Asia Networks PLC*	755,700	878,998
<i>Wireless Telecommunication Services (0.4%)</i>		
Maxis Communications Berhad	155,000	307,961
TOTAL MALAYSIA		<u>2,987,564</u>
Mexico (6.6%)		
<i>Banks (0.4%)</i>		
Grupo Financiero Bancomer*	400,100	341,806
<i>Beverages (0.3%)</i>		
Grupo Modelo SA de CV Series C	85,900	205,629
<i>Construction Materials (1.0%)</i>		
Cemex SA de CV ADR	27,800	728,360
<i>Diversified Telecommunication Services (1.5%)</i>		
Telefonos de Mexico SA de CV ADR	33,900	1,119,717

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Emerging Markets Portfolio
Schedule of Investments (continued)
 December 31, 2003

	<u>Number of Shares</u>	<u>Value</u>
COMMON STOCKS		
Mexico		
<i>Media (0.5%)</i>		
Grupo Televisa SA ADR	9,100	\$ 362,726
<i>Multiline Retail (0.5%)</i>		
Wal-Mart de Mexico SA de CV Series V	123,000	350,592
<i>Wireless Telecommunication Services (2.4%)</i>		
America Movil SA de CV ADR Series L	65,558	1,792,356
TOTAL MEXICO		<u>4,901,186</u>
Poland (1.0%)		
<i>Banks (1.0%)</i>		
Bank Przemyslowo-Handlowy PBK SA	7,800	739,801
TOTAL POLAND		<u>739,801</u>
Russia (6.1%)		
<i>Industrial Conglomerates (2.0%)</i>		
Mining and Metallurgical Company Norilsk Nickel ADR	13,800	917,700
YUKOS ADR	13,806	579,852
		<u>1,497,552</u>
<i>Oil & Gas (1.4%)</i>		
Lukoil ADR	11,400	1,061,340
<i>Wireless Telecommunication Services (2.7%)</i>		
AO VimpelCom ADR*	15,000	1,102,500
Mobile Telesystems ADR	10,500	869,400
		<u>1,971,900</u>
TOTAL RUSSIA		<u>4,530,792</u>
South Africa (8.1%)		
<i>Banks (3.4%)</i>		
FirstRand, Ltd.	568,600	759,837
Standard Bank Group, Ltd.	296,789	1,742,052
		<u>2,501,889</u>
<i>Diversified Telecommunication Services (0.7%)</i>		
Telkom South Africa, Ltd.	47,870	498,063
<i>Household Durables (0.8%)</i>		
Steinhoff International Holdings, Ltd.	526,997	603,974
<i>Metals & Mining (1.5%)</i>		
Gold Fields, Ltd.	30,309	433,634
Impala Platinum Holdings, Ltd.	7,900	686,442
		<u>1,120,076</u>
<i>Paper & Forest Products (1.1%)</i>		
Sappi, Ltd.	59,080	805,435

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Emerging Markets Portfolio
Schedule of Investments (continued)
 December 31, 2003

	<u>Number of Shares</u>	<u>Value</u>
COMMON STOCKS		
South Africa		
<i>Wireless Telecommunication Services (0.6%)</i>		
MTN Group, Ltd.*	99,000	\$ 421,955
TOTAL SOUTH AFRICA		<u>5,951,392</u>
South Korea (18.6%)		
<i>Automobiles (1.5%)</i>		
Hyundai Motor Company, Ltd.	26,780	<u>1,135,032</u>
<i>Banks (3.6%)</i>		
Daegu Bank	156,300	756,904
Kookmin Bank ADR	28,300	1,070,872
Shinhan Financial Group Company, Ltd.	49,470	790,939
		<u>2,618,715</u>
<i>Chemicals (1.5%)</i>		
Honam Petrochemical Corp.	20,800	<u>1,073,605</u>
<i>Electronic Equipment & Instruments (0.5%)</i>		
Samsung SDI Company, Ltd.	3,300	<u>389,131</u>
<i>Food Products (0.5%)</i>		
Orion Corp.	4,900	<u>359,429</u>
<i>Household Durables (1.2%)</i>		
LG Electronics, Inc.*	17,300	<u>850,843</u>
<i>Internet Software & Services (0.5%)</i>		
NCsoft Corp.*	7,300	<u>404,364</u>
<i>Machinery (1.2%)</i>		
Daewoo Shipbuilding & Marine Engineering Company, Ltd.*	71,270	<u>915,175</u>
<i>Metals & Mining (1.4%)</i>		
POSCO ADR	29,700	<u>1,008,909</u>
<i>Semiconductor Equipment & Products (6.7%)</i>		
Samsung Electronics Company, Ltd.	13,100	<u>4,958,540</u>
TOTAL SOUTH KOREA		<u>13,713,743</u>
Taiwan (13.2%)		
<i>Banks (2.4%)</i>		
Chinatrust Financial Holding Company, Ltd.	761,000	764,362
Mega Financial Holding Company, Ltd.	1,066,000	640,542
Taishin Financial Holdings Company, Ltd.	461,000	340,828
		<u>1,745,732</u>
<i>Chemicals (1.9%)</i>		
Formosa Plastics Corp.	435,000	717,526
Nan Ya Plastics Corp.	492,000	710,103
		<u>1,427,629</u>
<i>Computers & Peripherals (0.7%)</i>		
Compeq Manufacturing Company, Ltd.*	1,005,000	<u>529,882</u>

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Emerging Markets Portfolio
Schedule of Investments (continued)
 December 31, 2003

	<u>Number of Shares</u>	<u>Value</u>
COMMON STOCKS		
Taiwan		
<i>Diversified Financials (1.9%)</i>		
Fubon Financial Holding Company, Ltd.	1,484,000	\$ 1,420,618
<i>Electronic Equipment & Instruments (0.7%)</i>		
Hon Hai Precision Industry Company, Ltd.	131,000	515,125
<i>Marine (1.5%)</i>		
Wan Hai Lines, Ltd.	1,200,672	1,085,733
<i>Metals & Mining (0.8%)</i>		
China Steel Corp. GDR, Rule 144A†	33,200	552,780
<i>Semiconductor Equipment & Products (3.3%)</i>		
Taiwan Semiconductor Manufacturing Company, Ltd.	581,058	1,086,809
Unimicron Technology Corp.	450,000	359,205
United Microelectronics Corp.	1,181,799	1,012,971
		<u>2,458,985</u>
TOTAL TAIWAN		<u>9,736,484</u>
Thailand (3.4%)		
<i>Banks (1.8%)</i>		
Krung Thai Bank Public Company, Ltd.	3,699,000	1,148,279
Siam City Bank Public Company, Ltd.	347,800	184,335
		<u>1,332,614</u>
<i>Construction Materials (1.6%)</i>		
Siam Cement Public Company, Ltd.	169,600	1,181,390
TOTAL THAILAND		<u>2,514,004</u>
Turkey (2.6%)		
<i>Banks (2.1%)</i>		
Akbank T.A.S.	207,387,409	1,084,909
Turkiye Is Bankasi Class C*	102,080,000	414,132
		<u>1,499,041</u>
<i>Diversified Financials (0.5%)</i>		
Haci Omer Sabanci Holding AS	81,000,000	383,381
TOTAL TURKEY		<u>1,882,422</u>
United Kingdom (4.5%)		
<i>Metals & Mining (4.5%)</i>		
Anglo American PLC	155,500	3,331,311
TOTAL UNITED KINGDOM		<u>3,331,311</u>
TOTAL COMMON STOCKS (Cost \$49,542,715)		<u>67,308,754</u>

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Emerging Markets Portfolio
Schedule of Investments (continued)
 December 31, 2003

	<u>Number of Shares</u>	<u>Value</u>
PREFERRED STOCKS (4.2%)		
Brazil (4.2%)		
<i>Banks (1.4%)</i>		
Banco Bradesco SA	74,000,000	\$ 389,879
Banco Itau Holding Financeira	6,200,000	616,776
		<u>1,006,655</u>
<i>Diversified Telecommunication Services (0.5%)</i>		
Telesp-Telecomunicacoes de Sao Paulo SA	24,600,000	386,267
<i>Electric Utilities (0.8%)</i>		
Companhia Energetica de Minas Gerais	33,100,000	605,208
<i>Metals & Mining (1.5%)</i>		
Companhia Vale do Rio Doce ADR Class A	21,200	1,092,012
TOTAL PREFERRED STOCKS (Cost \$2,183,567)		<u>3,090,142</u>
RIGHTS (0.0%)		
Thailand (0.0%)		
<i>Diversified Telecommunication Services (0.0%)*</i>		
TelecomAsia Corp. Public Company, Ltd.*^ (Cost \$0)	50,021	2,964
INVESTMENT COMPANIES (2.0%)		
Global (2.0%)		
<i>Mutual Funds/Investment Companies (2.0%)</i>		
iShares MSCI Emerging Markets Index (Cost \$1,502,125)	9,200	1,508,156
		<u>Par (000)</u>
SHORT-TERM INVESTMENT (4.5%)		
State Street Bank and Trust Co. Euro Time Deposit, 0.750%, 1/02/04 (Cost \$3,307,000)	\$3,307	3,307,000
TOTAL INVESTMENTS AT VALUE (101.9%) (Cost \$56,535,407)		75,217,016
LIABILITIES IN EXCESS OF OTHER ASSETS (-1.9%)		<u>(1,435,125)</u>
NET ASSETS (100.0%)		<u>\$73,781,891</u>

INVESTMENT ABBREVIATIONS

ADR = American Depositary Receipt

GDR = Global Depositary Receipt

* Non-income producing security.

** This represents less than 0.0% of net assets.

‡ Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At December 31, 2003, these securities amounted to a value of \$552,780 or 0.8% of net assets.

^ Not readily marketable security; security is valued at fair value as determined in good faith by the Board of Trustees.

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Emerging Markets Portfolio
Statement of Assets and Liabilities
December 31, 2003

Assets

Investments at value (Cost \$56,535,407) (Note 1)	\$ 75,217,016
Cash	223
Foreign currency at value (Cost \$461,951)	463,172
Receivable for portfolio shares sold	25,095
Dividend and interest receivable	256,497
Prepaid expenses	18,745
Total Assets	<u>75,980,748</u>

Liabilities

Advisory fee payable (Note 2)	28,887
Administrative services fee payable (Note 2)	13,304
Payable for portfolio shares redeemed	69,223
Payable for investments purchased	1,732,007
Deferred foreign tax liability	303,787
Other accrued expenses payable	51,649
Total Liabilities	<u>2,198,857</u>

Net Assets

Capital stock, \$0.001 par value (Note 5)	6,940
Paid-in capital (Note 5)	73,165,299
Undistributed net investment income	236,881
Accumulated net realized loss on investments and foreign currency transactions	(18,006,635)
Net unrealized appreciation from investments and foreign currency translations	18,379,406
Net Assets	<u>\$ 73,781,891</u>
Shares outstanding	<u>6,940,307</u>
Net asset value, offering price, and redemption price per share	<u>\$10.63</u>

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Emerging Markets Portfolio
Statement of Operations
For the Year Ended December 31, 2003

Investment Income (Note 1)	
Dividends	\$ 1,366,045
Interest	19,003
Foreign taxes withheld	(156,970)
Total investment income	<u>1,228,078</u>
Expenses	
Investment advisory fees (Note 2)	656,720
Administrative services fees (Note 2)	87,378
Printing fees (Note 2)	64,409
Custodian fees	54,520
Legal fees	34,894
Audit fees	21,189
Insurance expense	7,931
Transfer agent fees	7,101
Registration fees	2,478
Trustees' fees	2,310
Commitment fees (Note 3)	1,784
Interest expense (Note 3)	262
Miscellaneous expense	7,960
Total expenses	948,936
Less: fees waived (Note 2)	(213,409)
Net expenses	<u>735,527</u>
Net investment income	<u>492,551</u>
Net Realized and Unrealized Gain (Loss) from Investments and Foreign Currency Related Items	
Net realized gain from investments (including Thailand Capital Gain Tax of \$(35,094))	3,046,091
Net realized loss from foreign currency transactions	(210,254)
Net change in unrealized appreciation (depreciation) from investments	16,788,363
Net change in unrealized appreciation (depreciation) from foreign currency translations	9,150
Net realized and unrealized gain from investments and foreign currency related items	<u>19,633,350</u>
Net increase in net assets resulting from operations	<u>\$20,125,901</u>

See Accompanying Notes to Financial Statements.

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

	<u>For the Year Ended December 31, 2003</u>	<u>For the Year Ended December 31, 2002</u>
<i>From Operations</i>		
Net investment income	\$ 492,551	\$ 58,993
Net realized gain (loss) from investments and foreign currency transactions	2,835,837	(6,268,685)
Net change in unrealized appreciation (depreciation) from investments and foreign currency translations	<u>16,797,513</u>	<u>(287,244)</u>
Net increase (decrease) in net assets resulting from operations	<u>20,125,901</u>	<u>(6,496,936)</u>
<i>From Dividends</i>		
Dividends from net investment income	<u>—</u>	<u>(92,763)</u>
<i>From Capital Share Transactions</i> (Note 5)		
Proceeds from sale of shares	51,362,392	129,411,936
Reinvestment of dividends	—	92,763
Net asset value of shares redeemed	<u>(41,573,809)</u>	<u>(117,378,658)</u>
Net increase in net assets from capital share transactions	<u>9,788,583</u>	<u>12,126,041</u>
Net increase in net assets	29,914,484	5,536,342
<i>Net Assets</i>		
Beginning of year	<u>43,867,407</u>	<u>38,331,065</u>
End of year	<u>\$ 73,781,891</u>	<u>\$ 43,867,407</u>
Undistributed Net Investment Income (Loss)	<u>\$ 236,881</u>	<u>\$ (11,406)</u>

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Emerging Markets Portfolio Financial Highlights

(For a Share of the Portfolio Outstanding Throughout Each Year)

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

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

² Total returns are historical and assume changes in share price and reinvestment of all dividends and distributions. Had certain expenses not been reduced during the years shown, total returns would have been lower.

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

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Emerging Markets Portfolio
Notes to Financial Statements
December 31, 2003

Note 1. Summary of Significant Accounting Policies

Credit Suisse Trust (the "Trust") is an open-end management investment company registered under the Investment Company Act of 1940, as amended, and currently offers eight managed investment portfolios of which one, the Emerging Markets Portfolio (the "Portfolio"), is included in this report. The Portfolio is a non-diversified investment fund that seeks long-term growth of capital. Shares of the Portfolio are not available directly to individual investors but may be offered only through (a) variable annuity contracts and variable life insurance contracts offered by separate accounts of certain insurance companies and (b) tax-qualified pension and retirement plans. The Portfolio may not be available in connection with a particular contract or plan. The Trust was organized under the laws of the Commonwealth of Massachusetts as a business trust on March 15, 1995.

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

B) FOREIGN CURRENCY TRANSACTIONS — The books and records of the Portfolio are maintained in U.S. dollars. Transactions denominated in foreign currencies are recorded at the current prevailing exchange rates. All assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the current exchange rate at the end of the period. Translation gains or losses resulting from changes in the exchange rate

Credit Suisse Trust — Emerging Markets Portfolio Notes to Financial Statements (continued)

December 31, 2003

Note 1. Summary of Significant Accounting Policies

during the reporting period and realized gains and losses on the settlement of foreign currency transactions are reported in the results of operations for the current period. The Portfolio does not isolate that portion of realized gains and losses on investments in equity securities which is due to changes in the foreign exchange rate from that which is due to changes in market prices of equity securities. The Portfolio isolates that portion of realized gains and losses on investments in debt securities which is due to changes in the foreign exchange rate from that which is due to changes in market prices of debt securities.

C) SECURITY TRANSACTIONS AND INVESTMENT INCOME — Security transactions are accounted for on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. The cost of investments sold is determined by use of the specific identification method for both financial reporting and income tax purposes.

D) DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS — Dividends from net investment income and distributions of net realized capital gains, if any, are declared and paid at least annually. However, to the extent that a net realized capital gain can be reduced by a capital loss carryforward, such gain will not be distributed. Income and capital gain distributions are determined in accordance with federal income tax regulations, which may differ from accounting principles generally accepted in the United States of America (“GAAP”).

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

F) USE OF ESTIMATES — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

G) SHORT-TERM INVESTMENTS — The Portfolio, together with other funds/portfolios advised by Credit Suisse Asset Management, LLC (“CSAM”), an indirect, wholly-owned subsidiary of Credit Suisse Group, pools available cash into either a short-term variable rate time deposit issued

Credit Suisse Trust — Emerging Markets Portfolio
Notes to Financial Statements (continued)
December 31, 2003

Note 1. Summary of Significant Accounting Policies

by State Street Bank and Trust Company (“SSB”), the Portfolio’s custodian, or a money market fund advised by CSAM. The short-term time deposit issued by SSB is a variable rate account classified as a short-term investment.

H) FORWARD FOREIGN CURRENCY CONTRACTS — The Portfolio may enter into forward foreign currency contracts for the purchase or sale of a specific foreign currency at a fixed price on a future date. Risks may arise upon entering into these contracts from the potential inability of counterparties to meet the terms of their contracts and from unanticipated movements in the value of a foreign currency. The Portfolio will enter into forward foreign currency contracts primarily for hedging purposes. Forward foreign currency contracts are adjusted by the daily exchange rate of the underlying currency and any gains or losses are recorded for financial statement purposes as unrealized until the contract settlement date or an offsetting position is entered into. At December 31, 2003, the Portfolio had no open forward foreign currency contracts.

I) SECURITIES LENDING — Loans of securities are required at all times to be secured by collateral at least equal to 102% of the market value of domestic securities on loan including any accrued interest thereon and 105% of the market value of foreign securities on loan including any accrued interest thereon. Cash collateral received by the Portfolio in connection with securities lending activity is pooled together with cash collateral for other funds/portfolios advised by CSAM and may be invested in a variety of investments, including certain CSAM-advised funds, money market instruments and the AIM Institutional Funds — Liquid Assets Portfolio. However, in the event of default or bankruptcy by the other party to the agreement, realization and/or retention of the collateral may be subject to legal proceedings. The Portfolio had no securities out on loan during the year ended December 31, 2003.

Credit Suisse First Boston (“CSFB”), an affiliate of CSAM, has been engaged by the Portfolio to act as the Portfolio’s securities lending agent. Prior to April 1, 2003, CSFB had agreed to charge the Portfolio fees for its securities lending activities equal to its costs in providing services as securities lending agent and had voluntarily waived such fees through March 31, 2003. Effective April 1, 2003, the Portfolio and CSFB entered into an arrangement to share the income earned from securities lending activities, whereby, generally, the Portfolio will receive 75% and CSFB will receive 25% of the income, in accordance with the provisions of the securities lending agency agreement. If CSFB should enter into a securities lending agency agreement with another comparable investment company client under which it will

Credit Suisse Trust — Emerging Markets Portfolio Notes to Financial Statements (continued)

December 31, 2003

Note 1. Summary of Significant Accounting Policies

receive a smaller proportion of the fees, its fee agreement with the Portfolio shall be reduced to such lower fee amount. Securities lending income is accrued as earned. The Portfolio earned no income from securities lending for the year ended December 31, 2003.

J) OTHER — The Portfolio may invest in securities of foreign countries and governments which involve certain risks in addition to those inherent in domestic investments. Such risks generally include, among others, currency risk (fluctuations in currency exchange rates), information risk (key information may be inaccurate or unavailable) and political risk (expropriation, nationalization or the imposition of capital or currency controls or punitive taxes). Other risks of investing in foreign securities include liquidity and valuation risks.

The Portfolio's investments in securities of issuers located in less developed countries considered to be "emerging markets" involve risks in addition to those generally applicable to foreign securities. Focusing on emerging (less developed) markets involves higher levels of risk, including increased currency, information, liquidity, market, political and valuation risks. Deficiencies in regulatory oversight, market infrastructure, shareholder protections and company laws could expose the Portfolio to operational and other risks as well. Some countries may have restrictions that could limit the Portfolio's access to attractive investment opportunities. Additionally, emerging markets often face serious economic problems (such as high external debt, inflation and unemployment) that could subject the Portfolio to increased volatility or substantial declines in value.

The Portfolio accrues foreign taxes on realized gains and repatriation taxes in an amount equal to what the Portfolio would owe if the securities were sold and the proceeds repatriated on the valuation date as a liability and reduction of realized/unrealized gains. Taxes on foreign income are recorded when the related income is recorded.

Note 2. Transactions with Affiliates and Related Parties

CSAM serves as investment adviser for the Portfolio. For its investment advisory services, CSAM is entitled to receive a fee from the Portfolio at an annual rate of 1.25% of the Portfolio's average daily net assets. For the year ended December 31, 2003, investment advisory fees earned and voluntarily waived were \$656,720 and \$213,409, respectively.

Credit Suisse Asset Management Limited (CSAM U.K.) ("CSAM Ltd. U.K.") and Credit Suisse Asset Management Limited (CSAM Australia) ("CSAM Ltd. Australia"), affiliates of CSAM, are sub-investment advisers to

Credit Suisse Trust — Emerging Markets Portfolio Notes to Financial Statements (continued)

December 31, 2003

Note 2. Transactions with Affiliates and Related Parties

the Portfolio. CSAM Ltd. U.K. and CSAM Ltd. Australia's sub-investment advisory fees are paid by CSAM out of CSAM's net investment advisory fee and are not paid by the Portfolio.

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

For its co-administrative services, CSAMSI currently receives a fee calculated at an annual rate of 0.10% of the Portfolio's average daily net assets. For the year ended December 31, 2003, co-administrative services fees earned by CSAMSI were \$52,538.

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

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

For the year ended December 31, 2003, co-administrative services fees earned by SSB (including out-of-pocket expenses) were \$34,840.

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

Merrill Corporation ("Merrill"), an affiliate of CSAM, has been engaged by the Portfolio to provide certain financial printing and fulfillment services. For the year ended December 31, 2003, Merrill was paid \$14,568 for its services to the Portfolio.

Note 3. Line of Credit

The Portfolio, together with other funds/portfolios advised by CSAM (collectively, the "Participating Funds"), participates in a \$100 million committed, unsecured line of credit facility ("Credit Facility") for temporary or emergency purposes with Deutsche Bank, A.G. as administrative agent and syndication agent and SSB as operations agent. Under the terms of the Credit Facility, the Participating Funds pay an aggregate commitment fee at a rate of 0.10% per annum on the average unused amount of the Credit Facility, which is allocated among the Participating Funds in such manner as

Credit Suisse Trust — Emerging Markets Portfolio
Notes to Financial Statements (continued)
 December 31, 2003

Note 3. Line of Credit

is determined by the governing Boards of the Participating Funds. In addition, the Participating Funds pay interest on borrowings at the Federal Funds rate plus 0.50%. At December 31, 2003, the Portfolio had no loans outstanding under the Credit Facility. During the year ended December 31, 2003, the Portfolio had borrowings under the Credit Facility as follows:

<u>Average Daily Loan Balance</u>	<u>Weighted Average Interest Rate %</u>	<u>Maximum Daily Loan Outstanding</u>
\$1,066,200	1.766%	\$1,376,000

Note 4. Purchases and Sales of Securities

For the year ended December 31, 2003, purchases and sales of investment securities (excluding short-term investments) were \$94,369,363 and \$84,725,832, respectively.

Note 5. Capital Share Transactions

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

	<u>For the Year Ended December 31, 2003</u>	<u>For the Year Ended December 31, 2002</u>
Shares sold	6,273,517	14,893,040
Shares issued in reinvestment of dividends	—	12,158
Shares redeemed	(5,226,878)	(13,557,723)
Net increase	<u>1,046,639</u>	<u>1,347,475</u>

On December 31, 2003, the number of shareholders that held 5% or more of the outstanding shares of the Portfolio were as follows:

<u>Number of Shareholders</u>	<u>Approximate Percentage of Outstanding Shares</u>
5	90%

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

Credit Suisse Trust — Emerging Markets Portfolio
Notes to Financial Statements (continued)

December 31, 2003

Note 6. Federal Income Taxes

Income and capital gain distributions are determined in accordance with federal income tax regulations, which may differ from GAAP. These differences are primarily due to differing treatments of foreign currency transactions, losses deferred due to wash sales, Post-October losses and foreign tax credit adjustments.

The tax characteristics of dividends and distributions paid during the year ended December 31, 2003 and 2002, for the Portfolio were as follows:

	<u>Ordinary Income</u>	
<u>2003</u>		<u>2002</u>
\$—		\$92,763

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

Undistributed ordinary income	\$ 257,121
Accumulated net realized loss	(16,784,485)
Unrealized appreciation	17,157,256
Undistributed ordinary loss-other	<u>(20,240)</u>
	<u>\$ 609,652</u>

At December 31, 2003, the Portfolio had capital loss carryforwards available to offset possible future capital gains as follows:

	<u>Expires December 31,</u>	
<u>2008</u>	<u>2009</u>	<u>2010</u>
\$2,020,577	\$9,218,260	\$5,545,648

The Portfolio utilized net capital loss carryforward of \$1,527,354 during 2003.

Under current tax law, certain capital losses realized after October 31 within a taxable year may be deferred and treated as occurring on the first day of the following tax year. For the tax period ended December 31, 2003, the Portfolio elected to defer net losses arising between November 1, 2003 and December 31, 2003.

<u>Currency</u>	<u>Capital</u>
\$20,240	\$—

At December 31, 2003, the identified cost for federal income tax purposes, as well as the gross unrealized appreciation from investments for those securities having an excess of value over cost, gross unrealized depreciation from investments for those securities having an excess of cost over value and the net unrealized appreciation from investments were \$57,757,557, \$17,552,502, \$(93,043) and \$17,459,459, respectively.

Credit Suisse Trust — Emerging Markets Portfolio Notes to Financial Statements (continued)

December 31, 2003

Note 6. Federal Income Taxes

At December 31, 2003, the Fund reclassified \$244,264 from undistributed net investment income to accumulated net realized loss from investments, to adjust for current period permanent book/tax differences which arose principally from differing book/tax treatments of foreign currency transactions and foreign tax credit adjustment. Net assets were not affected by these reclassifications.

Note 7. Contingencies

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

Credit Suisse Trust — Emerging Markets Portfolio Report of Independent Auditors

To the Board of Trustees of Credit Suisse Trust and Shareholders of
Credit Suisse Trust-Emerging Markets Portfolio:

In our opinion, the accompanying statement of assets and liabilities, including the schedule 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 Emerging Markets Portfolio (the "Portfolio"), a portfolio of the Credit Suisse Trust, at December 31, 2003, 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 of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Portfolio'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, 2003 by correspondence with the custodian, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania

February 3, 2004

**Credit Suisse Trust — Emerging Markets Portfolio
 Information Concerning Trustees and Officers (Unaudited)**

<u>Name, Address and Date of Birth</u>	<u>Position(s) Held with Trust</u>	<u>Term of Office¹ and Length of Time Served</u>	<u>Principal Occupation(s) During Past Five Years</u>	<u>Number of Portfolios in Fund Complex Overseen by Trustee</u>	<u>Other Directorships Held by Trustee</u>
Independent Trustees					
Richard H. Francis c/o Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3140 Date of Birth: 04/23/32	Trustee, Nominating and Audit Committee Member	Since 1999	Currently retired	43	None
Jeffrey E. Garten ² Box 208200 New Haven, Connecticut 06520-8200 Date of Birth: 10/29/46	Trustee, Nominating and Audit Committee Member	Since 1998	Dean of Yale School of Management and William S. Beinecke Professor in the Practice of International Trade and Finance (11/95–present)	42	Director of Aetna, Inc. (insurance company); Director of Calpine Corporation (energy provider); Director of CarMax Group (used car dealers)

¹ Each Trustee and Officer serves until his or her respective successor has been duly elected and qualified.

² Mr. Garten was initially appointed as a Trustee of the Trust on February 6, 1998. He resigned as Trustee on February 3, 2000, and was subsequently re-appointed on December 21, 2000.

**Credit Suisse Trust — Emerging Markets Portfolio
 Information Concerning Trustees and Officers (Unaudited) (continued)**

<u>Name, Address and Date of Birth</u>	<u>Position(s) Held with Trust</u>	<u>Term of Office¹ and Length of Time Served</u>	<u>Principal Occupation(s) During Past Five Years</u>	<u>Number of Portfolios in Fund Complex Overseen by Trustee</u>	<u>Other Directorships Held by Trustee</u>
Independent Trustees					
Peter F. Krogh 301 ICC Georgetown University Washington, DC 20057 Date of Birth: 02/11/37	Trustee, Nominating and Audit Committee Member	Since 2001	Dean Emeritus and Distinguished Professor of International Affairs at the Edmund A. Walsh School of Foreign Service, Georgetown University (6/95 – present); Moderator of PBS foreign affairs television series (1988–2000)	42	Director of Carlisle Companies Incorporated (diversified manufacturing company); Member of Selection Committee for Truman Scholars and Henry Luce Scholars; Senior Associate of Center for Strategic and International Studies; Trustee of numerous world affairs organizations
James S. Pasman, Jr. c/o Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3140 Date of Birth: 12/20/30	Trustee, Nominating and Audit Committee Member	Since 1999	Currently retired	44	Director of Education Management Corp.
Steven N. Rappaport Lehigh Court, LLC 40 East 52nd Street New York, New York 10022 Date of Birth: 07/10/48	Trustee, Nominating Committee Member and Audit Committee Chairman	Since 1999	Partner of Lehigh Court, LLC and RZ Capital (private investment firms) (7/02 – present); Consultant to SunGard Securities Finance, Inc. from February 2002 to July 2002; President of SunGard Securities Finance, Inc. from 2001 to February 2002; President of Loanet, Inc. (on-line accounting service) from 1997 to 2001	44	None

**Credit Suisse Trust — Emerging Markets Portfolio
 Information Concerning Trustees and Officers (Unaudited) (continued)**

<u>Name, Address and Date of Birth</u>	<u>Position(s) Held with Trust</u>	<u>Term of Office¹ and Length of Time Served</u>	<u>Principal Occupation(s) During Past Five Years</u>	<u>Number of Portfolios in Fund Complex Overseen by Trustee</u>	<u>Other Directorships Held by Trustee</u>
Interested Trustees					
Joseph D. Gallagher ³ Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3140 Date of Birth: 12/14/62	Trustee, Chairman of the Board and Chief Executive Officer	Since 2003	Managing Director, Chief Executive Officer of CSAM and Global Chief Operating Officer of Credit Suisse Asset Management since 2003; Global Chief Financial Officer, Credit Suisse Asset Management from 1999 to 2003; Chief Executive Officer and Director of Credit Suisse Asset Management Limited, London, England, from June 2000 to 2003; Director of Credit Suisse Asset Management Funds (UK) Limited, London, England, from June 2000 to 2003; Managing Director, Head – Asian Corporate Finance and M&A, Credit Suisse First Boston, Hong Kong, China, from January 1998 to May 1999	45	None
William W. Priest, Jr. ⁴ Steinberg Priest & Sloane Capital Management, LLC 12 East 49th Street 12th Floor New York, New York 10017 Date of Birth: 09/24/41	Trustee	Since 1999	Co-Managing Partner, Steinberg Priest & Sloane Capital Management, LLC since March 2001; Chairman and Managing Director of CSAM from 2000 to February 2001, Chief Executive Officer and Managing Director of CSAM from 1990 to 2000	49	Director of Globe Wireless, LLC (maritime communications company); Director of InfraRed X (medical device company)

³ Mr. Gallagher is a Trustee who is an “interested person” of the Trust as defined in the 1940 Act, because he is an officer of CSAM.

⁴ Mr. Priest is a Trustee who is an “interested person” of the Trust as defined in the 1940 Act, because he provided consulting services to CSAM within the last two years (ended 12/31/02).

**Credit Suisse Trust — Emerging Markets Portfolio
 Information Concerning Trustees and Officers (Unaudited) (continued)**

Name, Address and Date of Birth	Position(s) Held with Trust	Term of Office ¹ and Length of Time Served	Principal Occupation(s) During Past Five Years
Officers			
Hal Liebes Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3140 Date of Birth: 07/06/64	Vice President and Secretary	Since 1999	Managing Director and Global General Counsel of CSAM; Associated with CSAM since 1997; Officer of other Credit Suisse Funds
Michael A. Pignataro Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3140 Date of Birth: 11/15/59	Chief Financial Officer and Treasurer	Since 1999	Director and Director of Fund Administration of CSAM; Associated with CSAM since 1984; Officer of other Credit Suisse Funds
Gregory N. Bressler Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3140 Date of Birth: 11/17/66	Assistant Secretary	Since 2000	Director and Deputy General Counsel of CSAM; Associated with CSAM since January 2000; Associated with the law firm of Swidler Berlin Shereff Friedman LLP from 1996 to 2000; Officer of other Credit Suisse Funds
Rocco A. Del Guercio Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3140 Date of Birth: 04/28/63	Assistant Treasurer	Since 1999	Vice President of CSAM; Associated with CSAM since June 1996; Officer of other Credit Suisse Funds
Joseph Parascondola Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3140 Date of Birth: 06/05/63	Assistant Treasurer	Since 2000	Assistant Vice President of CSAM; Associated with CSAM since April 2000; Assistant Vice President, Deutsche Asset Management from January 1999 to April 2000; Assistant Vice President, Weiss, Peck & Greer LLC from November 1995 to December 1998; Officer of other Credit Suisse Funds

**Credit Suisse Trust — Emerging Markets Portfolio
Information Concerning Trustees and Officers (Unaudited) (continued)**

<u>Name, Address and Date of Birth</u>	<u>Position(s) Held with Trust</u>	<u>Term of Office¹ and Length of Time Served</u>	<u>Principal Occupation(s) During Past Five Years</u>
Officers			
Robert M. Rizza Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3140 Date of Birth: 12/09/65	Assistant Treasurer	Since 2002	Assistant Vice President of CSAM; Associated with CSAM since 1998; Officer of other Credit Suisse Funds

The Statement of Additional Information includes additional information about the Trustees and is available, without charge, upon request, by calling 800-222-8977.

Credit Suisse Trust — Emerging Markets Portfolio Tax Information Letter (Unaudited)

December 31, 2003

Important Tax Information for Corporate Shareholders

During the fiscal year ended December 31, 2003, the Portfolio distributed \$1,366,045 of foreign source income on which the Portfolio paid foreign taxes of \$176,489. This information is being furnished to you pursuant to notice requirements of Section 853(a) and 855(d) of the Internal Revenue Code of 1986, as amended the "Code", and the Treasury Regulations thereunder.

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

CREDIT | ASSET
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CREDIT SUISSE ASSET MANAGEMENT SECURITIES, INC., DISTRIBUTOR.

TREMK-2-1203

NAME: CSAM EMERGING MKTS 12-31 BOOK#7

PROJ: P1025wbn04 **JOB:** 04wbn1083 **CYCLE#;BL#:** 5; 0 **TRIM:** 5.375" x 8.5"
DOC TYPE: AR

AS: Merrill Woburn: 781-939-0500

COLORS: Black, ~note-color 1, ~note-color 2

GRAPHICS: cs_logo_black.eps

COMPOSITE

**CREDIT
SUISSE** | ASSET
MANAGEMENT

CREDIT SUISSE FUNDS

Annual Report

December 31, 2003

CREDIT SUISSE TRUST ▪ GLOBAL POST-VENTURE CAPITAL PORTFOLIO

Credit Suisse Trust (the "Trust") shares are not available directly to individual investors, but may be offered only through certain insurance products and pension and retirement plans.

More complete information about the Trust, including charges and expenses, is provided in the *Prospectus*, which should be read carefully before investing. You may obtain additional copies by calling 800-222-8977 or by writing to Credit Suisse Trust, P.O. Box 55030, Boston, MA 02205-5030.

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

The Portfolio's investment adviser and co-administrators may waive some fees and/or reimburse some expenses, without which performance would be lower. Waivers and/or reimbursements are subject to change.

*Returns include change in share price and reinvestment of dividends and capital gains. **Past performance cannot guarantee future results.** Returns and share price will fluctuate, and redemption value may be more or less than original cost.*

The views of the Portfolio's management are as of the date of the letter and the Portfolio holdings described in this document are as of December 31, 2003; these views and Portfolio holdings may have changed subsequent to these dates. Nothing in this document is a recommendation to purchase or sell securities.

Portfolio shares are not deposits or other obligations of Credit Suisse Asset Management, LLC ("CSAM") or any affiliate, are not FDIC-insured and are not guaranteed by CSAM or any affiliate.

Credit Suisse Trust — Global Post-Venture Capital Portfolio
Annual Investment Adviser's Report
December 31, 2003 (Unaudited)

January 21, 2004

Dear Shareholder:

For the 12 months ended December 31, 2003, Credit Suisse Trust — Global Post-Venture Capital Portfolio¹ (the "Portfolio") had a gain of 47.66%, versus increases of 30.80% for the Morgan Stanley Capital International World Index² and 42.73% for the Russell MidCap[®] Growth Index³.

The period was a positive one for most stock markets around the world. While markets initially struggled, due largely to shifting perceptions of how a war with Iraq might proceed, they began to recover in late March on progress made by the U.S. and its allies. When the war came to a swift and seemingly successful end in April, a major cloud of uncertainty lifted and investors embraced risk. Optimism over a potential recovery in the U.S. economy — and by extension, the global economy — also supported equities. Grounds for this optimism included historically low interest rates, a significant tax-reduction package, and an upturn in leading economic indicators in the U.S., Europe and non-Japan Asia. By the end of the period, the various stimulus tools appeared to be paying off, with third-quarter GDP growth in the U.S. exceeding most analysts' expectations.

Against this backdrop, a number of the Portfolio's holdings had good showings, including its technology, consumer-discretionary, consumer-staples and health-care stocks. Stocks that hindered the Portfolio included certain energy holdings, though energy remained a relatively small weighting in the Portfolio.

We made no major changes to the Portfolio's regional or sector allocation. From a regional standpoint, we remained biased in favor of the U.S., based on company-specific factors as well as our positive outlook on the country's economic prospects. The bulk of the rest of the portfolio was mostly invested in the U.K. and Continental Europe, with smaller positions in Canada, Japan and non-Japan Asia. Noteworthy sector weightings (aside from technology, which accounts for the lion's share of the post-venture-capital world) included consumer stocks, most specifically retail companies. We continued to favor these stocks for their potential to be early beneficiaries of a U.S. and global economic rebound. Elsewhere, we modestly increased our exposure to health-care services companies late in the period, mostly hospitals.

While we are encouraged by the strong third-quarter U.S. GDP growth rate and by some recent improvements in the employment picture, a good deal of optimism may already be priced into the market. But regardless of what may be in store for stocks over the near term, we continue to believe that venture-backed companies comprise an asset class that offers growth potential

Credit Suisse Trust — Global Post-Venture Capital Portfolio Annual Investment Adviser's Report (continued)

December 31, 2003 (Unaudited)

for patient investors. These companies typically have managements that are incented by equity ownership; they tend to develop innovative technologies and products within a range of industries; and they often receive management expertise and professional contacts from venture capitalists. We view these as growth-supporting factors, and we will continue to strive to identify companies we deem to have the best long-term prospects.

The Credit Suisse Global Post-Venture Capital Team

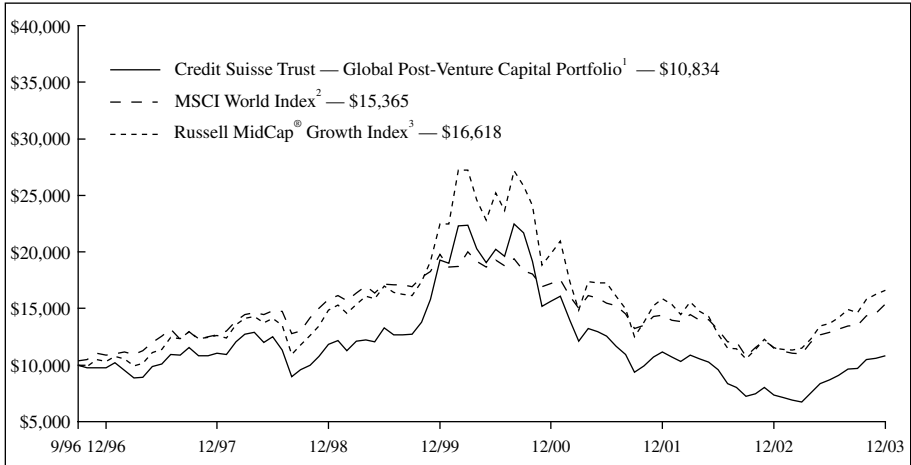
Robert S. Janis
Greg Norton-Kidd
Calvin E. Chung

International investing entails special risk considerations, including currency fluctuations, lower liquidity, economic and political risks, and differences in accounting methods. Because of the nature of the Portfolio's post-venture-capital investments and certain aggressive strategies it may use, an investment in the Portfolio may not be appropriate for all investors.

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

**Credit Suisse Trust — Global Post-Venture Capital Portfolio
Annual Investment Adviser's Report (continued)
December 31, 2003 (Unaudited)**

**Comparison of Change in Value of \$10,000 Investment in the
Credit Suisse Trust — Global Post-Venture Capital Portfolio¹,
the MSCI World Index² and the Russell MidCap[®] Growth Index³
from Inception (9/30/96).**



Past performance is not predictive of future performance. Investment return and principal value of an investment will fluctuate so that an investor's shares upon redemption may be worth more or less than their original cost. The performance results do not reflect the deduction of taxes that a shareholder would pay on portfolio distributions or the redemption of portfolio shares. Performance includes the effect of deducting expenses, but does not include charges and expenses attributable to any particular variable contract or Plan. Accordingly, the Prospectus of the sponsoring Participating Insurance Company separate account or Plan documents or other informational materials supplied by Plan sponsors should be carefully reviewed for information on relevant charges and expenses. Excluding these charges and expenses from quotations of performance has the effect of increasing the performance quoted, and the effect of these charges should be considered when comparing performance to that of other mutual funds.

Credit Suisse Trust — Global Post-Venture Capital Portfolio
Annual Investment Adviser's Report (continued)
December 31, 2003 (Unaudited)

Average Annual Returns as of December 31, 2003¹

<u>1 Year</u>	<u>5 Years</u>	<u>Since Inception</u>
47.66%	(1.73)%	1.11%

-
- ¹ Fee waivers and/or expense reimbursements reduced expenses for the Portfolio, without which performance would be lower. Waivers and/or reimbursements may be discontinued at any time.
 - ² The Morgan Stanley Capital International World Index is a free float-adjusted market capitalization index that is designed to measure global developed-market equity performance. It is the exclusive property of Morgan Stanley Capital International Inc. Investors cannot invest directly in an index.
 - ³ The Russell Midcap[®] Growth Index measures the performance of those companies in the Russell Midcap[®] Index with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000[®] Growth Index. It is an unmanaged index of common stocks that includes reinvestment of dividends and is compiled by Frank Russell Company. Investors cannot invest directly in an index.

Credit Suisse Trust — Global Post-Venture Capital Portfolio
Schedule of Investments
 December 31, 2003

	<u>Number of Shares</u>	<u>Value</u>
COMMON STOCKS (93.1%)		
Canada (2.6%)		
<i>Electronic Equipment & Instruments (1.0%)</i>		
Celestica, Inc.*	67,800	\$ 1,021,746
<i>Leisure Equipment & Products (1.6%)</i>		
Hockey Company Holdings, Inc.*	85,100	987,812
Mega Bloks, Rule 144A* ‡	37,100	660,321
		<u>1,648,133</u>
<i>TOTAL CANADA</i>		<u>2,669,879</u>
France (2.1%)		
<i>Office Electronics (2.1%)</i>		
Neopost SA	42,535	2,146,062
<i>TOTAL FRANCE</i>		<u>2,146,062</u>
Ireland (2.2%)		
<i>Airlines (2.2%)</i>		
Ryanair Holdings PLC*	221,800	1,846,466
Ryanair Holdings PLC ADR*	8,680	439,555
<i>TOTAL IRELAND</i>		<u>2,286,021</u>
Japan (5.6%)		
<i>Diversified Financials (0.9%)</i>		
JAFCO Company, Ltd.	11,500	903,518
<i>Hotels, Restaurants & Leisure (2.6%)</i>		
Round One Corp.	1,163	2,691,275
<i>Specialty Retail (2.1%)</i>		
USS Company, Ltd.	30,220	2,137,423
<i>TOTAL JAPAN</i>		<u>5,732,216</u>
Netherlands (2.7%)		
<i>Food Products (2.7%)</i>		
Nutreco Holdings NV	99,593	2,736,040
<i>TOTAL NETHERLANDS</i>		<u>2,736,040</u>
Norway (2.1%)		
<i>Electronic Equipment & Instruments (2.1%)</i>		
Tandberg ASA*	287,330	2,116,277
<i>TOTAL NORWAY</i>		<u>2,116,277</u>
Singapore (0.9%)		
<i>Electronic Equipment & Instruments (0.9%)</i>		
Flextronics International, Ltd.*	64,800	961,632
<i>TOTAL SINGAPORE</i>		<u>961,632</u>

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Global Post-Venture Capital Portfolio
Schedule of Investments (continued)
 December 31, 2003

	<u>Number of Shares</u>	<u>Value</u>
COMMON STOCKS		
Sweden (2.3%)		
<i>Healthcare Equipment & Supplies (2.3%)</i>		
Getinge AB Class B	246,400	\$ 2,362,876
<i>TOTAL SWEDEN</i>		<u>2,362,876</u>
Switzerland (1.6%)		
<i>Healthcare Equipment & Supplies (1.6%)</i>		
Nobel Biocare Holding AG	15,738	1,593,842
<i>TOTAL SWITZERLAND</i>		<u>1,593,842</u>
Taiwan (1.2%)		
<i>Semiconductor Equipment & Products (1.2%)</i>		
MediaTek, Inc.	132,300	1,243,114
<i>TOTAL TAIWAN</i>		<u>1,243,114</u>
United Kingdom (8.1%)		
<i>Diversified Financials (2.2%)</i>		
3i Group PLC	201,600	2,228,524
<i>Hotels, Restaurants & Leisure (2.8%)</i>		
Enterprise Inns PLC	51,210	929,571
William Hill PLC	253,800	1,940,033
		<u>2,869,604</u>
<i>Household Durables (1.1%)</i>		
MFI Furniture Group PLC	428,280	1,157,696
<i>Software (2.0%)</i>		
Amdocs, Ltd.*	59,000	1,326,320
Sage Group PLC	247,150	777,581
		<u>2,103,901</u>
<i>TOTAL UNITED KINGDOM</i>		<u>8,359,725</u>
United States (61.7%)		
<i>Banks (1.2%)</i>		
Mellon Financial Corp.	39,600	1,271,556
<i>Commercial Services & Supplies (0.9%)</i>		
BISYS Group, Inc.*	63,500	944,880
<i>Diversified Financials (6.7%)</i>		
E*TRADE Group, Inc.*	337,600	4,270,640
Franklin Resources, Inc.	48,900	2,545,734
		<u>6,816,374</u>
<i>Electronic Equipment & Instruments (4.1%)</i>		
Sanmina-SCI Corp.*	152,100	1,917,981
Solectron Corp.*	386,000	2,281,260
		<u>4,199,241</u>

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Global Post-Venture Capital Portfolio Schedule of Investments (continued)

December 31, 2003

	<u>Number of Shares</u>	<u>Value</u>
COMMON STOCKS		
United States		
<i>Food & Drug Retailing (4.0%)</i>		
Whole Foods Market, Inc.*	24,100	\$ 1,617,833
Wild Oats Markets, Inc.*	191,600	2,477,388
		<u>4,095,221</u>
<i>Healthcare Providers & Services (15.7%)</i>		
Accredo Health, Inc.*	80,950	2,558,829
AMERIGROUP Corp.*	21,200	904,180
Centene Corp.*	45,400	1,271,654
Community Health Systems, Inc.*	62,300	1,655,934
Pediatrix Medical Group, Inc.*	45,400	2,501,086
Select Medical Corp.	171,000	2,783,880
Triad Hospitals, Inc.*	61,700	2,052,759
United Surgical Partners International, Inc.*	71,500	2,393,820
		<u>16,122,142</u>
<i>Hotels, Restaurants & Leisure (0.9%)</i>		
Buffalo Wild Wings, Inc.*	11,600	301,020
Panera Bread Co. Class A*	16,300	644,339
		<u>945,359</u>
<i>Household Durables (1.4%)</i>		
Yankee Candle Company, Inc.*	52,800	1,443,024
<i>Internet Software & Services (1.7%)</i>		
Corillian Corp.*	119,800	755,938
Digitas, Inc.*	107,900	1,005,628
		<u>1,761,566</u>
<i>Media (5.9%)</i>		
Clear Channel Communications, Inc.	30,100	1,409,583
Journal Register Co.*	64,100	1,326,870
Netflix, Inc.*	27,900	1,525,851
Radio One, Inc. Class A*	89,000	1,739,950
		<u>6,002,254</u>
<i>Multiline Retail (0.9%)</i>		
Dollar Tree Stores, Inc.*	31,200	937,872
<i>Oil & Gas (1.6%)</i>		
Newfield Exploration Co.*	36,800	1,639,072
<i>Pharmaceuticals (0.9%)</i>		
Sepracor, Inc.*	39,300	940,449
<i>Semiconductor Equipment & Products (3.4%)</i>		
Cypress Semiconductor Corp.*	64,700	1,381,992
GlobespanVirata, Inc.*	206,800	1,215,984
NPTest Holding Corp.*	81,200	896,448
		<u>3,494,424</u>

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Global Post-Venture Capital Portfolio
Schedule of Investments (continued)
 December 31, 2003

	<u>Number of Shares</u>	<u>Value</u>
COMMON STOCKS		
United States		
<i>Software (7.8%)</i>		
Activision, Inc.*	61,800	\$ 1,124,760
JDA Software Group, Inc.*	157,000	2,592,070
Lawson Software, Inc.*	133,400	1,097,882
Micromuse, Inc.*	166,300	1,147,470
Siebel Systems, Inc.*	146,700	2,034,729
		<u>7,996,911</u>
<i>Specialty Retail (4.5%)</i>		
Aeropostale, Inc.*	43,500	1,192,770
Gymboree Corp.*	57,500	990,725
Hot Topic, Inc.*	36,900	1,087,074
Urban Outfitters, Inc.*	35,200	1,304,160
		<u>4,574,729</u>
<i>Wireless Telecommunication Services (0.1%)</i>		
Wireless Facilities, Inc.*	3,875	57,583
TOTAL UNITED STATES		<u>63,242,657</u>
TOTAL COMMON STOCKS (Cost \$72,097,693)		<u>95,450,341</u>
PREFERRED STOCKS (0.7%)		
United States (0.7%)		
<i>Consumer Services (0.7%)</i>		
PRN Corp.*,††	79,000	711,000
<i>Internet Software & Services (0.0%)</i>		
Planetweb, Inc.*,††	183,800	12,866
TOTAL PREFERRED STOCKS (Cost \$1,709,331)		<u>723,866</u>
WARRANT (0.0%)		
United States (0.0%)		
<i>Consumer Services (0.0%)</i>		
PRN Corp. strike \$0.01, expires August 2011*,†† (Cost \$0)	18,283	0
LIMITED PARTNERSHIPS (1.3%)		
United States (1.3%)		
<i>Venture Capital (1.3%)</i>		
Austin Ventures VIII LP*,††	180,003	119,536
CVC European Equity III LP*,††	528,056	483,067
Madison Dearborn Capital Partners, Inc.*,††	260,596	186,515
Oak Investment Partners X LP*,††	808,221	550,344
TOTAL LIMITED PARTNERSHIPS (Cost \$1,555,727)		<u>1,339,462</u>

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Global Post-Venture Capital Portfolio
Schedule of Investments (continued)
December 31, 2003

	<u>Par (000)</u>	<u>Value</u>
SHORT-TERM INVESTMENT (6.6%)		
State Street Bank and Trust Co. Euro Time Deposit, 0.750%, 1/02/04 (Cost \$6,813,000)	\$6,813	\$ 6,813,000
TOTAL INVESTMENTS AT VALUE (101.7%) (Cost \$82,175,751)		104,326,669
LIABILITIES IN EXCESS OF OTHER ASSETS (-1.7%)		<u>(1,749,374)</u>
NET ASSETS (100.0%)		<u><u>\$102,577,295</u></u>

INVESTMENT ABBREVIATIONS

ADR = American Depositary Receipt

* Non-income producing security.

‡ Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At December 31, 2003, these securities amounted to a value of \$660,321 or 0.6% of net assets.

†† Restricted security, not readily marketable; security is valued at fair value as determined in good faith by the Board of Trustees.

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Global Post-Venture Capital Portfolio
Statement of Assets and Liabilities
December 31, 2003

Assets

Investments at value (Cost \$82,175,751) (Note 1)	\$104,326,669
Cash	555
Foreign currency at value (cost \$61)	64
Receivable for portfolio shares sold	179,503
Dividend and interest receivable	44,316
Prepaid expenses	16,577
Total Assets	<u>104,567,684</u>

Liabilities

Advisory fee payable (Note 2)	112,940
Administrative services fee payable (Note 2)	18,271
Payable for investments purchased	1,274,757
Payable for portfolio shares redeemed	544,971
Other accrued expenses payable	39,450
Total Liabilities	<u>1,990,389</u>

Net Assets

Capital stock, \$0.001 par value (Note 6)	10,855
Paid-in capital (Note 6)	162,288,281
Undistributed net investment income	6,573
Accumulated net realized loss on investments and foreign currency transactions	(81,881,134)
Net unrealized appreciation from investments and foreign currency translations	<u>22,152,720</u>
Net Assets	<u>\$102,577,295</u>
Shares outstanding	<u>10,854,730</u>
Net asset value, offering price, and redemption price per share	<u>\$9.45</u>

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Global Post-Venture Capital Portfolio
Statement of Operations
 For the Year Ended December 31, 2003

Investment Income (Note 1)	
Dividends	\$ 389,875
Interest	32,875
Net investment loss allocated from partnerships	(56,642)
Foreign taxes withheld	(34,695)
Total investment income	<u>331,413</u>
Expenses	
Investment advisory fees (Note 2)	906,018
Administrative services fees (Note 2)	118,975
Printing fees (Note 2)	51,253
Legal fees	35,686
Audit fees	21,697
Custodian fees	20,183
Insurance expense	9,479
Transfer agent fees (Note 2)	8,223
Commitment fees (Note 3)	2,414
Trustees' fees	2,310
Registration fees	1,004
Miscellaneous expense	7,202
Total expenses	1,184,444
Less: fees waived (Note 2)	(169,704)
Net expenses	<u>1,014,740</u>
Net investment loss	<u>(683,327)</u>
Net Realized and Unrealized Gain (Loss) from Investments and Foreign Currency Related Items	
Net realized loss from investments	(1,542,991)
Net realized loss on foreign currency transactions	(35,441)
Net change in unrealized appreciation (depreciation) from investments	30,796,744
Net change in unrealized appreciation (depreciation) from foreign currency translations	1,382
Net realized and unrealized gain from investments and foreign currency related items	<u>29,219,694</u>
Net increase in net assets resulting from operations	<u>\$28,536,367</u>

See Accompanying Notes to Financial Statements.

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

	<u>For the Year Ended December 31, 2003</u>	<u>For the Year Ended December 31, 2002</u>
<i>From Operations</i>		
Net investment loss	\$ (683,327)	\$ (742,211)
Net realized loss on investments and foreign currency transactions	(1,578,432)	(19,610,320)
Net change in unrealized appreciation (depreciation) from investments and foreign currency translations	<u>30,798,126</u>	<u>(13,793,254)</u>
Net increase (decrease) in net assets resulting from operations	<u>28,536,367</u>	<u>(34,145,785)</u>
<i>From Capital Share Transactions</i> (Note 6)		
Proceeds from sale of shares	60,688,150	80,332,614
Net asset value of shares redeemed	<u>(47,279,820)</u>	<u>(92,211,758)</u>
Net increase (decrease) in net assets from capital share transactions	<u>13,408,330</u>	<u>(11,879,144)</u>
Net increase (decrease) in net assets	41,944,697	(46,024,929)
<i>Net Assets</i>		
Beginning of year	<u>60,632,598</u>	<u>106,657,527</u>
End of year	<u>\$102,577,295</u>	<u>\$ 60,632,598</u>
Undistributed Net Investment Income	<u>\$ 6,573</u>	<u>\$ —</u>

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Global Post-Venture Capital Portfolio Financial Highlights

(For a Share of the Portfolio Outstanding Throughout Each Year)

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

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

² Total returns are historical and assume changes in share price and reinvestment of all dividends and distributions. Had certain expenses not been reduced during the years shown, total returns would have been lower.

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

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Global Post-Venture Capital Portfolio

Notes to Financial Statements

December 31, 2003

Note 1. Summary of Significant Accounting Policies

Credit Suisse Trust (the "Trust") is an open-end management investment company registered under the Investment Company Act of 1940, as amended, and currently offers eight managed investment portfolios of which one, the Global Post-Venture Capital Portfolio (the "Portfolio"), is included in this report. The Portfolio is a diversified investment fund that seeks long-term growth of capital. Shares of the Portfolio are not available directly to individual investors but may be offered only through (a) variable annuity contracts and variable life insurance contracts offered by separate accounts of certain insurance companies and (b) tax-qualified pension and retirement plans. The Portfolio may not be available in connection with a particular contract or plan. The Trust was organized under the laws of the Commonwealth of Massachusetts as a business trust on March 15, 1995.

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

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

Credit Suisse Trust — Global Post-Venture Capital Portfolio Notes to Financial Statements (continued)

December 31, 2003

Note 1. Summary of Significant Accounting Policies

fair value in which case fair value will be determined. Thereafter, investments in Limited Partnerships held by the Portfolio are valued at their “fair values” using procedures approved by the Board of Trustees. CSAM shall review daily the Portfolio’s fair valued securities.

B) FOREIGN CURRENCY TRANSACTIONS — The books and records of the Portfolio are maintained in U.S. dollars. Transactions denominated in foreign currencies are recorded at the current prevailing exchange rates. All assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the current exchange rate at the end of the period. Translation gains or losses resulting from changes in the exchange rate during the reporting period and realized gains and losses on the settlement of foreign currency transactions are reported in the results of operations for the current period. The Portfolio does not isolate that portion of realized gains and losses on investments in equity securities which is due to changes in the foreign exchange rate from that which is due to changes in market prices of equity securities. The Portfolio isolates that portion of realized gains and losses on investments in debt securities which is due to changes in the foreign exchange rate from that which is due to changes in market prices of debt securities.

C) SECURITY TRANSACTIONS AND INVESTMENT INCOME — Security transactions are accounted for on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. The cost of investments sold is determined by use of the specific identification method for both financial reporting and income tax purposes.

D) DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS — Dividends from net investment income and distributions of net realized capital gains, if any, are declared and paid at least annually. However, to the extent that a net realized capital gain can be reduced by a capital loss carryforward, such gain will not be distributed. Income and capital gain distributions are determined in accordance with federal income tax regulations, which may differ from accounting principles generally accepted in the United States of America (“GAAP”).

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

Credit Suisse Trust — Global Post-Venture Capital Portfolio
Notes to Financial Statements (continued)
December 31, 2003

Note 1. Summary of Significant Accounting Policies

F) USE OF ESTIMATES — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

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

H) FORWARD FOREIGN CURRENCY CONTRACTS — The Portfolio may enter into forward foreign currency contracts for the purchase or sale of a specific foreign currency at a fixed price on a future date. Risks may arise upon entering into these contracts from the potential inability of counterparties to meet the terms of their contracts and from unanticipated movements in the value of a foreign currency. The Portfolio will enter into forward foreign currency contracts primarily for hedging purposes. Forward foreign currency contracts are adjusted by the daily exchange rate of the underlying currency and any gains or losses are recorded for financial statement purposes as unrealized until the contract settlement date or an offsetting position is entered into. At December 31, 2003, the Portfolio had no open forward foreign currency contracts.

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

Credit Suisse Trust — Global Post-Venture Capital Portfolio Notes to Financial Statements (continued)

December 31, 2003

Note 1. Summary of Significant Accounting Policies

realization and/or retention of the collateral may be subject to legal proceedings. The Portfolio had no securities out on loan during the year ended December 31, 2003.

Credit Suisse First Boston (“CSFB”), an affiliate of CSAM, has been engaged by the Portfolio to act as the Portfolio’s securities lending agent. Prior to April 1, 2003, CSFB had agreed to charge the Portfolio fees for its securities lending activities equal to its costs in providing services as securities lending agent and had voluntarily waived such fees through March 31, 2003. Effective April 1, 2003, the Portfolio and CSFB entered into an arrangement to share the income earned from securities lending activities, whereby, generally, the Portfolio will receive 75% and CSFB will receive 25% of the income, in accordance with the provisions of the securities lending agency agreement. If CSFB should enter into a securities lending agency agreement with another comparable investment company client under which it will receive a smaller proportion of the fees, its fee agreement with the Portfolio shall be reduced to such lower fee amount. Securities lending income is accrued as earned. The Portfolio earned no income from securities lending for the year ended December 31, 2003.

J) PARTNERSHIP ACCOUNTING POLICY — The Portfolio records its pro-rata share of the income/(loss) and capital gains/(losses) allocated from the underlying partnerships and adjusts the cost of the underlying partnerships accordingly. These amounts are included in the Portfolio’s Statement of Operations.

K) OTHER — The Portfolio may invest in securities of foreign countries and governments which involve certain risks in addition to those inherent in domestic investments. Such risks generally include, among others, currency risk (fluctuations in currency exchange rates), information risk (key information may be inaccurate or unavailable) and political risk (expropriation, nationalization or the imposition of capital or currency controls or punitive taxes). Other risks of investing in foreign securities include liquidity and valuation risks.

The Portfolio may be subject to taxes imposed by countries in which it invests with respect to its investments in issuers existing or operating in such countries. Such taxes are generally based on income earned or repatriated and capital gains realized on the sale of such investments. The Portfolio accrues such taxes when the related income or gains are earned.

The Portfolio may invest up to 15% of its net assets in non-publicly traded securities. Non-publicly traded securities may be less liquid than publicly traded securities. Although these securities may be resold in privately

Credit Suisse Trust — Global Post-Venture Capital Portfolio
Notes to Financial Statements (continued)
December 31, 2003

Note 1. Summary of Significant Accounting Policies

negotiated transactions, the prices realized from such sales could differ from the price originally paid by the Portfolio or the current carrying values, and the difference could be material.

Note 2. Transactions with Affiliates and Related Parties

CSAM serves as investment adviser for the Portfolio. For its investment advisory services, CSAM is entitled to receive a fee from the Portfolio at an annual rate of 1.25% of the Portfolio's average daily net assets. For the year ended December 31, 2003, investment advisory fees earned and voluntarily waived were \$906,018 and \$169,704, respectively.

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

Abbott Capital Management, LLC ("Abbott Capital") serves as sub-investment adviser for the Portfolio's assets invested in Limited Partnerships. Pursuant to the sub-advisory agreement between Abbott Capital and CSAM, Abbott Capital is entitled to a quarterly fee from CSAM at the annual rate of 1.00% of the value of the Portfolio's Limited Partnerships as of the end of each calendar quarter, which fee amount or a portion thereof may be waived by Abbott Capital. No compensation is paid by the Portfolio to Abbott Capital for its sub-investment advisory services.

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

For its co-administrative services, CSAMSI currently receives a fee calculated at an annual rate of 0.10% of the average daily net assets of the Portfolio. For the year ended December 31, 2003, co-administrative services fees earned by CSAMSI were \$72,482.

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

Credit Suisse Trust — Global Post-Venture Capital Portfolio Notes to Financial Statements (continued)

December 31, 2003

Note 2. Transactions with Affiliates and Related Parties

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

For the year ended December 31, 2003, co-administrative services fees earned by SSB (including out-of-pocket expenses) were \$46,493.

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

Merrill Corporation ("Merrill"), an affiliate of CSAM, has been engaged by the Portfolio to provide certain financial printing and fulfillment services. For the year ended December 31, 2003, Merrill was paid \$21,046 for its services to the Portfolio.

Note 3. Line of Credit

The Portfolio, together with other funds/portfolios advised by CSAM (collectively, the "Participating Funds"), participates in a \$100 million committed, unsecured line of credit facility ("Credit Facility") for temporary or emergency purposes with Deutsche Bank, A.G. as administrative agent and syndication agent and SSB as operations agent. Under the terms of the Credit Facility, the Participating Funds pay an aggregate commitment fee at a rate of 0.10% per annum on the average unused amount of the Credit Facility, which is allocated among the Participating Funds in such manner as is determined by the governing Boards of the Participating Funds. In addition, the Participating Funds pay interest on borrowings at the Federal Funds rate plus 0.50%. At December 31, 2003, and during the year ended December 31, 2003, the Portfolio had no borrowings under the Credit Facility.

Note 4. Purchases and Sales of Securities

For the year ended December 31, 2003, purchases and sales of investment securities (excluding short-term investments) were \$69,244,217 and \$59,559,235, respectively.

Note 5. Restricted Securities

Certain of the Portfolio's investments are restricted as to resale, and are valued at fair value as determined in good faith by the Board of Trustees under procedures established by the Board of Trustees. The table below shows the number of shares held, the acquisition dates, aggregate cost, fair values as of December 31, 2003, the value per share of such securities and percentage of net assets which the securities represent.

Credit Suisse Trust — Global Post-Venture Capital Portfolio Notes to Financial Statements (continued)

December 31, 2003

Note 5. Restricted Securities

Security	Security Type	Number of Shares	Acquisition Date	Cost	Fair Value	Value per Share	Percentage of Net Assets Value	Open Commitments
Austin Ventures VIII LP	Ltd. Partnership	180,003	7/13/01	\$ 167,700	\$ 119,536	\$0.66	0.12%	\$ 373,330
CVC European Equity III LP	Ltd. Partnership	528,056	9/04/01	464,128	483,067	0.91	0.47%	471,944
Madison Dearborn Capital Partners, Inc.	Ltd. Partnership	260,596	4/02/01	215,980	186,515	0.72	0.18%	739,404
Oak Investment Partners X LP	Ltd. Partnership	808,221	1/18/01	707,919	550,344	0.68	0.54%	691,779
Planetweb, Inc.	Preferred Stock	183,800	9/08/00	998,331	12,866	0.07	0.01%	—
PRN Corp.	Preferred Stock	79,000	8/13/01	711,000	711,000	9.00	0.69%	—
PRN Corp.	Warrant	18,283	8/14/01	—	—	—	—	—
				<u>\$3,265,058</u>	<u>\$2,063,328</u>		<u>2.01%</u>	<u>\$2,276,457</u>

Note 6. Capital Share Transactions

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

	For the Year Ended December 31, 2003	For the Year Ended December 31, 2002
Shares sold	7,854,852	9,776,103
Shares redeemed	(6,480,897)	(11,272,031)
Net increase (decrease)	<u>1,373,955</u>	<u>(1,495,928)</u>

On December 31, 2003, the number of shareholders that held 5% or more of the outstanding shares of the Portfolio were as follows:

Number of Shareholders	Approximate Percentage of Outstanding Shares
5	76%

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

Note 7. Federal Income Taxes

Income and capital gain distributions are determined in accordance with federal income tax regulations, which may differ from GAAP. These differences are primarily due to differing treatments of foreign currency transactions, losses deferred due to wash sales and post October losses.

There were no distributions in the year ended December 31, 2003 and 2002.

Credit Suisse Trust — Global Post-Venture Capital Portfolio
Notes to Financial Statements (continued)
 December 31, 2003

Note 7. Federal Income Taxes

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

Accumulated net realized loss	\$(81,611,249)
Unrealized appreciation	21,892,162
Undistributed ordinary loss— other	(2,754)
	<u>\$(59,721,841)</u>

At December 31, 2003, the Portfolio had capital loss carryforwards available to offset possible future capital gains as follows:

<u>Expires December 31,</u>		
<u>2009</u>	<u>2010</u>	<u>2011</u>
\$57,257,384	\$19,475,667	\$4,878,198

Under current tax law, certain capital losses realized after October 31 within a taxable year may be deferred and treated as occurring on the first day of the following tax year. For the tax period ended December 31, 2003, the Portfolio elected to defer net losses arising between November 1, 2003 and December 31, 2003 as follows:

<u>Currency</u>	<u>Capital</u>
\$2,754	\$—

At December 31, 2003, the identified cost for federal income tax purposes, as well as the gross unrealized appreciation from investments for those securities having an excess of value over cost, gross unrealized depreciation from investments for those securities having an excess of cost over value and the net unrealized appreciation from investments were \$82,436,309, \$23,910,982, \$(2,020,622) and \$21,890,360, respectively.

At December 31, 2003, the Portfolio reclassified \$689,900 to accumulated undistributed net investment income and \$35,425 to accumulated net realized gain (loss) from investments from paid-in capital, to adjust for current period permanent book/tax differences which arose principally from differing book/tax treatments of net operating losses and foreign currency transactions. Net assets were not affected by these reclassifications.

Note 8. Contingencies

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

Credit Suisse Trust — Global Post-Venture Capital Portfolio Report of Independent Auditors

To the Board of Trustees of Credit Suisse Trust and Shareholders of
Credit Suisse Trust-Global Post-Venture Capital Portfolio:

In our opinion, the accompanying statement of assets and liabilities, including the schedule 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 Global Post-Venture Capital Portfolio (the "Portfolio"), a portfolio of the Credit Suisse Trust, at December 31, 2003, 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 of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Portfolio'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, 2003 by correspondence with the custodian, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania

February 3, 2004

Credit Suisse Trust — Global Post-Venture Capital Portfolio Information Concerning Trustees and Officers (Unaudited)

<u>Name, Address and Date of Birth</u>	<u>Position(s) Held with Trust</u>	<u>Term of Office¹ and Length of Time Served</u>	<u>Principal Occupation(s) During Past Five Years</u>	<u>Number of Portfolios in Fund Complex Overseen by Trustee</u>	<u>Other Directorships Held by Trustee</u>
Independent Trustees					
Richard H. Francis c/o Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3140 Date of Birth: 04/23/32	Trustee, Nominating and Audit Committee Member	Since 1999	Currently retired	43	None
Jeffrey E. Garten ² Box 208200 New Haven, Connecticut 06520-8200 Date of Birth: 10/29/46	Trustee, Nominating and Audit Committee Member	Since 1998	Dean of Yale School of Management and William S. Beinecke Professor in the Practice of International Trade and Finance (11/95 – present)	42	Director of Aetna, Inc. (insurance company); Director of Calpine Corporation (energy provider); Director of CarMax Group (used car dealers)

¹ Each Trustee and Officer serves until his or her respective successor has been duly elected and qualified.

² Mr. Garten was initially appointed as a Trustee of the Trust on February 6, 1998. He resigned as Trustee on February 3, 2000, and was subsequently re-appointed on December 21, 2000.

**Credit Suisse Trust — Global Post-Venture Capital Portfolio
 Information Concerning Trustees and Officers (Unaudited) (continued)**

<u>Name, Address and Date of Birth</u>	<u>Position(s) Held with Trust</u>	<u>Term of Office¹ and Length of Time Served</u>	<u>Principal Occupation(s) During Past Five Years</u>	<u>Number of Portfolios in Fund Complex Overseen by Trustee</u>	<u>Other Directorships Held by Trustee</u>
Independent Trustees					
Peter F. Krogh 301 ICC Georgetown University Washington, DC 20057 Date of Birth: 02/11/37	Trustee, Nominating and Audit Committee Member	Since 2001	Dean Emeritus and Distinguished Professor of International Affairs at the Edmund A. Walsh School of Foreign Service, Georgetown University (6/95 – present); Moderator of PBS foreign affairs television series (1988 – 2000)	42	Director of Carlisle Companies Incorporated (diversified manufacturing company); Member of Selection Committee for Truman Scholars and Henry Luce Scholars; Senior Associate of Center for Strategic and International Studies; Trustee of numerous world affairs organizations
James S. Pasman, Jr. c/o Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3140 Date of Birth: 12/20/30	Trustee, Nominating and Audit Committee Member	Since 1999	Currently retired	44	Director of Education Management Corp.
Steven N. Rappaport Lehigh Court, LLC 40 East 52nd Street New York, New York 10022 Date of Birth: 07/10/48	Trustee, Nominating Committee Member and Audit Committee Chairman	Since 1999	Partner of Lehigh Court, LLC and RZ Capital (private investment firms) (7/02 – present); Consultant to SunGard Securities Finance, Inc. from February 2002 to July 2002; President of SunGard Securities Finance, Inc. from 2001 to February 2002; President of Loanet, Inc. (on-line accounting service) from 1997 to 2001	44	None

**Credit Suisse Trust — Global Post-Venture Capital Portfolio
 Information Concerning Trustees and Officers (Unaudited) (continued)**

<u>Name, Address and Date of Birth</u>	<u>Position(s) Held with Trust</u>	<u>Term of Office¹ and Length of Time Served</u>	<u>Principal Occupation(s) During Past Five Years</u>	<u>Number of Portfolios in Fund Complex Overseen by Trustee</u>	<u>Other Directorships Held by Trustee</u>
Interested Trustees					
Joseph D. Gallagher ³ Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3140 Date of Birth: 12/14/62	Trustee, Chairman of the Board and Chief Executive Officer	Since 2003	Managing Director, Chief Executive Officer of CSAM and Global Chief Operating Officer of Credit Suisse Asset Management since 2003; Global Chief Financial Officer, Credit Suisse Asset Management from 1999 to 2003; Chief Executive Officer and Director of Credit Suisse Asset Management Limited, London, England, from June 2000 to 2003; Director of Credit Suisse Asset Management Funds (UK) Limited, London, England, from June 2000 to 2003; Managing Director, Head – Asian Corporate Finance and M&A, Credit Suisse First Boston, Hong Kong, China, from January 1998 to May 1999	45	None
William W. Priest, Jr. ⁴ Steinberg Priest & Sloane Capital Management, LLC 12 East 49th Street 12th Floor New York, New York 10017 Date of Birth: 09/24/41	Trustee	Since 1999	Co-Managing Partner, Steinberg Priest & Sloane Capital Management, LLC since March 2001; Chairman and Managing Director of CSAM from 2000 to February 2001, Chief Executive Officer and Managing Director of CSAM from 1990 to 2000	49	Director of Globe Wireless, LLC (maritime communications company); Director of InfraRed X (medical device company)

³ Mr. Gallagher is a Trustee who is an “interested person” of the Trust as defined in the 1940 Act, because he is an officer of CSAM.

⁴ Mr. Priest is a Trustee who is an “interested person” of the Trust as defined in the 1940 Act, because he provided consulting services to CSAM within the last two years (ended 12/31/02).

**Credit Suisse Trust — Global Post-Venture Capital Portfolio
 Information Concerning Trustees and Officers (Unaudited) (continued)**

<u>Name, Address and Date of Birth</u>	<u>Position(s) Held with Trust</u>	<u>Term of Office¹ and Length of Time Served</u>	<u>Principal Occupation(s) During Past Five Years</u>
Officers			
Hal Liebes Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3140 Date of Birth: 07/06/64	Vice President and Secretary	Since 1999	Managing Director and Global General Counsel of CSAM; Associated with CSAM since 1997; Officer of other Credit Suisse Funds
Michael A. Pignataro Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3140 Date of Birth: 11/15/59	Chief Financial Officer and Treasurer	Since 1999	Director and Director of Fund Administration of CSAM; Associated with CSAM since 1984; Officer of other Credit Suisse Funds
Gregory N. Bressler Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3140 Date of Birth: 11/17/66	Assistant Secretary	Since 2000	Director and Deputy General Counsel of CSAM; Associated with CSAM since January 2000; Associated with the law firm of Swidler Berlin Shereff Friedman LLP from 1996 to 2000; Officer of other Credit Suisse Funds
Rocco A. Del Guercio Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3140 Date of Birth: 04/28/63	Assistant Treasurer	Since 1999	Vice President of CSAM; Associated with CSAM since June 1996; Officer of other Credit Suisse Funds
Joseph Parascondola Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3140 Date of Birth: 06/05/63	Assistant Treasurer	Since 2000	Assistant Vice President of CSAM; Associated with CSAM since April 2000; Assistant Vice President, Deutsche Asset Management from January 1999 to April 2000; Assistant Vice President, Weiss, Peck & Greer LLC from November 1995 to December 1998; Officer of other Credit Suisse Funds

**Credit Suisse Trust — Global Post-Venture Capital Portfolio
Information Concerning Trustees and Officers (Unaudited) (continued)**

<u>Name, Address and Date of Birth</u>	<u>Position(s) Held with Trust</u>	<u>Term of Office¹ and Length of Time Served</u>	<u>Principal Occupation(s) During Past Five Years</u>
Officers			
Robert M. Rizza Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3140 Date of Birth: 12/09/65	Assistant Treasurer	Since 2002	Assistant Vice President of CSAM; Associated with CSAM since 1998; Officer of other Credit Suisse Funds

The Statement of Additional Information includes additional information about the Trustees and is available, without charge, upon request, by calling 800-222-8977.

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

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CREDIT SUISSE ASSET MANAGEMENT SECURITIES, INC., DISTRIBUTOR.

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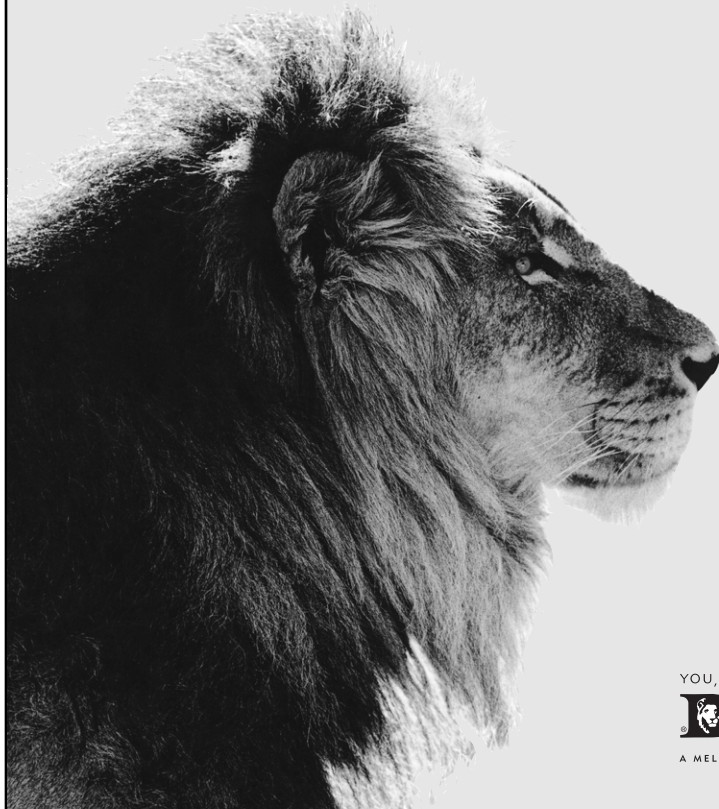
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COMPOSITE

Dreyfus Investment Portfolios, MidCap Stock Portfolio

ANNUAL REPORT December 31, 2003



YOU, YOUR ADVISOR AND
Dreyfus
A MELLON FINANCIAL COMPANY™

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

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THE PORTFOLIO

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FOR MORE INFORMATION

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LETTER FROM THE CHAIRMAN

Dear Shareholder:

This annual report for Dreyfus Investment Portfolios, MidCap Stock Portfolio covers the 12-month period from January 1, 2003, through December 31, 2003. 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.

Despite headwinds caused by economic and geopolitical uncertainty early in the year, stocks generally bounced back in 2003, with many stock market indexes generating their first full calendar year of gains since 1999. The combination of historically low interest rates, lower federal income tax rates, progress in the war on terrorism and above-trend economic growth during the second half of the year helped propel stock prices higher.

While stocks in general may no longer be priced as attractively as they were at the start of the year, we believe that market fundamentals remain favorable based on recent forecasts of continued economic growth. However, our optimism is tempered by the understanding that some companies, industries and market sectors always perform better than others. As always, we urge you to speak regularly with your financial advisor, who may be in the best position to suggest the Dreyfus funds designed to meet your current needs, future goals and tolerance for risk.

Thank you for your continued confidence and support.

Sincerely,

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



DISCUSSION OF PERFORMANCE

John O'Toole, Portfolio Manager

How did Dreyfus Investment Portfolios, MidCap Stock Portfolio perform relative to its benchmark?

For the 12-month period ended December 31, 2003, the portfolio's Initial shares produced a total return of 31.72%, and its Service shares produced a total return of 31.48%.¹ This compares with the total return of 35.62% provided by the portfolio's benchmark, the Standard & Poor's MidCap 400 Index, for the same period.²

These returns reflect generally positive conditions for stocks, which were bolstered by an improving U.S. economy and the reduction of major combat operations in Iraq. In general, midcap stocks benefited from these conditions to an even greater extent than their large-cap counterparts, and the portfolio participated in this trend to a significant degree. However, the market's greatest gains were concentrated among volatile stocks with what we believe to be lower-quality business fundamentals. The portfolio's disciplined investment approach generally leads us to avoid such investments, which is primarily why the portfolio's total returns trailed the benchmark.

What is the portfolio's investment approach?

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

The quantitatively driven valuation process identifies and ranks approximately 2,500 midcap stocks as attractive, neutral or unattractive investments, based on more than a dozen different valuation inputs. Those inputs, which we believe can have an important influence on stock returns, include, among other things, earnings estimates, profit margins and growth in cash flow. We establish weightings for each input based on our analysis of which factors are being rewarded by

investors, and make adjustments along the way for the uniqueness of various industries and economic sectors. For example, if the equity markets were rewarding companies with strong growth in cash flow, then we would add more weight to our growth-in-cash-flow factor.

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

What other factors influenced the portfolio's performance?

As investors became less risk-averse in an improving economy, they turned to stocks that had performed poorly during the bear market. As a result, technology stocks produced some of the market's and the portfolio's greatest gains. Some of the portfolio's top technology performers, such as SanDisk, achieved significant returns during the reporting period. However, the portfolio did not own several more speculative, midcap technology stocks that also provided strong returns. As a result, the portfolio's technology returns lagged those of the benchmark.

Disappointments related to company-specific situations among a handful of holdings in other industry groups further undermined the portfolio's performance compared to its benchmark. Most notably, relative performance suffered due to investments in Valassis Communications (marketing services); Pharmaceutical Product Development (drug development support); WebMD (health care information and technology); and Hilb, Rogal and Hamilton (insurance). In each of these cases, unanticipated financial or business setbacks prevented the stock from fully sharing in the market's rise. We have carefully evaluated the reasons for each stock's underperformance and the likelihood of its recovery in deciding whether to retain or sell the position.

The portfolio delivered relatively strong returns with its investments in the energy sector, which benefited from rising commodity prices. Top holdings in the energy group focused on domestic exploration and

production companies, such as Patina Oil & Gas and XTO Energy. In the financial services area, the portfolio outperformed its benchmark by targeting beneficiaries of the home refinancing boom, such as Countrywide Financial, as well as regional banks, such as Doral Financial, that prospered in a favorable interest-rate environment. Finally, in the health care sector, investments in profitable biotechnology companies such as Gilead Sciences, and specialty drug developers such as Valeant Pharmaceuticals International, also contributed positively to the portfolio's performance.

What is the portfolio's current strategy?

We continue to find opportunities that we believe offer attractive investment potential within the stock market's mid-capitalization range. At the same time, the portfolio remains focused on midcap stocks, which we continue to believe offer greater opportunities for capital appreciation than their large-cap counterparts and lower risks of failure than most small-cap stocks.

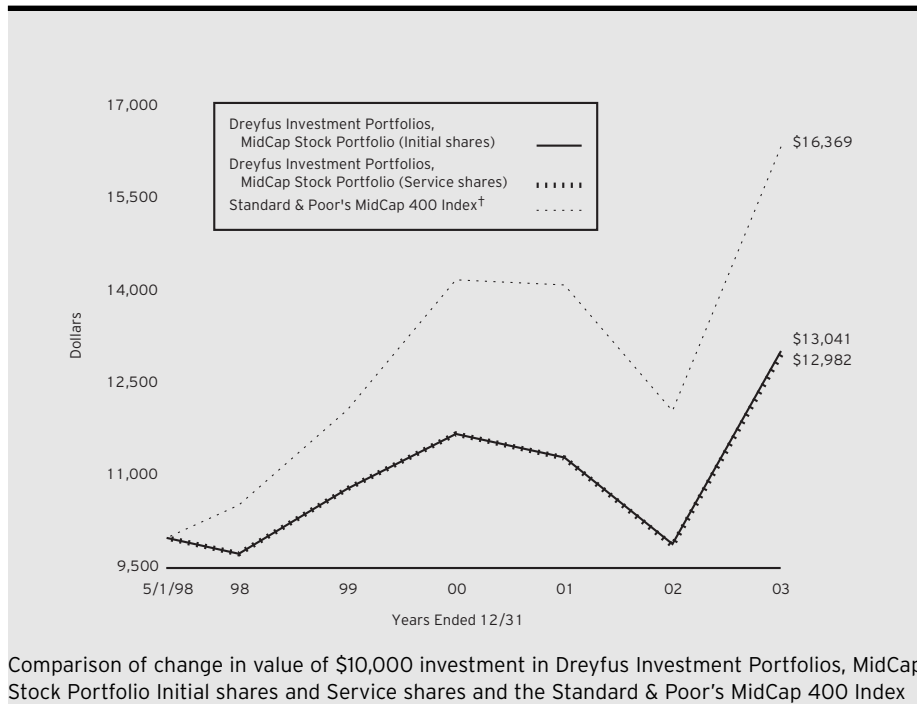
January 15, 2004

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

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

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

PORTFOLIO PERFORMANCE



Average Annual Total Returns *as of 12/31/03*

	Inception Date	1 Year	5 Years	From Inception
Initial shares	5/1/98	31.72%	6.00%	4.79%
Service shares	5/1/98	31.48%	5.90%	4.71%

The data for Service shares primarily represents the results of Initial shares. Actual Service shares' average annual total return and hypothetical growth results would have been lower. See notes below.

† Source: Lipper Inc.

Past performance is not predictive of future performance. The portfolio's performance shown in the graph and table does not reflect the deduction of taxes that a shareholder would pay on portfolio distributions or the redemption of portfolio shares.

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 and Service shares of Dreyfus Investment Portfolios, MidCap Stock Portfolio on 5/1/98 (inception date of Initial shares) to a \$10,000 investment made in the Standard & Poor's MidCap 400 Index (the "Index") on that date.

The portfolio's Initial shares are not subject to a Rule 12b-1 fee. The portfolio's Service shares are subject to a 0.25% annual Rule 12b-1 fee. The performance figures for Service shares reflect the performance of the portfolio's Initial shares from their inception date through December 30, 2000, and the performance of the portfolio's Service shares from December 31, 2000 (inception date of Service shares) to December 31, 2003 (blended performance figures). The performance figures for each share class reflect certain expense reimbursements, without which the performance of each share class would have been lower. In addition, the blended performance figures have not been adjusted to reflect the higher operating expenses of the Service shares. If these expenses had been reflected, the blended performance figures would have been lower. All dividends and capital gain distributions are reinvested.

The portfolio's performance shown in the line graph takes into account all applicable portfolio fees and expenses (after any expense reimbursements). The Index is a widely accepted, unmanaged total return index measuring the performance of the midsize company segment of the U.S. stock market and 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.

STATEMENT OF INVESTMENTS

December 31, 2003

Common Stocks—97.7%	Shares	Value (\$)
Consumer Cyclical—14.0%		
Abercrombie & Fitch, Cl. A	57,900 ^a	1,430,709
ArvinMeritor	133,300	3,215,196
Aztar	50,900 ^a	1,145,250
Bob Evans Farms	57,900	1,879,434
Borders Group	84,200	1,845,664
Brinker International	63,200 ^a	2,095,712
CBRL Group	35,100	1,342,926
Chico's FAS	61,400 ^a	2,268,730
Claire's Stores	143,900	2,711,076
Coach	133,300 ^a	5,032,075
Columbia Sportswear	28,100 ^a	1,531,450
GTECH Holdings	78,900	3,904,761
Gentex	64,900 ^b	2,865,984
HON Industries	36,900	1,598,508
Magna International, Cl. A	20,200	1,617,010
Michaels Stores	49,100	2,170,220
Mohawk Industries	43,900 ^a	3,096,706
Movie Gallery	47,400	885,432
Pep Boys-Manny, Moe & Jack	70,200 ^b	1,605,474
Pier 1 Imports	91,300	1,995,818
Ross Stores	91,200	2,410,416
Ruby Tuesday	54,400	1,549,856
Zale	40,400 ^a	2,149,280
		50,347,687
Consumer Staples—3.4%		
Blyth	38,500	1,240,470
Bunge Limited	26,300	865,796
Dial	56,000	1,594,320
Fresh Del Monte Produce	31,600 ^b	753,028
Helen of Troy	40,300 ^a	932,945
Jarden	39,500 ^a	1,079,930
Pactiv	77,200 ^a	1,845,080
Pilgrim's Pride	73,700	1,203,521
Sensient Technologies	64,900	1,283,073
Smithfield Foods	68,400 ^a	1,415,880
		12,214,043

Common Stocks (continued)	Shares	Value (\$)
Energy—7.6%		
Energen	40,400	1,657,612
Houston Exploration	48,900 ^a	1,785,828
Oil States International	159,400 ^a	2,222,036
Patina Oil & Gas	52,600	2,576,874
Patterson-UTI Energy	67,500 ^a	2,222,100
Questar	75,400	2,650,310
Southwestern Energy	70,200 ^a	1,677,780
Sunoco	26,300	1,345,245
Unit	94,700 ^a	2,230,185
Valero Energy	100,000	4,634,000
XTO Energy	147,900	4,185,570
		27,187,540
Health Care—12.4%		
Apria Healthcare Group	75,400 ^a	2,146,638
Beckman Coulter	50,900	2,587,247
Coventry Health Care	61,400 ^a	3,959,686
First Health Group	75,400 ^a	1,467,284
Gilead Sciences	57,100 ^a	3,319,794
Health Net	98,200 ^a	3,211,140
Henry Schein	42,100 ^a	2,845,118
Hillenbrand Industries	29,800	1,849,388
Invitrogen	17,500 ^a	1,225,000
Kos Pharmaceuticals	50,900 ^{a,b}	2,190,736
Martek Biosciences	22,800 ^a	1,481,316
Millipore	22,800 ^a	981,540
Mylan Laboratories	142,100	3,589,446
Oxford Health Plans	66,700	2,901,450
Pharmaceutical Resources	28,100 ^a	1,830,715
STERIS	75,400 ^a	1,704,040
Select Medical	84,200	1,370,776
Valeant Pharmaceuticals	117,500 ^b	2,955,125
Varian Medical Systems	43,900 ^a	3,033,490
		44,649,929
Interest Sensitive—20.3%		
Affiliated Managers Group	29,800 ^{a,b}	2,073,782
Associated Banc-Corp	64,900	2,767,985

STATEMENT OF INVESTMENTS (continued)

Common Stocks (continued)	Shares	Value (\$)
Interest Sensitive (continued)		
Bank of Hawaii	52,300	2,207,060
Bear Stearns Cos.	26,300	2,102,685
City National	45,600	2,832,672
Commerce Bancshares	47,900	2,348,058
Countrywide Financial	1	50
Dime Bancorp (warrants)	19,900 ^a	3,383
Doral Financial	89,500	2,889,060
E*TRADE Financial	296,500 ^a	3,750,725
Everest Re Group	31,600	2,673,360
Fidelity National Financial	105,300	4,083,534
First American	91,200	2,715,024
First Tennessee National	45,600	2,010,960
GreenPoint Financial	65,800	2,324,056
Hibernia Cl. A	138,600	3,258,486
IPC Holdings	42,100	1,639,374
Knight Trading Group	103,200 ^a	1,510,848
Legg Mason	28,100	2,168,758
Marshall & Ilsley	25,600	979,200
National Commerce Financial	131,600	3,590,048
New Century Financial	39,500 ^b	1,566,965
New York Community Bancorp	126,300	4,805,715
Northwest Bancorp	43,900	937,704
Nuveen Investments	52,600	1,402,316
Old Republic International	129,000	3,271,440
Popular	43,900	1,972,866
RenaissanceRe Holdings	31,600	1,549,980
Sky Financial Group	80,700	2,093,358
South Financial Group	69,600	1,939,056
Sovereign Bancorp	113,300	2,690,875
T. Rowe Price Group	35,100	1,664,091
Zions Bancorporation	24,700	1,514,851
		73,338,325
Internet Related—7%		
CheckFree	47,400 ^a	1,310,610
United Online	76,300 ^{a,b}	1,281,077
		2,591,687

Common Stocks (continued)	Shares	Value (\$)
Producer Goods—12.9%		
American Power Conversion	70,200	1,716,390
Bemis	31,600	1,580,000
Briggs & Stratton	19,300	1,300,820
C.H. Robinson Worldwide	54,400	2,062,304
Carlisle Cos.	29,900	1,819,714
Cooper Industries, Cl. A	31,600	1,830,588
Crane	54,400	1,672,256
Cytec Industries	52,600 ^a	2,019,314
Energizer Holdings	59,600 ^a	2,238,576
Harsco	42,100	1,844,822
Hovnanian Enterprises, Cl. A	24,600 ^a	2,141,676
J. B. Hunt Transport Services	45,600 ^a	1,231,656
KB Home	26,700	1,936,284
Landstar System	31,600 ^a	1,202,064
Lennar, Cl. A	45,600	4,377,600
Lubrizol	59,600	1,938,192
Monsanto	42,100	1,211,638
Pall	52,600	1,411,258
Phelps Dodge	22,800 ^a	1,734,852
Precision Castparts	63,200	2,869,912
RPM International	84,200	1,385,932
Ryland Group	14,000	1,240,960
Sigma-Aldrich	31,600	1,806,888
United Stationers	35,100 ^a	1,436,292
York International	68,400	2,517,120
		46,527,108
Services—9.6%		
Affiliated Computer Services	54,400 ^a	2,962,624
Convergys	70,200 ^a	1,225,692
Corinthian Colleges	38,600 ^a	2,144,616
Cox Radio, Cl. A	57,900 ^a	1,460,817
Deluxe	36,800	1,520,944
Engineered Support Systems	28,000	1,541,680
Entercom Communications	38,600 ^a	2,044,256
FTI Consulting	50,000 ^a	1,168,500
FactSet Research Systems	38,600	1,474,906

STATEMENT OF INVESTMENTS (continued)

Common Stocks (continued)	Shares	Value (\$)
Services (continued)		
ITT Educational Services	38,600 ^a	1,813,042
Manpower	50,900	2,396,372
Moody's	19,300	1,168,615
Pharmaceutical Product Development	46,500 ^a	1,254,105
Rent-A-Center	52,600 ^a	1,571,688
Republic Services	117,500	3,011,525
SunGard Data Systems	75,400 ^a	2,089,334
Valassis Communications	70,200 ^a	2,060,370
Washington Post, Cl. B	3,600	2,849,040
Wireless Facilities	56,100 ^a	833,646
		34,591,772
Technology—13.4%		
Adobe Systems	24,600	966,780
Altera	68,400 ^a	1,552,680
Amkor Technology	128,700 ^a	2,343,627
Avaya	73,000 ^a	944,620
Avid Technology	43,900 ^a	2,107,200
Benchmark Electronics	63,300 ^a	2,203,473
Citrix Systems	80,700 ^a	1,711,647
Digital River	29,800 ^a	658,580
Garmin	38,600 ^b	2,102,928
Integrated Circuit Systems	78,900 ^a	2,247,861
International Rectifier	45,600 ^a	2,253,096
MEMC Electronic Materials	108,800 ^a	1,046,656
Macrovision	87,700 ^a	1,981,143
Microchip Technology	77,200	2,575,392
National Semiconductor	59,600 ^a	2,348,836
Plantronics	80,700 ^a	2,634,855
QLogic	40,400 ^a	2,084,640
Reynolds & Reynolds, Cl. A	57,900	1,681,995
SanDisk	66,700 ^a	4,078,038
Sanmina-SCI	231,600 ^a	2,920,476
Scientific-Atlanta	61,400	1,676,220
Storage Technology	103,500 ^a	2,665,125
Take-Two Interactive Software	40,400 ^a	1,163,924
Western Digital	200,000 ^a	2,358,000
		48,307,792

Common Stocks (continued)	Shares	Value (\$)
Utilities—3.4%		
Great Plains Energy	91,200	2,901,984
Hawaiian Electric Industries	49,100	2,325,867
Northeast Utilities	56,700	1,143,639
SCANA	87,700	3,003,725
WPS Resources	63,200 ^b	2,921,736
		12,296,951
Total Common Stocks (cost \$285,803,069)		352,052,834
Short-Term Investments—4.2%	Principal Amount (\$)	Value (\$)
Repurchase Agreement;		
Greenwich Capital Markets, Tri-Party Repurchase Agreement, .85%, dated 12/31/2003, due 1/2/2004, in the amount of \$15,164,074 (fully collateralized by \$15,450,000 U.S. Treasury Notes, 4.25%, 11/15/2013, value \$15,467,919) (cost \$15,163,000)	15,163,000	15,163,000
Investment of Cash Collateral for Securities Loaned—3.9%	Shares	Value (\$)
Registered Investment Company;		
Dreyfus Institutional Preferred Money Market Fund (cost \$14,048,976)	14,048,976	14,048,976
Total Investments (cost \$315,015,045)	105.8%	381,264,810
Liabilities, Less Cash and Receivables	(5.8%)	(20,788,279)
Net Assets	100.0%	360,476,531

^a Non-income producing.

^b A portion of these securities are on loan. At December 31, 2003, the total market value of the portfolio's securities on loan is \$13,413,651 and the total market value of the collateral held by the portfolio is \$14,048,976.

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2003

	Cost	Value
Assets (\$):		
Investments in securities— See Statement of Investments (including securities on loan, valued at \$13,413,651)—Note 1 (b)	315,015,045	381,264,810
Cash		247,566
Receivable for investment securities sold		10,355,201
Dividends and interest receivable		178,798
Receivable for shares of Beneficial Interest subscribed		66,678
		392,113,053
Liabilities (\$):		
Due to The Dreyfus Corporation and affiliates		252,171
Payable for investment securities purchased		16,916,030
Liability for securities on loan—Note 1 (b)		14,048,976
Payable for shares of Beneficial Interest redeemed		355,695
Accrued expenses		63,650
		31,636,522
Net Assets (\$)		360,476,531
Composition of Net Assets (\$):		
Paid-in capital		317,876,435
Accumulated undistributed investment income—net		22,144
Accumulated net realized gain (loss) on investments		(23,671,813)
Accumulated net unrealized appreciation (depreciation) on investments		66,249,765
Net Assets (\$)		360,476,531

Net Asset Value Per Share		
	Initial Shares	Service Shares
Net Assets (\$)	302,252,713	58,223,818
Shares Outstanding	19,108,645	3,690,931
Net Asset Value Per Share (\$)	15.82	15.77

See notes to financial statements.

STATEMENT OF OPERATIONS

Year Ended December 31, 2003

Investment Income (\$):	
Income:	
Cash dividends (net of \$4,940 foreign taxes withheld at source)	2,977,923
Income from securities lending	99,204
Interest	72,832
Total Income	3,149,959
Expenses:	
Investment advisory fee—Note 3(a)	2,091,663
Distribution fees—Note 3(b)	87,138
Professional fees	62,594
Prospectus and shareholders' reports	52,418
Custodian fees—Note 3(b)	32,325
Shareholder servicing costs—Note 3(b)	16,686
Trustees' fees and expenses—Note 3(c)	5,244
Miscellaneous	12,482
Total Expenses	2,360,550
Less—waiver of fees due to undertaking—Note 3(a)	(21,504)
Net Expenses	2,339,046
Investment Income—Net	810,913
Realized and Unrealized Gain (Loss) on Investments—Note 4 (\$):	
Net realized gain (loss) on investments	9,408,572
Net unrealized appreciation (depreciation) on investments	68,768,258
Net Realized and Unrealized Gain (Loss) on Investments	78,176,830
Net Increase in Net Assets Resulting from Operations	78,987,743

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Year Ended December 31,	
	2003	2002
Operations (\$):		
Investment income–net	810,913	710,573
Net realized gain (loss) on investments	9,408,572	(23,480,437)
Net unrealized appreciation (depreciation) on investments	68,768,258	(13,210,329)
Net Increase (Decrease) in Net Assets Resulting from Operations	78,987,743	(35,980,193)
Dividends to Shareholders from (\$):		
Investment income–net:		
Initial shares	(728,922)	(657,623)
Service shares	(81,129)	(41,127)
Total Dividends	(810,051)	(698,750)
Beneficial Interest Transactions (\$):		
Net proceeds from shares sold:		
Initial shares	47,304,668	101,318,850
Service shares	32,894,299	13,400,255
Dividends reinvested:		
Initial shares	728,922	657,623
Service shares	81,129	41,127
Cost of shares redeemed:		
Initial shares	(32,010,864)	(30,248,497)
Service shares	(3,406,244)	(2,575,825)
Increase (Decrease) in Net Assets from Beneficial Interest Transactions	45,591,910	82,593,533
Total Increase (Decrease) in Net Assets	123,769,602	45,914,590
Net Assets (\$):		
Beginning of Period	236,706,929	190,792,339
End of Period	360,476,531	236,706,929
Undistributed investment income–net	22,144	19,570

	Year Ended December 31,	
	2003	2002
Capital Share Transactions:		
Initial Shares		
Shares sold	3,369,757	7,374,719
Shares issued for dividends reinvested	47,166	54,017
Shares redeemed	(2,451,003)	(2,404,341)
Net Increase (Decrease) in Shares Outstanding	965,920	5,024,395
Service Shares		
Shares sold	2,410,994	1,006,141
Shares issued for dividends reinvested	5,260	3,385
Shares redeemed	(250,075)	(193,139)
Net Increase (Decrease) in Shares Outstanding	2,166,179	816,387

See notes to financial statements.

FINANCIAL HIGHLIGHTS

The following tables describe the performance for each share class for the fiscal periods indicated. All information (except portfolio turnover rate) reflects financial results for a single portfolio share. Total return shows how much your investment in the portfolio would have increased (or decreased) during each period, assuming you had reinvested all dividends and distributions. These figures have been derived from the portfolio's financial statements.

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

^a Based on average shares outstanding at each month end.
See notes to financial statements.

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

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

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

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 nine series, including the MidCap Stock Portfolio (the “portfolio”). The portfolio is only offered to separate accounts established by insurance companies to fund variable annuity contracts and variable life insurance policies. The portfolio is a diversified series. The portfolio’s investment objective is to provide investment results that are greater than the total return performance of publicly-traded common stocks of medium-size domestic companies in the aggregate, as represented by the Standard & Poor’s MidCap 400 Index. The Dreyfus Corporation (the “Manager”) serves as the portfolio’s investment adviser. The Manager is a wholly-owned subsidiary of Mellon Bank, N.A. (“Mellon”), which is a wholly-owned subsidiary of Mellon Financial Corporation.

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

The fund accounts separately for the assets, liabilities and operations of each series. Expenses directly attributable to each series are charged to that series’ operations; expenses which are applicable to all series are allocated among them on a pro rata basis.

The portfolio’s financial statements are prepared in accordance with accounting principles generally accepted in the United States, which may require the use of management estimates and assumptions. Actual results could differ from those estimates.

(a) Portfolio valuation: Investments in securities (including options and financial futures) are valued at the last sales price on the securities exchange on which such securities are primarily traded or at the last sales price on the national securities market. Effective April 14, 2003, the portfolio began pricing securities traded on the NASDAQ stock market using the NASDAQ official closing price. Securities not listed on an exchange or the national securities market, or securities for which there were no transactions, are valued at the average of the most recent bid and asked prices. Bid price is used when no asked price is available. Securities for which there are no such valuations are valued at fair value as determined in good faith under the direction of the Board of Trustees.

(b) Securities transactions and investment income: Securities transactions are recorded on a trade date basis. Realized gain and loss from securities transactions are recorded on the identified cost basis. Dividend income is recognized on the ex-dividend date and interest income, including, where applicable, amortization of discount and premium on investments, is recognized on the accrual basis. Under the terms of the custody agreement, the portfolio receives net earnings credits based on available cash balances left on deposit.

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

The portfolio may enter into repurchase agreements with financial institutions, deemed to be creditworthy by the Manager, subject to the seller's agreement to repurchase and the portfolio's agreement to resell such securities at a mutually agreed upon price. Securities purchased subject to repurchase agreements are deposited with the portfolio's custodian and, pursuant to the terms of the repurchase agreement, must have an aggregate market value greater than or equal to the repurchase price plus accrued interest at all times. If the value of the underlying securities falls below the value of the repurchase price plus accrued interest, the portfolio will require the seller to deposit additional collateral by the next business day. If the request for additional collateral is not met, or the seller defaults on its repurchase obligation, the portfolio maintains the right to sell the underlying securities at market value and may claim any resulting loss against the seller.

(c) Dividends to shareholders: Dividends are recorded on the ex-dividend date. Dividends from investment income-net and dividends from net realized capital gain, if any, are normally declared and paid annually, but the portfolio may make distributions on a more frequent basis to comply with the distribution requirements of the Internal Revenue Code of 1986, as amended (the "Code"). To the extent that net realized capital gain can be offset by capital loss carryovers, it is the policy of the portfolio not to distribute such gain. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from accounting principles generally accepted in the United States.

(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.

At December 31, 2003, the components of accumulated earnings on a tax basis were as follows: undistributed ordinary income \$22,144, accumulated capital losses \$23,577,097 and unrealized appreciation \$66,155,049.

The accumulated capital loss carryover is available to be applied against future net securities profits, if any, realized subsequent to December 31, 2003. If not applied, \$1,617,358 of the carryover expires in fiscal 2009 and \$21,959,739 expires in fiscal 2010.

The tax character of distributions paid to shareholders during the fiscal periods ended December 31, 2003 and December 31, 2002 were as follows: ordinary income \$810,051 and \$698,750, respectively.

During the period ended December 31, 2003, as a result of permanent book to tax differences, the portfolio increased accumulated undistributed investment income-net by \$1,712 and decreased paid-in capital by the same amount. Net assets were not affected by this reclassification.

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, 2003, the portfolio did not borrow under the line of credit.

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

(a) Pursuant to an Investment Advisory Agreement with the Manager, the investment advisory fee is computed at the annual rate of .75 of 1% of the value of the portfolio's average daily net assets and is payable monthly.

The Manager has agreed, from January 1, 2003 to December 31, 2004, to waive receipt of its fees and/or assume the expenses of the portfolio so that the expenses of neither class, exclusive of taxes, brokerage fees, interest on borrowings and extraordinary expenses, exceed 1% of the value of the average daily net assets of their class. During the period ended December 31, 2003, the Manager waived receipt of fees of \$21,504, pursuant to the undertaking.

(b) Under the Distribution Plan (the “Plan”) adopted pursuant to Rule 12b-1 under the Act, Service shares pay the Distributor for distributing their shares, for servicing and/or maintaining Service shares shareholder accounts and for advertising and marketing for Service shares. The Plan provides for payments to be made at an annual rate of .25 of 1% of the value of the Service shares’ average daily net assets. The Distributor may make payments to Participating Insurance Companies and to brokers and dealers acting as principal underwriter for their variable insurance products. The fees payable under the Plan are payable without regard to actual expenses incurred. During the period ended December 31, 2003, Service shares were charged \$87,138 pursuant to the Plan.

The portfolio compensates Dreyfus Transfer, Inc., a wholly-owned subsidiary of the Manager, under a transfer agency agreement for providing personnel and facilities to perform transfer agency services for the portfolio. During the period ended December 31, 2003, the portfolio was charged \$719 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, 2003, the portfolio was charged \$32,325 pursuant to the custody agreement.

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

NOTE 4—Securities Transactions:

The aggregate amount of purchases and sales of investment securities, excluding short-term securities, during the period ended December 31, 2003, amounted to \$244,360,333 and \$202,055,362, respectively.

At December 31, 2003, the cost of investments for federal income tax purposes was \$315,109,761; accordingly, accumulated net unrealized appreciation on investments was \$66,155,049, consisting of \$68,780,092 gross unrealized appreciation and \$2,625,043 gross unrealized depreciation.

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 funds comprising Dreyfus Investment Portfolios) as of December 31, 2003, 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, 2003 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, 2003, 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 5, 2004

IMPORTANT TAX INFORMATION (Unaudited)

For federal tax purposes, the portfolio hereby designates 100% of the ordinary dividends paid during the fiscal year ended December 31, 2003 as qualifying for the corporate dividends received deduction.

BOARD MEMBERS INFORMATION (Unaudited)

Joseph S. DiMartino (60) **Chairman of the Board (1998)**

Principal Occupation During Past 5 Years:

- Corporate Director and Trustee

Other Board Memberships and Affiliations:

- The Muscular Dystrophy Association, Director
- Levcor International, Inc., an apparel fabric processor, Director
- Century Business Services, Inc., a provider of outsourcing functions for small and medium size companies, Director
- The Newark Group, a provider of a national market of paper recovery facilities, paperboard mills and paperboard converting plants, Director

No. of Portfolios for which Board Member Serves: 186

Clifford L. Alexander, Jr. (70) **Board Member (1998)**

Principal Occupation During Past 5 Years:

- President of Alexander & Associates, Inc., a management consulting firm (January 1981–present)
- Chairman of the Board of Moody's Corporation (October 2000–October 2003)
- Chairman of the Board and Chief Executive Officer of The Dun and Bradstreet Corporation (October 1999–September 2000)

Other Board Memberships and Affiliations:

- Wyeth (formerly, American Home Products Corporation), a global leader in pharmaceuticals, consumer healthcare products and animal health products, Director
- Mutual of America Life Insurance Company, Director

No. of Portfolios for which Board Member Serves: 65

Lucy Wilson Benson (76) **Board Member (1998)**

Principal Occupation During Past 5 Years:

- President of Benson and Associates, consultants to business and government (1980–present)

Other Board Memberships and Affiliations:

- The International Executive Services Corps, Director
- Citizens Network for Foreign Affairs, Vice Chairperson
- Council on Foreign Relations, Member
- Lafayette College Board of Trustees, Vice Chairperson
- Atlantic Council of the U.S., Director

No. of Portfolios for which Board Member Serves: 39

BOARD MEMBERS INFORMATION (Unaudited) (continued)

David W. Burke (67)
Board Member (2003)

Principal Occupation During Past 5 Years:

- Corporate Director and Trustee

Other Board Memberships and Affiliations:

- John F. Kennedy Library Foundation, Director
- U.S.S. Constitution Museum, Director

No. of Portfolios for which Board Member Serves: 83

Whitney I. Gerard (69)
Board Member (2003)

Principal Occupation During Past 5 Years:

- Partner of Chadbourne & Parke LLP

No. of Portfolios for which Board Member Serves: 37

Arthur A. Hartman (77)
Board Member (2003)

Principal Occupation During Past 5 Years:

- Chairman of First NIS Regional Fund (ING/Barings Management) and New Russia Fund
- Advisory Council Member to Barings-Vostok

Other Board Memberships and Affiliations:

- APCO Associates, Inc., Senior Consultant

No. of Portfolios for which Board Member Serves: 37

George L. Perry (69)
Board Member (2003)

Principal Occupation During Past 5 Years:

- Economist and Senior Fellow at Brookings Institution

Other Board Memberships and Affiliations:

- State Farm Mutual Automobile Association, Director
- State Farm Life Insurance Company, Director

No. of Portfolios for which Board Member Serves: 37

Once elected all Board Members serve for an indefinite term. Additional information about the Board Members, including their address is available in the fund's Statement of Additional Information which can be obtained from Dreyfus free of charge by calling this toll free number: 1-800-554-4611.

OFFICERS OF THE FUND (Unaudited)

STEPHEN E. CANTER, President since March 2000.

Chairman of the Board, Chief Executive Officer and Chief Operating Officer of the Manager, and an officer of 95 investment companies (comprised of 185 portfolios) managed by the Manager. Mr. Canter also is a Board member and, where applicable, an Executive Committee Member of the other investment management subsidiaries of Mellon Financial Corporation, each of which is an affiliate of the Manager. He is 58 years old and has been an employee of the Manager since May 1995.

STEPHEN R. BYERS, Executive Vice President since November 2002.

Chief Investment Officer, Vice Chairman and a Director of the Manager, and an officer of 95 investment companies (comprised of 185 portfolios) managed by the Manager. Mr. Byers also is an officer, director or an Executive Committee Member of certain other investment management subsidiaries of Mellon Financial Corporation, each of which is an affiliate of the Manager. He is 50 years old and has been an employee of the Manager since January 2000. Prior to joining the Manager, he served as an Executive Vice President-Capital Markets, Chief Financial Officer and Treasurer at Gruntal & Co., L.L.C.

MARK N. JACOBS, Vice President since March 2000.

Executive Vice President, Secretary and General Counsel of the Manager, and an officer of 96 investment companies (comprised of 201 portfolios) managed by the Manager. He is 57 years old and has been an employee of the Manager since June 1977.

STEVEN F. NEWMAN, Secretary since March 2000.

Associate General Counsel and Assistant Secretary of the Manager, and an officer of 96 investment companies (comprised of 201 portfolios) managed by the Manager. He is 54 years old and has been an employee of the Manager since July 1980.

ROBERT R. MULLERY, Assistant Secretary since March 2000.

Associate General Counsel of the Manager, and an officer of 26 investment companies (comprised of 58 portfolios) managed by the Manager. He is 51 years old and has been an employee of the Manager since May 1986.

JEFF PRUSNOFSKY, Assistant Secretary since March 2000.

Associate General Counsel of the Manager, and an officer of 24 investment companies (comprised of 81 portfolios) managed by the Manager. He is 38 years old and has been an employee of the Manager since October 1990.

MICHAEL A. ROSENBERG, Assistant Secretary since March 2000.

Associate General Counsel of the Manager, and an officer of 93 investment companies (comprised of 194 portfolios) managed by the Manager. He is 43 years old and has been an employee of the Manager since October 1991.

JAMES WINDELS, Treasurer since November 2001.

Director – Mutual Fund Accounting of the Manager, and an officer of 96 investment companies (comprised of 201 portfolios) managed by the Manager. He is 45 years old and has been an employee of the Manager since April 1985.

RICHARD CASSARO, Assistant Treasurer since August 2003.

Senior Accounting Manager – Equity Funds of the Manager, and an officer of 25 investment companies (comprised of 101 portfolios) managed by the Manager. He is 44 years old and has been an employee of the Manager since September 1982.

OFFICERS OF THE FUND (Unaudited) *(continued)*

ERIK D. NAVILOFF, Assistant Treasurer since December 2002.

Senior Accounting Manager – Taxable Fixed Income Funds of the Manager, and an officer of 18 investment companies (comprised of 73 portfolios) managed by the Manager. He is 35 years old and has been an employee of the Manager since November 1992.

ROBERT SVAGNA, Assistant Treasurer since December 2002.

Senior Accounting Manager – Equity Funds of the Manager, and an officer of 25 investment companies (comprised of 101 portfolios) managed by the Manager. He is 36 years old and has been an employee of the Manager since November 1990.

KENNETH J. SANDGREN, Assistant Treasurer since November 2001.

Mutual Funds Tax Director of the Manager, and an officer of 96 investment companies (comprised of 201 portfolios) managed by the Manager. He is 49 years old and has been an employee of the Manager since June 1993.

WILLIAM GERMENIS, Anti-Money Laundering Compliance Officer since September 2002.

Vice President and Anti-Money Laundering Compliance Officer of the Distributor, and the Anti-Money Laundering Compliance Officer of 91 investment companies (comprised of 196 portfolios) managed by the Manager. He is 33 years old and has been an employee of the Distributor since October 1998. Prior to joining the Distributor, he was a Vice President of Compliance Data Center, Inc.

For More Information

To obtain information:

By telephone

Call
1-800-554-4611 or
516-338-3300

By mail Write to:

The Dreyfus Family of Funds
144 Glenn Curtiss Boulevard
Uniondale, NY 11556-0144
Attn: Institutional Servicing

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

**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.
200 Park Avenue
New York, NY 10166

Distributor

Dreyfus Service Corporation
200 Park Avenue
New York, NY 10166

The Dreyfus Socially Responsible Growth Fund, Inc.

ANNUAL REPORT December 31, 2003



YOU, YOUR ADVISOR AND
Dreyfus
A MELLON FINANCIAL COMPANY™

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

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

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LETTER FROM THE CHAIRMAN

Dear Shareholder:

This annual report for The Dreyfus Socially Responsible Growth Fund, Inc. covers the 12-month period from January 1, 2003, through December 31, 2003. Inside, you'll find valuable information about how the fund was managed during the reporting period, including a discussion with the fund's portfolio managers, L. Emerson Tuttle and Paul Hilton.

Despite headwinds caused by economic and geopolitical uncertainty early in the year, stocks generally bounced back in 2003, with many stock market indexes generating their first full calendar year of gains since 1999. The combination of historically low interest rates, lower federal income tax rates, progress in the war on terrorism and above-trend economic growth during the second half of the year helped propel stock prices higher.

While stocks in general may no longer be priced as attractively as they were at the start of the year, we believe that market fundamentals remain favorable based on recent forecasts of continued economic growth. However, our optimism is tempered by the understanding that some companies, industries and market sectors always perform better than others. As always, we urge you to speak regularly with your financial advisor, who may be in the best position to suggest the Dreyfus funds designed to meet your current needs, future goals and tolerance for risk.

Thank you for your continued confidence and support.

Sincerely,

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



DISCUSSION OF FUND PERFORMANCE

L. Emerson Tuttle and Paul Hilton, Portfolio Managers

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

For the 12-month period ended December 31, 2003, the fund's Initial shares produced a 26.00% total return, and the fund's Service shares provided a 25.75% total return.¹ In comparison, the fund's benchmark, the Standard & Poor's 500 Composite Stock Price Index ("S&P 500 Index"), produced a 28.67% total return for the same period.²

We attribute the fund and market's performance to an improving economy and a rallying stock market during the second through fourth quarters of the year. The fund's returns modestly trailed its benchmark, primarily because many of the smaller, lower-quality stocks that led the market's advance did not meet the fund's investment criteria.

What is the fund's investment approach?

The fund seeks to provide capital growth with current income as a secondary objective. The fund looks for growth-oriented companies that generally exhibit three characteristics: improving profitability measurements, a pattern of consistent earnings and reasonable prices. To pursue these goals, the fund, under normal circumstances, invests at least 80% of its assets in common stocks of companies that, in the opinion of the fund's management, meet traditional investment standards while simultaneously conducting their businesses in a manner that contributes to the enhancement of the quality of life in America.

What other factors influenced the fund's performance?

When 2003 began, the stock market was mired in economic weakness caused by corporate scandals, rising geopolitical tensions and restrained spending among many corporations. Despite a short-lived rally during the fourth quarter of 2002, stocks generally failed to advance during the first quarter of 2003. However, after the end to major combat in Iraq lifted a veil of uncertainty from the U.S. economy, investor sentiment began to improve. As a result, stocks began to rally strongly, led by many of the companies that had performed poorly during the

three-year bear market. Although the rally later broadened to include higher-quality stocks, the market's leaders for 2003 were concentrated primarily among smaller, cyclical stocks, including those of formerly high-flying technology companies.

Because few of these relatively speculative stocks met our quality and valuation criteria, the fund's technology holdings lagged those of the S&P 500 Index, accounting for the bulk of the fund's underperformance relative to the benchmark during the reporting period. The fund's energy stocks also trailed their counterparts within the S&P 500 Index, but this area comprised a relatively small portion of the fund's total investment portfolio.

On the other hand, the fund received the greatest positive contributions to its performance from consumer cyclical stocks. Within this sector, we maintained a "barbell" approach toward retailers, favoring luxury goods providers such as Tiffany & Co. and Coach on one end, discount retailers such as TJX Cos. at the other end and generally avoiding the middle tier of retailers. High-end consumers continued to spend during the economic slowdown, and we saw a steady increase in sales from discount retailers when the economy began to recover.

The fund also benefited from its health care holdings. Unlike the S&P 500 Index's health care component, which was hindered by lackluster returns from large pharmaceutical stocks, the fund enjoyed strong results from a number of health care equipment companies, medical device manufacturers and managed care providers.

What is the fund's current strategy?

As of the end of the reporting period, we have eliminated the fund's exposure to telecommunications and utilities stocks, choosing instead to deploy those assets to stocks we believe will benefit from stronger economic growth, including companies in the technology, consumer discretionary and health care groups.

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

We'd like to alert our shareholders about a pressing environmental issue: electronic waste. As computers have become newer, quicker and more efficient, older equipment has been rendered obsolete. These

products often contain hazardous and toxic materials that pose environmental risks if they are sent to landfills or are incinerated. For example, computer monitors use cathode ray tubes (CRTs), which contain significant amounts of lead, and most printed circuit boards have small amounts of chromium, lead solder, nickel and zinc.

The National Recycling Coalition (NRC) offers several tips to consumers for recycling these products. Consider donating unused computer equipment to nonprofit and charitable organizations. If your equipment is broken or too old to be reused, you can send it to one of several companies that specialize in electronics recycling. Your local community may even offer a special program to take back electronic waste—just check the directory on the NRC website listed below. Finally, your computer manufacturer may provide a recycling option on their website, charging a nominal fee for transport. We have been in dialogue with management at Dell Computers and International Business Machines, both holdings in the fund, to encourage them to track recycling and set goals for improvement. Dell Computers, in particular, has demonstrated a serious commitment to improving recycling rates.

For more information on computer recycling, please visit the NRC's website at <http://www.nrc-recycle.org/resources/electronics/managing.htm>.

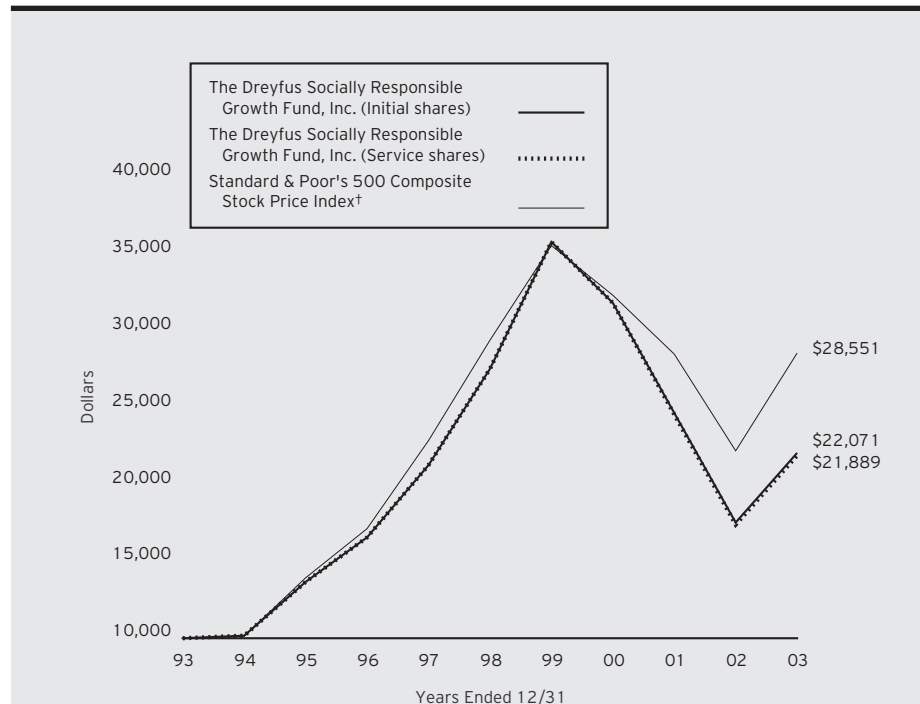
January 15, 2004

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

¹ Total return includes reinvestment of dividends and any capital gains paid. Past performance is no guarantee of future results. Share price and investment return fluctuate such that upon redemption, fund shares may be worth more or less than their original cost. The fund's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in variable insurance contracts, which will reduce returns.

² SOURCE: LIPPER INC. — Reflects reinvestment of dividends and, where applicable, capital gain distributions. The Standard & Poor's 500 Composite Stock Price Index is a widely accepted, unmanaged index of U.S. stock market performance.

FUND PERFORMANCE



Comparison of change in value of \$10,000 investment in The Dreyfus Socially Responsible Growth Fund, Inc. Initial shares and Service shares and the Standard and Poor's 500 Composite Stock Price Index

Average Annual Total Returns as of 12/31/03

	1 Year	5 Years	10 Years
Initial shares	26.00%	(4.31)%	8.24%
Service shares	25.75%	(4.47)%	8.15%

The data for Service shares primarily represents the results of Initial shares. Actual Service shares' average annual total return and hypothetical growth results would have been lower. See notes below.

† Source: Lipper Inc.

Past performance is not predictive of future performance. The fund's performance shown in the graph and table does not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

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 and Service shares of The Dreyfus Socially Responsible Growth Fund, Inc. on 12/31/93 to a \$10,000 investment made in the Standard & Poor's 500 Composite Stock Price Index (the "Index") on that date.

The fund's Initial shares are not subject to a Rule 12b-1 fee. The fund's Service shares are subject to a 0.25% annual Rule 12b-1 fee. The performance figures for Service shares reflect the performance of the fund's Initial shares from December 31, 1993, through December 30, 2000, and the performance of the fund's Service shares from December 31, 2000 (inception date of Service shares) to December 31, 2003 (blended performance figures). The blended performance figures have not been adjusted to reflect the higher operating expenses of the Service shares. If these expenses had been reflected, the blended performance figures would have been lower. All dividends and capital gain distributions are reinvested.

The fund's performance shown in the line graph takes into account all applicable fund fees and expenses. The 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.

STATEMENT OF INVESTMENTS

December 31, 2003

Common Stocks—97.8%	Shares	Value (\$)
Consumer Discretionary—14.9%		
Bed Bath & Beyond	133,000 ^a	5,765,550
Coach	217,000 ^a	8,191,750
Cox Communications, Cl. A	185,000 ^a	6,373,250
Home Depot	180,000	6,388,200
Staples	204,000 ^a	5,569,200
TJX Cos.	424,000	9,349,200
Target	257,000	9,868,800
Tiffany & Co.	243,000	10,983,600
Viacom, Cl. B	191,000	8,476,580
Walt Disney	374,500	8,737,085
		79,703,215
Consumer Staples—6.4%		
Anheuser-Busch Cos.	131,000	6,901,080
PepsiCo	240,000	11,188,800
Procter & Gamble	80,000	7,990,400
Walgreen	214,500	7,803,510
		33,883,790
Energy—2.4%		
Anadarko Petroleum	121,500	6,197,715
Royal Dutch Petroleum (New York Shares), ADR	121,000	6,339,190
		12,536,905
Financials—11.4%		
ACE	146,000	6,047,320
American Express	283,500	13,673,205
American International Group	120,500	7,986,740
Axis Capital Holdings	27,700	811,056
Citigroup	341,500	16,576,410
Goldman Sachs Group	68,000	6,713,640
M&T Bank	31,500	3,096,450
Radian Group	123,000	5,996,250
		60,901,071
Health Care—24.1%		
Alcon	121,000	7,325,340
Amgen	178,000 ^a	11,000,400
Boston Scientific	330,000 ^a	12,130,800
Celgene	134,000 ^a	6,032,680
Forest Laboratories	246,000 ^a	15,202,800

Common Stocks (continued)	Shares	Value (\$)
Health Care (continued)		
Johnson & Johnson	290,000	14,981,400
Medtronic	286,000	13,902,460
Pfizer	699,500	24,713,335
Stryker	42,000	3,570,420
Varian Medical Systems	93,500 ^a	6,460,850
WellPoint Health Networks	93,000 ^a	9,020,070
Zimmer Holdings	63,000 ^a	4,435,200
		128,775,755
Industrials—8.3%		
Avery Dennison	123,000	6,890,460
Danaher	140,000	12,845,000
Dover	226,000	8,983,500
Tyco International	593,000	15,714,500
		44,433,460
Information Technology—22.9%		
Analog Devices	205,000 ^a	9,358,250
Applied Materials	224,000 ^a	5,028,800
BEA Systems	487,000 ^a	5,990,100
Cisco Systems	977,000 ^a	23,731,330
Cognizant Technology Solutions	113,000 ^a	5,157,320
Dell	445,000 ^a	15,112,200
EMC	571,000 ^a	7,377,320
Hewitt Associates, Cl. A	210,000 ^a	6,279,000
International Business Machines	39,000	3,614,520
Microsoft	860,000	23,684,400
Symantec	210,000 ^a	7,276,500
UTStarcom	252,000 ^a	9,341,640
		121,951,380
Materials—1.0%		
Praxair	145,000	5,539,000
Semiconductors—6.4%		
Fairchild Semiconductor International	106,000 ^a	2,646,820
Intel	606,000	19,513,200
National Semiconductor	153,000 ^a	6,029,730
Texas Instruments	207,500	6,096,350
		34,286,100
Total Common Stocks (cost \$440,213,902)		522,010,676

STATEMENT OF INVESTMENTS (continued)

	Principal Amount (\$)	Value (\$)
Short-Term Investments-2.2%		
Certificates of Deposit-.0%		
Self Help Credit Union, 1.15%, 3/16/2004	100,000	100,000
U.S. Treasury Bills-2.2%		
.80%, 2/26/2004	5,969,000	5,961,658
.84%, 3/11/2004	3,960,000	3,953,743
.83%, 3/18/2004	1,584,000	1,581,212
		11,496,613
Total Short-Term Investments (cost \$11,596,292)		11,596,613
Total Investments (cost \$451,810,194)	100.0%	533,607,289
Liabilities, Less Cash and Receivables	(.0%)	(143,690)
Net Assets	100.0%	533,463,599

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

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2003

	Cost	Value
Assets (\$):		
Investments in securities—See Statement of Investments	451,810,194	533,607,289
Cash		316,855
Dividends and interest receivable		204,268
Receivable for shares of Common Stock subscribed		18,145
Prepaid expenses		54,857
		534,201,414
Liabilities (\$):		
Due to The Dreyfus Corporation and affiliates		341,354
Payable for shares of Common Stock redeemed		323,183
Accrued expenses		73,278
		737,815
Net Assets (\$)		533,463,599
Composition of Net Assets (\$):		
Paid-in capital		755,412,868
Accumulated undistributed investment income—net		29,471
Accumulated net realized gain (loss) on investments		(303,775,835)
Accumulated net unrealized appreciation (depreciation) on investments		81,797,095
Net Assets (\$)		533,463,599

Net Asset Value Per Share		
	Initial Shares	Service Shares
Net Assets (\$)	521,261,742	12,201,857
Shares Outstanding	21,910,176	515,106
Net Asset Value Per Share (\$)	23.79	23.69

See notes to financial statements.

STATEMENT OF OPERATIONS

Year Ended December 31, 2003

Investment Income (\$):	
Cash dividends (net of \$74,305 foreign taxes withheld at source)	4,486,719
Interest	105,791
Total Income	4,592,510
Expenses:	
Investment advisory fee—Note 3(a)	3,597,119
Prospectus and shareholders' reports	221,121
Professional fees	78,989
Shareholder servicing costs—Note 3(c)	68,991
Custodian fees—Note 3(c)	39,467
Distribution fees—Note 3(b)	24,224
Directors' fees and expenses—Note 3(d)	14,307
Loan commitment fees—Note 2	5,032
Registration fees	326
Miscellaneous	8,688
Total Expenses	4,058,264
Investment Income—Net	534,246
Realized and Unrealized Gain (Loss) on Investments—Note 4 (\$):	
Net realized gain (loss) on investments	572,765
Net unrealized appreciation (depreciation) on investments	110,456,965
Net Realized and Unrealized Gain (Loss) on Investments	111,029,730
Net Increase in Net Assets Resulting from Operations	111,563,976

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Year Ended December 31,	
	2003	2002
Operations (\$):		
Investment income–net	534,246	1,211,428
Net realized gain (loss) on investments	572,765	(117,506,676)
Net unrealized appreciation (depreciation) on investments	110,456,965	(99,629,629)
Net Increase (Decrease) in Net Assets Resulting from Operations	111,563,976	(215,924,877)
Dividends to Shareholders from (\$):		
Investment income–net:		
Initial shares	(531,273)	(1,229,370)
Service shares	(523)	(1,294)
Total Dividends	(531,796)	(1,230,664)
Capital Stock Transactions (\$):		
Net proceeds from shares sold:		
Initial shares	54,435,818	60,389,408
Service shares	3,981,349	5,981,866
Dividends reinvested:		
Initial shares	531,273	1,229,370
Service shares	523	1,294
Cost of shares redeemed:		
Initial shares	(98,462,078)	(170,703,050)
Service shares	(2,184,906)	(2,952,051)
Increase (Decrease) in Net Assets from Capital Stock Transactions	(41,698,021)	(106,053,163)
Total Increase (Decrease) in Net Assets	69,334,159	(323,208,704)
Net Assets (\$):		
Beginning of Period	464,129,440	787,338,144
End of Period	533,463,599	464,129,440
Undistributed investment income–net	29,471	27,021

STATEMENT OF CHANGES IN NET ASSETS *(continued)*

	Year Ended December 31,	
	2003	2002
Capital Share Transactions:		
Initial Shares		
Shares sold	2,612,164	2,761,458
Shares issued for dividends reinvested	22,640	64,567
Shares redeemed	(4,858,079)	(7,902,162)
Net Increase (Decrease) in Shares Outstanding	(2,223,275)	(5,076,137)
Service Shares		
Shares sold	190,969	271,381
Shares issued for dividends reinvested	27	69
Shares redeemed	(106,555)	(151,974)
Net Increase (Decrease) in Shares Outstanding	84,441	119,476

See notes to financial statements.

FINANCIAL HIGHLIGHTS

The following tables describe the performance for each share class for the fiscal periods indicated. All information (except portfolio turnover rate) reflects financial results for a single fund share. Total return shows how much your investment in the fund would have increased (or decreased) during each period, assuming you had reinvested all dividends and distributions. These figures have been derived from the fund's financial statements.

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

^a Based on average shares outstanding at each month end.
See notes to financial statements.

FINANCIAL HIGHLIGHTS (continued)

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

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

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

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

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, with current income as a secondary goal through equity investments in companies that not only meet traditional investment standards, but which also show evidence that they conduct their business in a manner that contributes to the enhancement of the quality of life in America. The fund is only offered to separate accounts established by insurance companies to fund variable annuity contracts and variable life insurance policies. The Dreyfus Corporation (the “Manager”) serves as the fund’s investment adviser. The Manager is a wholly-owned subsidiary of Mellon Bank, N.A. (“Mellon”), which is a wholly-owned subsidiary of Mellon Financial Corporation.

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

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. Effective April 14, 2003, the fund began pricing securities traded on

the NASDAQ stock market using the NASDAQ official closing price. Securities not listed on an exchange or the national securities market, or securities for which there were no transactions, are valued at the average of the most recent bid and asked prices. Bid price is used when no asked price is available. Securities for which there are no such valuations are valued at fair value as determined in good faith under the direction of the Board of Directors.

(b) Securities transactions and investment income: Securities transactions are recorded on a trade date basis. Realized gain and loss from securities transactions are recorded on the identified cost basis. Dividend income is recognized on the ex-dividend date and interest income, including, where applicable, amortization of discount and premium on investments, is recognized on the accrual basis. Under the terms of the custody agreement, the fund receives net earnings credits based on available cash balances left on deposit.

(c) Dividends to shareholders: Dividends are recorded on the ex-dividend date. Dividends from investment income-net and dividends from net realized capital gain, if any, are normally declared and paid annually, but the fund may make distributions on a more frequent basis to comply with the distribution requirements of the Internal Revenue Code of 1986, as amended (the "Code"). To the extent that net realized capital gain can be offset by capital loss carryovers, it is the policy of the fund not to distribute such gain. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from accounting principles generally accepted in the United States.

(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.

At December 31, 2003, the components of accumulated earnings on a tax basis were as follows: undistributed ordinary income \$29,471, accumulated capital losses \$303,671,845 and unrealized appreciation \$81,693,105.

The accumulated capital loss carryover is available to be applied against future net securities profits, if any, realized subsequent to December 31, 2003. If not applied, \$7,523,105 of the carryover expires in fiscal 2008, \$172,543,524 expires in fiscal 2009, \$103,833,733 expires in fiscal 2010 and \$19,771,483 expires in fiscal 2011.

The tax character of distributions paid to shareholders during the fiscal periods ended December 31, 2003 and December 31, 2002, were as follows: ordinary income \$531,796 and \$1,230,664, respectively.

NOTE 2—Bank Line of Credit:

The fund participates with other Dreyfus-managed funds in a \$350 million redemption credit facility (the “Facility”) to be utilized for temporary or emergency purposes, including the financing of redemptions. In connection therewith, the fund has agreed to pay commitment fees on its pro rata portion of the Facility. Interest is charged to the fund based on prevailing market rates in effect at the time of borrowings. During the period ended December 31, 2003, the fund did not borrow under the Facility.

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

(a) Pursuant to an Investment Advisory Agreement with the Manager, the investment advisory fee is computed at the annual rate of .75 of 1% of the value of the fund’s average daily net assets and is payable monthly.

(b) Under the Distribution Plan (the “Plan”) adopted pursuant to Rule 12b-1 under the Act, Service shares pay the Distributor for distributing their shares, for servicing and/or maintaining Service shares shareholder accounts and for advertising and marketing for Service shares. The Plan provides for payments to be made at an annual rate of .25 of 1% of the value of the Service shares’ average daily net assets. The Distributor may make payments to Participating Insurance Companies and to brokers and dealers acting as principal underwriter for their variable insurance products. The fees payable under the Plan

are payable without regard to actual expenses incurred. During the period ended December 31, 2003, Service shares were charged \$24,224 pursuant to the Plan.

(c) Under the Shareholder Services Plan, Initial shares reimburse the Distributor an amount not to exceed an annual rate of .25 of 1% of the value of Initial shares' average daily net assets for certain allocated expenses with respect to servicing and/or maintaining Initial shares shareholder accounts. During the period ended December 31, 2003, Initial shares were charged \$18,633 pursuant to the Shareholder Services Plan.

The fund compensates Dreyfus Transfer, Inc., a wholly-owned subsidiary of the Manager, under a transfer agency agreement for providing personnel and facilities to perform transfer agency services for the fund. During the period ended December 31, 2003, the fund was charged \$1,505 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, 2003, the fund was charged \$39,467 pursuant to the custody agreement.

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

(e) During the period ended December 31, 2003, the fund incurred total brokerage commissions of \$899,660, of which \$90 was paid to Harborside Plus Inc., 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, 2003, amounted to \$294,965,508 and \$337,182,519, respectively.

At December 31, 2003, the cost of investments for federal income tax purposes was \$451,914,184; accordingly, accumulated net unrealized appreciation on investments was \$81,693,105, consisting of \$86,682,980 gross unrealized appreciation and \$4,989,875 gross unrealized depreciation.

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, 2003, 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, 2003 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, 2003, 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 2, 2004

IMPORTANT TAX INFORMATION (Unaudited)

For federal tax purposes, the fund hereby designates 100% of the ordinary dividends paid during the fiscal year ended December 31, 2003 as qualifying for the corporate dividends received deduction.

BOARD MEMBERS INFORMATION (Unaudited)

Joseph S. DiMartino (60) **Chairman of the Board (1995)**

Principal Occupation During Past 5 Years:

- Corporate Director and Trustee

Other Board Memberships and Affiliations:

- The Muscular Dystrophy Association, Director
- Levcor International, Inc., an apparel fabric processor, Director
- Century Business Services, Inc., a provider of outsourcing functions for small and medium size companies, Director
- The Newark Group, a provider of a national market of paper recovery facilities, paperboard mills and paperboard converting plants, Director

No. of Portfolios for which Board Member Serves: 186

Clifford L. Alexander, Jr. (70) **Board Member (1992)**

Principal Occupation During Past 5 Years:

- President of Alexander & Associates, Inc., a management consulting firm (January 1981–present)
- Chairman of the Board of Moody's Corporation (October 2000–October 2003)
- Chairman of the Board and Chief Executive Officer of The Dun and Bradstreet Corporation (October 1999–September 2000)

Other Board Memberships and Affiliations:

- Wyeth (formerly, American Home Products Corporation), a global leader in pharmaceuticals, consumer healthcare products and animal health products, Director
- Mutual of America Life Insurance Company, Director

No. of Portfolios for which Board Member Serves: 65

Lucy Wilson Benson (76) **Board Member (1992)**

Principal Occupation During Past 5 Years:

- President of Benson and Associates, consultants to business and government (1980–present)

Other Board Memberships and Affiliations:

- The International Executive Services Corps, Director
- Citizens Network for Foreign Affairs, Vice Chairperson
- Council on Foreign Relations, Member
- Lafayette College Board of Trustees, Vice Chairperson
- Atlantic Council of the U.S., Director

No. of Portfolios for which Board Member Serves: 39

David W. Burke (67)
Board Member (2003)

Principal Occupation During Past 5 Years:

- Corporate Director and Trustee

Other Board Memberships and Affiliations:

- John F. Kennedy Library Foundation, Director
- U.S.S. Constitution Museum, Director

No. of Portfolios for which Board Member Serves: 83

Whitney I. Gerard (69)
Board Member (2003)

Principal Occupation During Past 5 Years:

- Partner of Chadbourne & Parke LLP

No. of Portfolios for which Board Member Serves: 37

Arthur A. Hartman (77)
Board Member (2003)

Principal Occupation During Past 5 Years:

- Chairman of First NIS Regional Fund (ING/Barings Management) and New Russia Fund
- Advisory Council Member to Barings-Vostok

Other Board Memberships and Affiliations:

- APCO Associates, Inc., Senior Consultant

No. of Portfolios for which Board Member Serves: 37

George L. Perry (69)
Board Member (2003)

Principal Occupation During Past 5 Years:

- Economist and Senior Fellow at Brookings Institution

Other Board Memberships and Affiliations:

- State Farm Mutual Automobile Association, Director
- State Farm Life Insurance Company, Director

No. of Portfolios for which Board Member Serves: 37

Once elected all Board Members serve for an indefinite term. Additional information about the Board Members, including their address is available in the fund's Statement of Additional Information which can be obtained from Dreyfus free of charge by calling this toll free number: 1-800-554-4611.

OFFICERS OF THE FUND (Unaudited)

STEPHEN E. CANTER, President since March 2000.

Chairman of the Board, Chief Executive Officer and Chief Operating Officer of the Manager, and an officer of 95 investment companies (comprised of 185 portfolios) managed by the Manager. Mr. Canter also is a Board member and, where applicable, an Executive Committee Member of the other investment management subsidiaries of Mellon Financial Corporation, each of which is an affiliate of the Manager. He is 58 years old and has been an employee of the Manager since May 1995.

STEPHEN R. BYERS, Executive Vice President since November 2002.

Chief Investment Officer, Vice Chairman and a Director of the Manager, and an officer of 95 investment companies (comprised of 185 portfolios) managed by the Manager. Mr. Byers also is an officer, director or an Executive Committee Member of certain other investment management subsidiaries of Mellon Financial Corporation, each of which is an affiliate of the Manager. He is 50 years old and has been an employee of the Manager since January 2000. Prior to joining the Manager, he served as an Executive Vice President-Capital Markets, Chief Financial Officer and Treasurer at Gruntal & Co., L.L.C.

MARK N. JACOBS, Vice President since March 2000.

Executive Vice President, Secretary and General Counsel of the Manager, and an officer of 96 investment companies (comprised of 201 portfolios) managed by the Manager. He is 57 years old and has been an employee of the Manager since June 1977.

STEVEN F. NEWMAN, Secretary since March 2000.

Associate General Counsel and Assistant Secretary of the Manager, and an officer of 96 investment companies (comprised of 201 portfolios) managed by the Manager. He is 54 years old and has been an employee of the Manager since July 1980.

ROBERT R. MULLERY, Assistant Secretary since March 2000.

Associate General Counsel of the Manager, and an officer of 26 investment companies (comprised of 58 portfolios) managed by the Manager. He is 51 years old and has been an employee of the Manager since May 1986.

JEFF PRUSNOFSKY, Assistant Secretary since March 2000.

Associate General Counsel of the Manager, and an officer of 24 investment companies (comprised of 81 portfolios) managed by the Manager. He is 38 years old and has been an employee of the Manager since October 1990.

MICHAEL A. ROSENBERG, Assistant Secretary since March 2000.

Associate General Counsel of the Manager, and an officer of 93 investment companies (comprised of 194 portfolios) managed by the Manager. He is 43 years old and has been an employee of the Manager since October 1991.

JAMES WINDELS, Treasurer since November 2001.

Director – Mutual Fund Accounting of the Manager, and an officer of 96 investment companies (comprised of 201 portfolios) managed by the Manager. He is 45 years old and has been an employee of the Manager since April 1985.

RICHARD CASSARO, Assistant Treasurer since August 2003.

Senior Accounting Manager – Equity Funds of the Manager, and an officer of 25 investment companies (comprised of 101 portfolios) managed by the Manager. He is 44 years old and has been an employee of the Manager since September 1982.

ROBERT SVAGNA, Assistant Treasurer since December 2002.

Senior Accounting Manager – Equity Funds of the Manager, and an officer of 25 investment companies (comprised of 101 portfolios) managed by the Manager. He is 36 years old and has been an employee of the Manager since November 1990.

KENNETH J. SANDGREN, Assistant Treasurer since November 2001.

Mutual Funds Tax Director of the Manager, and an officer of 96 investment companies (comprised of 201 portfolios) managed by the Manager. He is 49 years old and has been an employee of the Manager since June 1993.

WILLIAM GERMENIS, Anti-Money Laundering Compliance Officer since September 2002.

Vice President and Anti-Money Laundering Compliance Officer of the Distributor, and the Anti-Money Laundering Compliance Officer of 91 investment companies (comprised of 196 portfolios) managed by the Manager. He is 33 years old and has been an employee of the Distributor since October 1998. Prior to joining the Distributor, he was a Vice President of Compliance Data Center, Inc.

For More Information

To obtain information:

By telephone

Call
1-800-554-4611 or
516-338-3300

By mail Write to:

The Dreyfus Family of Funds
144 Glenn Curtiss Boulevard
Uniondale, NY 11556-0144
Attn: Institutional Servicing

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

The Dreyfus Socially Responsible Growth Fund, Inc.

200 Park Avenue
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Investment Adviser

The Dreyfus Corporation
200 Park Avenue
New York, NY 10166

Custodian

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

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200 Park Avenue
New York, NY 10166

Distributor

Dreyfus Service Corporation
200 Park Avenue
New York, NY 10166



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Vegetable-based ink.

Printed in U.S.A.

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111AR1203

INVESCO VIF-Utilities Fund

December 31, 2003

Annual Report

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

This report may be distributed only to shareholders or to persons who have received a current fund and product prospectus. Please read the prospectus carefully and consider the investment objectives, risks, and charges and expenses of the investment carefully before investing.

Not FDIC insured | May lose value | No bank guarantee



INVESCO Distributors, Inc.,SM Distributor

Fund posts double-digit returns as electric utilities rebound

INVESCO VIF—Utilities Fund finished the fiscal year ended December 31, 2003, with a total return of 17.47%. Although positive, the utilities sector's results underperformed the more economically sensitive segments of the market—those which are affected more strongly by changes in the economic climate. By comparison, the S&P 500® Index, which is often used as a broad-based measure of U.S. stock market performance and which has only about 3% in utility stocks, returned 28.67% for the same period.

Market conditions

Amid a backdrop of generally improving economic conditions, the S&P 500 Index declined at the beginning of 2003, dropping to its lowest level of the year on March 11. The index then rallied, posting a gain of 28.67% for the year, as noted.

During this rally, the United States and its allies took military action against Iraq and toppled the regime of Saddam Hussein. The nation's gross domestic product, generally considered the broadest measure of economic activity, expanded at an annualized rate of 3.1% in the second quarter, 8.2% in the third quarter, and 4.0% in the fourth quarter of 2003. As of

the close of the year, approximately 64% of the companies in the S&P 500 had reported third-quarter earnings that exceeded analysts' expectations while approximately 20.5% had reported earnings that met those estimates. The job market, while improving, continued to be weak, however, as the nation's unemployment rate stood at 5.7% at the close of the year.

For the first half of the year, the Federal Reserve (the Fed) kept the short-term federal funds rate at 1.25%. On June 25, 2003, it reduced that rate to 1.00%, its lowest level since 1958. At the time, the Fed said it favored a more expansive monetary policy because the economy had not yet exhibited sustainable growth. By October, the Fed reported that economic expansion had increased and consumer spending was generally stronger, although the job market remained weak.

All sectors of the S&P 500 recorded gains for the fiscal year. Information technology, materials and consumer discretionary were the top-performing sectors while telecommunication services, consumer staples and health care were the weakest-performing sectors.

Small- and mid-cap stocks generally outperformed large-cap stocks for the year. The performance of growth and value stocks

was similar, although mid-cap growth stocks generally outperformed their value counterparts.

Your fund

The industry that made the largest positive contributions to fund performance for the fiscal year was electric utilities. In addition to being the fund's largest industry exposure, electric utilities enjoyed one-year returns of more than 25% for the period, in part because they benefited from the change in tax law that reduced taxes on corporate dividends.

The second largest positive-contributing industry was the multi-utilities and unregulated power category. Stock-specific factors, rather than any single issue, accounted for the returns in this industry, which was the fund's second-largest industry weighting.

Positive contributions also came from diversified telecommunication services, the fund's third-largest industry exposure. However, the industry's returns were hampered by a regulatory ruling that left the regional Bell operating companies (RBOCs) in an unfavorable competitive situation. The Federal Communications Commission ruled that it would continue to make the RBOCs lease their network infrastructure to competitors at wholesale rates. The impact on fund holdings SBC Communications and Verizon negatively affected fund results. Consequently, we decided

TOP 10 EQUITY HOLDINGS* as of 12/31/03

1. Entergy Corp.	4.5%
2. Dominion Resources, Inc.	4.4
3. Exelon Corp.	4.3
4. FPL Group, Inc.	4.1
5. Ameren Corp.	3.7
6. Public Service Enterprise Group Inc.	3.7
7. Southern Co. (The)	3.5
8. PPL Corp.	3.3
9. SCANA Corp.	3.1
10. Cinergy Corp.	3.0

TOP INDUSTRIES* as of 12/31/03

1. Electric Utilities	61.1%
2. Multi-Utilities & Unregulated Power	14.5
3. Integrated Telecommunication Services	8.2
4. Gas Utilities	6.8
5. Water Utilities	2.4
6. Wireless Telecommunication Services	1.2
7. Electrical Components & Equipment	0.3

TOTAL NUMBER OF HOLDINGS*	50
TOTAL NET ASSETS	\$62.5 million

TOP COUNTRIES* as of 12/31/03

1. U.S.A.	81.4%
2. Spain	4.5
3. United Kingdom	4.1
4. Germany	2.3
5. Italy	1.5
6. Hong Kong	0.5
7. Greece	0.2

Portfolio Manager
As of 12/31/03
John S. Segner

*Excludes money market fund holdings and is based on total net assets.

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

to decrease the fund's exposure to diversified telecommunications and increase exposure to electric utilities.

We also decreased the fund's fixed-income exposure as equity returns improved.

Holdings that were top contributors to fund performance for the year included electric power and natural gas distributor Exelon and utility holding company Entergy. Both are large nuclear operators, so the rising price of natural gas expanded margins for their operations, leading to strong balance sheets, and we were pleased with the quality of the companies' fundamentals.

Public Service Enterprise Group, another top contributor, is a generator and distributor of electric power and natural gas that has improved its risk profile and is making a successful transition to a competitive environment. On the other hand, DTE Energy underperformed, following delays on its application to regulators for a cost recovery rate increase.

In closing

During the fiscal year ended December 31, 2003, INVESCO VIF-Utilities Fund continued to pursue capital growth and current income by investing primarily in securities of companies engaged in utilities-related industries. We also increased the fund's exposure to international stocks where we found favorable regulatory environments, favorable demand/supply dynamics, and attractive dividend yields. We continued to focus on company fundamentals and growth prospects when selecting securities.

AVERAGE ANNUAL TOTAL RETURNS

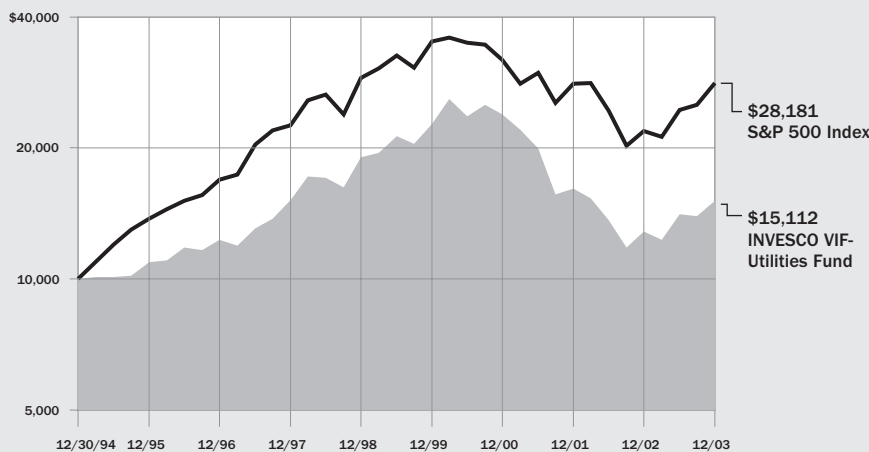
As of 12/31/03

Inception (12/30/94)	4.69%
5 Years	-4.52
1 Year	17.47

Current performance may be lower or higher than the performance data quoted. Past performance cannot guarantee comparable future results. Due to significant market volatility, results of an investment made today may differ substantially from the historical performance shown. Please see your financial advisor

RESULTS OF A \$10,000 INVESTMENT

12/30/94-12/31/03
Index data from 12/31/94



Source: Lipper, Inc.

Past performance cannot guarantee comparable future results.

In evaluating this chart, please note that the chart uses a logarithmic scale along the vertical axis (the value scale). This means that each scale increment always represents the same *percent* change in price; in a linear chart each scale increment always represents the same *absolute* change in price. In this example, the scale increment between \$5,000 and \$10,000 is the same as that between \$10,000 and \$20,000. In a linear chart, the latter scale increment would be twice as large. The benefit of using a logarithmic scale is that it better illustrates performance during the fund's early years before reinvested distributions and compounding create the potential for the original investment to grow to very large numbers. Had the chart used a linear scale along its vertical axis, you would not be able to see as clearly the movements in the value of the fund and the indexes during the fund's early years. We use a logarithmic scale in financial reports of funds that have more than five years of performance history.

for more current month-end performance. Fund performance figures are historical, and they reflect fund expenses, the reinvestment of distributions and changes in net asset value. The fund's investment return and principal value will fluctuate, so an investor's shares, when redeemed, may be worth more or less than their original cost.

INVESCO variable investment funds are offered through insurance company separate accounts to fund variable annuity contracts and variable life insurance policies, and through certain pension or retirement plans. Performance figures given represent the fund and are not intended to reflect actual variable product values. They do not reflect sales charges, expenses and fees at the separate account level. Sales charges, expenses and fees, which are determined by the product issuers, will vary and will lower the total return.

Principal risks of investing in the fund

International investing presents certain risks not associated with investing solely in the United States. These include risks relating to fluctuations in the value of the U.S. dollar relative to the values of other currencies, the custody arrangements made for the fund's foreign holdings, differences in accounting, political risks and the lesser degree of public information required to be provided by non-U.S. companies.

The fund may invest up to 25% of its assets in securities of non-U.S. issuers. Securities of Canadian issuers and American Depositary Receipts are not subject to this 25% limitation.

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

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

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

About indexes used in this report

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

A direct investment cannot be made in an index. Unless otherwise indicated, index results include reinvested dividends, and they do not reflect sales charges or fund expenses.

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

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available without charge, upon request, by calling 800-959-4246, or on the AIM Web site, AIMinvestments.com.

Schedule of Investments

December 31, 2003

	Shares	Market Value
Domestic Common Stocks—80.83%		
Electric Utilities—52.56%		
Ameren Corp.	50,900	\$ 2,341,400
American Electric Power Co., Inc.	30,400	927,504
Cinergy Corp.	48,300	1,874,523
Consolidated Edison, Inc.	37,800	1,625,778
Dominion Resources, Inc.	43,000	2,744,690
DTE Energy Co.	11,700	460,980
Edison International	42,100	923,253
Entergy Corp.	48,800	2,787,944
Exelon Corp.	40,512	2,688,376
FirstEnergy Corp.	28,200	992,640
FPL Group, Inc.	39,600	2,590,632
PG&E Corp. ^(a)	56,900	1,580,113
Pinnacle West Capital Corp.	15,200	608,304
PNM Resources Inc.	27,400	769,940
PPL Corp.	47,800	2,091,250
Progress Energy, Inc.	40,000	1,810,400
Puget Energy, Inc.	61,800	1,468,986
Southern Co. (The)	72,900	2,205,225
TXU Corp.	24,500	581,140
Wisconsin Energy Corp.	19,000	635,550
Xcel Energy, Inc.	67,400	1,144,452
		32,853,080
Electrical Components & Equipment—0.31%		
General Cable Corp. ^(a)	23,500	191,525
Gas Utilities—5.36%		
KeySpan Corp.	44,300	1,630,240
NiSource Inc.	69,900	1,533,606
Sempra Energy	6,300	189,378
		3,353,224
Integrated Telecommunication Services—7.69%		
BellSouth Corp.	63,040	1,784,032
CenturyTel, Inc.	20,500	668,710
SBC Communications Inc.	25,006	651,906
Verizon Communications Inc.	48,533	1,702,538
		4,807,186
Multi-Utilities & Unregulated Power—12.98%		
Constellation Energy Group, Inc.	26,600	1,041,656
Duke Energy Corp.	70,000	1,431,500

	Shares	Market Value
Multi-Utilities & Unregulated Power—(Continued)		
Energy East Corp.	34,500	\$ 772,800
ONEOK, Inc.	27,700	611,616
Public Service Enterprise Group Inc.	52,600	2,303,880
SCANA Corp.	57,000	1,952,250
		8,113,702
Water Utilities—1.93%		
Philadelphia Suburban Corp.	54,750	1,209,975
Total Domestic Common Stocks (Cost \$45,432,633)		50,528,692
Foreign Stocks—13.09%		
Germany—2.32%		
E.ON A.G. (Electric Utilities)	22,250	1,448,113
Greece—0.22%		
Public Power Corp. (Electric Utilities)	5,600	138,067
Hong Kong—0.45%		
China Resources Power Holdings Co. Ltd. (Electric Utilities) ^(a)	608,400	284,076
Italy—1.50%		
Enel S.p.A (Electric Utilities)	91,600	621,056
Snam Rete Gas S.p.A (Gas Utilities) (Acquired 10/13/03; Cost \$286,100) ^(b)	74,100	313,187
		934,243
Spain—4.48%		
Endesa, S.A. (Electric Utilities)	71,500	1,371,583
Iberdrola S.A. (Electric Utilities)	33,200	654,415
Red Electrica de Espana (Electric Utilities)	27,800	454,605
Telefonica, S.A. (Integrated Telecommunication Services)	22,000	322,123
		2,802,726
United Kingdom—4.12%		
Centrica PLC (Gas Utilities)	156,300	588,845
Kelda Group PLC (Water Utilities)	37,400	313,188
National Grid Transco PLC (Multi-Utilities & Unregulated Power)	131,100	936,901
Vodafone Group PLC (Wireless Telecommunication Services)	296,900	734,209
		2,573,143
Total Foreign Stocks (Cost \$6,927,710)		8,180,368

	Principal Amount	Market Value
Bonds—0.57%		
Public Service Electric & Gas Co. (Electric Utilities)— Series PP, Refunding First Mortgage Bonds, 6.50%, 05/01/04 (Cost \$354,784) ^(c)	\$ 352,000	\$ 357,572
Shares		
Money Market Funds—5.04%		
INVESCO Treasurer's Series Money Market Reserve Fund (Cost \$3,151,179) ^(d)	3,151,179	3,151,179
TOTAL INVESTMENTS—99.53% (Cost \$55,866,306)		62,217,811
OTHER ASSETS LESS LIABILITIES—0.47%		292,611
NET ASSETS—100.00%		\$62,510,422

Notes to Schedule of Investments:

- (a) Non-income producing security.
- (b) Security not registered under the Securities Act of 1933, as amended (e.g., the security was purchased in a Rule 144A transaction or a Regulation D transaction). The security may be resold only pursuant to an exemption from registration under the 1933 Act, typically to qualified institutional buyers. The Fund has no rights to demand registration of these securities. The market value of this security at 12/31/03 represented 0.50% of the Fund's net assets.
- (c) Principal and interest payments are secured by bond insurance provided by MBIA Insurance Corp.
- (d) The Fund's advisor and the money market fund's advisor are affiliated by both being under the common control of AMVESCAP PLC. See Note 3.

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

Statement of Assets and Liabilities

December 31, 2003

Assets:

Investments, at market value (cost \$52,715,127)	\$ 59,066,632
Investments in affiliated money market funds (cost \$3,151,179)	3,151,179
Receivables for:	
Capital stock sold	231,332
Dividends and interest	97,990
Investment for deferred compensation and retirement plans	3,506
Total assets	62,550,639

Liabilities:

Payables for:	
Capital stock reacquired	10,158
Deferred compensation and retirement plans	3,828
Accrued transfer agent fees	496
Accrued operating expenses	25,735
Total liabilities	40,217
Net assets applicable to shares outstanding	\$ 62,510,422

Net assets consist of:

Capital (par value and additional paid-in)	\$ 63,536,384
Undistributed net investment income	1,194,003
Undistributed net realized gain (loss) from investment securities, foreign currencies and foreign currency contracts	(8,572,625)
Unrealized appreciation of investment securities and foreign currencies	6,352,660
	\$ 62,510,422

Capital stock, \$0.01 par value per share:

Authorized	100,000,000
Outstanding	4,826,030
Net asset value per share	\$ 12.95

Statement of Operations

For the year ended December 31, 2003

Investment income:

Dividends (net of foreign withholding tax of \$2,566)	\$1,642,617
Dividends from affiliated money market funds	12,137
Interest	32,567
Total investment income	1,687,321

Expenses:

Advisory fees	258,226
Administrative services fees	124,050
Custodian fees	18,107
Transfer agent fees	5,311
Directors' fees	9,682
Professional fees	28,159
Other	21,663
Total expenses	465,198
Less: Fees waived and expense offset arrangements	(800)
Net expenses	464,398
Net investment income	1,222,923

Realized and unrealized gain (loss) from investment securities, foreign currencies and foreign currency contracts:

Net realized gain (loss) from:	
Investment securities	143,212
Foreign currencies	20,801
Foreign currency contracts	(21,161)
	142,852
Change in net unrealized appreciation of:	
Investment securities	6,183,820
Foreign currencies	1,155
	6,184,975
Net gain from investment securities, foreign currencies and foreign currency contracts	6,327,827
Net increase in net assets resulting from operations	\$7,550,750

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

Statement of Changes in Net Assets

For the years ended December 31, 2003 and 2002

	2003	2002
Operations:		
Net investment income	\$ 1,222,923	\$ 670,087
Net realized gain (loss) from investment securities, foreign currencies and foreign currency contracts	142,852	(7,796,821)
Change in net unrealized appreciation of investment securities, and foreign currencies	6,184,975	1,677,670
Net increase (decrease) in net assets resulting from operations	7,550,750	(5,449,064)
Distributions to shareholders from net investment income	(670,647)	(161,756)
Share transactions—net	24,426,328	15,867,421
Net increase in net assets	31,306,431	10,256,601
Net assets:		
Beginning of year	31,203,991	20,947,390
End of year (including undistributed net investment income of \$1,194,003 and \$669,374 for 2003 and 2002, respectively)	\$62,510,422	\$31,203,991

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

Notes to Financial Statements

December 31, 2003

NOTE 1—Significant Accounting Policies

INVESCO VIF—Utilities Fund (the “Fund”) is a series portfolio of INVESCO Variable Investment Funds, Inc. (the “Company”). The Company is a Maryland corporation registered under the Investment Company Act of 1940, as amended (the “1940 Act”), as an open-end series management investment company consisting of thirteen separate portfolios. Matters affecting each portfolio will be voted on exclusively by the shareholders of such portfolio. The Fund’s shares are not offered directly to the public but are sold exclusively to life insurance companies (“Participating Insurance Companies”) as a pooled funding vehicle for variable annuity and variable life insurance contracts issued by separate accounts of the Participating Insurance Companies. The assets, liabilities and operations of each portfolio are accounted for separately. Information presented in these financial statements pertains only to the Fund.

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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The following is a summary of the significant accounting policies followed by the Fund in the preparation of its financial statements.

A. Security Valuations — Securities, including restricted securities, are valued according to the following policy. A security listed or traded on an exchange (except convertible bonds) is valued at its last sales price as of the close of the customary trading session on the exchange where the security is principally traded, or lacking any sales on a particular day, the security is valued at the closing bid price on that day. Each security traded in the over-the-counter market (but not securities reported on the NASDAQ National Market System) is valued on the basis of prices furnished by independent pricing services or market makers. Each security reported on the NASDAQ National Market System is valued at the NASDAQ Official Closing Price (“NOCP”) as of the close of the customary trading session on the valuation date or absent a NOCP, at the closing bid price. Debt obligations (including convertible bonds) are valued on the basis of prices provided by an independent pricing service. Prices provided by the pricing service may be determined without exclusive reliance on quoted prices, and may reflect appropriate factors such as institution-size trading in similar groups of securities, developments related to special securities, dividend rate, yield, quality, type of issue, coupon rate, maturity, individual trading characteristics and other market data. Securities for which market prices are not provided by any of the above methods are valued based upon quotes furnished by independent sources and are valued at the last bid price in the case of equity securities and in the case of debt obligations, the mean between the last bid and asked prices. Securities for which market quotations are not readily available or are questionable are valued at fair value as determined in good faith by or under the supervision of the Company’s officers in a manner specifically authorized by the Board of Directors of

the Company. Issuer specific events, market trends, bid/ask quotes of brokers and information providers and other market data may be reviewed in the course of making a good faith determination of a security’s fair value. Short-term obligations having 60 days or less to maturity and commercial paper are valued at amortized cost which approximates market value. For purposes of determining net asset value per share, futures and option contracts generally will be valued 15 minutes after the close of the customary trading session of the New York Stock Exchange (“NYSE”).

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

- B. Repurchase Agreements** — Repurchase agreements purchased by the Fund are fully collateralized by securities issued by the U.S. Government, its agencies or instrumentalities and such collateral is in the possession of the Fund’s custodian. The collateral is evaluated daily to ensure its market value exceeds the current market value of the repurchase agreements including accrued interest. In the event of default on the obligation to repurchase, the Fund has the right to liquidate the collateral and apply the proceeds in satisfaction of the obligation. If the seller of a repurchase agreement fails to repurchase the security in accordance with the terms of the agreement, the Fund might incur expenses in enforcing its rights, and could experience losses, including a decline in the value of the underlying security and loss of income.
- C. Securities Transactions and Investment Income** — Securities transactions are accounted for on a trade date basis. Realized gains or losses on sales are computed on the basis of specific identification of the securities sold. Interest income is recorded on the accrual basis from settlement date. Dividend income is recorded on the ex-dividend date.
- D. Distributions** — Distributions from income and net realized capital gains, if any, are generally paid to separate accounts of participating insurance companies annually and recorded on ex-dividend date.

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

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

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

NOTE 2—Advisory Fees and Other Fees Paid to Affiliates

The Company has entered into an investment advisory agreement with INVESCO Funds Group, Inc. ("IFG") to serve as the Fund's investment advisor. Under the terms of the investment advisory agreement, the Fund pays an advisory fee to IFG at the annual rate of 0.60% of the Fund's average net assets. IFG has voluntarily agreed to waive advisory fees and/or reimburse expenses (excluding interest, taxes, brokerage commissions, extraordinary items and increases in expenses due to expense offset arrangements, excluding directed brokerage, if any) to the extent necessary to limit total annual operating expenses of the Class to 1.15%. Voluntary expense limitations may be modified or discontinued without further notice to investors after April 30, 2004 upon consultation with the Board of Directors. Further, the advisor has voluntarily agreed to waive advisory fees of the Fund in the amount of 25% of the advisory fee that the advisor receives from the affiliated money market funds on investments by the Fund in such affiliated money market funds (excluding investments made in affiliated money market funds with cash collateral from securities loaned by the Fund, if any.) For the year ended December 31, 2003, the advisor waived fees of \$263.

IFG is entitled to reimbursement from a Fund share class that has had fees and expenses absorbed pursuant to these arrangements if such reimbursements do not cause a share class to exceed the then current expense limitations and the reimbursement is made within three years after IFG incurred the expense. At December 31, 2003, there are no reimbursement that may potentially be made by the Fund to IFG. During the year ended December 31, 2003, the Fund reimbursed IFG for previously reimbursed Fund expenses of \$5,083.

Pursuant to a master administrative services agreement with IFG, the Fund has agreed to pay IFG for certain administrative costs incurred in providing accounting services to the Fund. IFG may pay all or a portion of the administrative service fees to insurance companies for providing certain administrative services to participants of separate accounts. For the year ended December 31, 2003, IFG was paid \$124,050 for such services.

The Fund, pursuant to a transfer agency and service agreement, has agreed to pay AIM Investment Services, Inc. ("AIS"), formerly known as A I M Fund Services, Inc., a fee for providing transfer agency and shareholder services to the Fund. For the period October 1, 2003 to December 31, 2003 that AIS was the transfer agent, AIS retained \$1,260 for such services. Prior to October 1, 2003, the Company had a transfer agency and service agreement with IFG. IFG retained \$3,740 for such services.

The Company has entered into a master distribution agreement with INVESCO Distributors, Inc. ("IDI") to serve as the distributor for the Fund.

Certain officers and directors of the Fund are also officers and directors of IFG and/or IDI.

NOTE 3—Investments in Affiliates

The Fund is permitted pursuant to an exemptive order from the Securities and Exchange Commission ("SEC") to invest daily available cash balances in affiliated money market funds. Each day the prior day's balance invested in the affiliated money market fund is redeemed in full and a new purchase amount is submitted to invest the current day's available cash. The table below shows the transactions in and earnings from investments in affiliated money market funds for the period ended December 31, 2003.

Fund	Market Value 12/31/2002	Purchases at Cost	Proceeds from Sales	Unrealized Appreciation (Depreciation)	Market Value 12/31/2003	Dividend Income	Realized Gain (Loss)
INVESCO Treasurer's Series Money Market Reserve Fund	\$ —	\$22,568,994	\$(19,417,815)	\$ —	\$3,151,179	\$12,137	\$ —

NOTE 4—Expense Offset Arrangements

Indirect expenses under expense offset arrangements are comprised of custodian credits from periodic overnight cash balances at the custodian. For the years ended December 31, 2003, the Fund received reductions in custodian fees of \$537 under an expense offset arrangement, which resulted in a reduction of the Fund's total expenses of \$537.

NOTE 5—Directors' Fees

Directors' fees represent remuneration paid to each Director who is not an "interested person" of IFG. Directors have the option to defer compensation payable by the Company. The Directors deferring compensation have the option to select various AIM and INVESCO Funds, excluding INVESCO Variable Investments Funds, in which all or part of their deferral accounts shall be deemed to be invested.

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

NOTE 6—Borrowings

The Fund may participate in an interfund lending facility that A I M Advisors, Inc. ("AIM") has established for temporary borrowings by the AIM Funds and the INVESCO Funds. An interfund loan will be made under this facility only if the loan rate (an average of the rate available on bank loans and the rate available on investments in overnight repurchase agreements) is favorable to both the lending fund and the borrowing fund. Under certain circumstances, a loan will be secured by collateral. To the extent that the loan is required to be secured by collateral, the collateral is marked to market daily to ensure that the market value is at least 102% of the outstanding principal value of the loan. The Fund did not borrow or lend under the facility during the year ended December 31, 2003.

Effective December 6, 2003, the Fund became a participant in an uncommitted unsecured revolving credit facility with State Street Bank and Trust Company ("SSB"). The Fund may borrow up to the lesser of (i) \$125,000,000 or (ii) the limits set by its prospectus for borrowings. The Fund and other funds advised by AIM which are parties to the credit facility can borrow on a first come, first served basis. Principal on each loan outstanding shall bear interest at the bid rate quoted by SSB at the time of the request for the loan. The Fund did not borrow under the facility during the year ended December 31, 2003.

The Fund had available a committed Redemption Line of Credit Facility ("LOC"), from a consortium of national banks, to be used for temporary or emergency purposes to meet redemption needs. The LOC permitted borrowings to a maximum of 10% of the net assets at value of the Fund. Each Fund agreed to pay annual fees and interest on the unpaid principal balance based on prevailing market rates as defined in the agreement. The funds which were party to the LOC were charged a commitment fee of 0.10% on the unused balance of the committed line. The Fund did not borrow under the LOC during the year ended December 31, 2003. The LOC expired December 3, 2003.

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

NOTE 7—Portfolio Securities Loaned

The Fund has entered into a securities lending agreement with SSB. Under the terms of the agreement, the Fund receives income, recorded monthly, after deduction of other amounts payable to SSB or to the borrower from lending transactions. In exchange for such fees, SSB is authorized to loan securities on behalf of the Fund, against receipt of collateral at least equal in value to the value of the securities loaned. Cash collateral is invested by SSB in the INVESCO Treasurer's Series Money Market Reserve Fund. The Fund bears the risk of any deficiency in the amount of collateral available for return to a borrower due to a loss in an approved investment. During the year ended December 31, 2003, there were no loans made by the Fund.

NOTE 8—Distributions to Shareholders and Tax Components of Net Assets

Distributions to Shareholders:

The tax character of distributions paid during the years ended December 31, 2003 and 2002 was as follows:

	2003	2002
Distributions paid from ordinary income	\$670,647	\$161,756

Tax Components of Net Assets:

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

Undistributed ordinary income	\$ 1,195,827
Unrealized appreciation—investments	5,742,621
Temporary book/tax differences	(1,824)
Capital loss carryforward	(7,962,586)
Capital (par value and additional paid-in)	63,536,384
Total net assets	\$62,510,422

The difference between book-basis and tax-basis unrealized appreciation (depreciation) is due to differences in the timing of recognition of gains and losses on investments for tax and book purposes. The Fund's unrealized appreciation difference is attributable primarily to the tax deferral of losses on wash sales and the tax treatment of corporate actions. The tax-basis unrealized appreciation on investments amount includes appreciation on foreign currencies of \$1,155.

The temporary book/tax differences are a result of timing differences between book and tax recognition of income and/or expenses. The Fund's temporary book/tax differences are the result of the deferral of director compensation and director retirement plan expenses.

The Fund utilized \$44,672 of capital loss carryforward in the current period to offset net realized capital gain for Federal Income Tax purposes. The Fund has a capital loss carryforward for tax purposes which expires as follows:

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

NOTE 9—Investment Securities

The aggregate amount of investment securities (other than short-term securities and money market funds) purchased and sold by the Fund during the year ended December 31, 2003 was \$47,352,623 and \$23,608,424, respectively.

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

Aggregate unrealized appreciation of investment securities	\$6,189,728
Aggregate unrealized (depreciation) of investment securities	(448,262)
Net unrealized appreciation of investment securities	\$5,741,466

Cost of investments for tax purposes is \$56,476,345.

NOTE 10—Reclassification of Permanent Differences

Primarily as a result of differing book/tax treatment of foreign currency transactions, on December 31, 2003, undistributed net investment income (loss) was decreased by \$27,647, undistributed net realized gains increased by \$27,641 and paid in capital increased by \$6. This reclassification had no effect on the net assets of the Fund.

NOTE 11—Capital Stock Information

Changes in Shares Outstanding

	Year ended December 31,			
	2003		2002	
	Shares	Amount	Shares	Amount
Sold	3,270,616	\$ 38,622,032	2,154,461	\$ 25,731,149
Issued as reinvestment of dividends	53,910	670,647	14,497	161,756
Reacquired	(1,294,779)	(14,866,351)	(859,909)	(10,025,484)
	2,029,747	\$ 24,426,328	1,309,049	\$ 15,867,421

NOTE 12—Financial Highlights

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

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

^(a) Calculated using average shares outstanding.

^(b) Includes adjustments in accordance with accounting principles generally accepted in the United States of America and total returns do not reflect charges at the separate account level which if included would reduce total returns for all periods shown.

^(c) Ratios are based on average daily net assets of \$43,037,638.

NOTE 13—Legal Proceedings

Your Fund's investment advisor, INVESCO Funds Group, Inc. ("IFG"), and A I M Advisors, Inc. ("AIM"), are each indirect wholly owned subsidiaries of AMVESCAP PLC ("AMVESCAP"). On November 25, 2003, AIM succeeded IFG as the investment advisor to all of the INVESCO Funds, other than your Fund and the other series portfolios comprising INVESCO Variable Investment Funds, Inc. ("IVIF").

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

A. Regulatory Inquiries and Actions

1. IFG

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

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

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

In addition, IFG has received inquiries in the form of subpoenas or other oral or written requests for information from various regulators concerning market timing activity, late trading, fair value pricing and related issues concerning the INVESCO Funds. These regulators include the Florida Department of Financial Services, the Commissioner of Securities for the State of Georgia, the Office of the State Auditor for the State of West Virginia, and the Office of the Secretary of State for West Virginia. IFG has also received more limited inquiries concerning related matters from the United States Department of Labor, NASD, Inc., and the SEC. IFG is providing full cooperation with respect to these inquiries.

2. AIM

AIM has also received inquiries in the form of subpoenas or other oral or written requests for information from various regulators concerning market timing activity, late trading, fair value pricing, and related issues concerning the AIM Funds. AIM has received requests for information and documents concerning these and related matters from the SEC and the Massachusetts Secretary of the Commonwealth. In addition, AIM has received subpoenas concerning these and related matters from the NYAG, the United States Attorney's Office for the District of Massachusetts, the Commissioner of Securities for the State of Georgia, the Office of the State Auditor for the State of West Virginia, and the Office of the Secretary of State for West Virginia. AIM has also received more limited inquiries from the SEC and NASD, Inc. concerning specific funds, entities and/or individuals, none of which directly bears upon the Fund. AIM is providing full cooperation with respect to these inquiries.

3. AMVESCAP Response

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

There can be no assurance that AMVESCAP will be able to reach a satisfactory settlement with the regulators, or that any such settlement will not include terms which would have the effect of barring either or both of IFG and AIM, or any other investment advisor directly or indirectly owned by AMVESCAP, from serving as an investment advisor to any registered investment company including the Fund. The Fund has been informed by AIM that, if either of these results occurs, AIM will seek exemptive relief from the SEC to permit it to continue to serve as an investment advisor. There can be no assurance that such exemptive relief will be granted. Any settlement with the regulators could also include terms which would bar Mr. Cunningham from serving as an officer or director of any registered investment company.

NOTE 13—Legal Proceedings—continued

B. Private Actions

In addition to the complaints described above, multiple lawsuits, including purported class action and shareholder derivative suits, have been filed against various parties (including, depending on the lawsuit, certain INVESCO Funds, certain AIM Funds, IFG, AIM, A I M Management Group Inc., the parent of AIM, AMVESCAP, certain related entities and certain of their officers, including Mr. Cunningham). The allegations in the majority of the lawsuits are substantially similar to the allegations in the regulatory complaints against IFG described above. Certain other lawsuits allege that certain AIM and INVESCO Funds inadequately employed fair value pricing. Such lawsuits allege a variety of theories of recovery, including but not limited to: (i) violation of various provisions of the Federal and state securities laws; (ii) violation of various provisions of the Employee Retirement Income Security Act (“ERISA”); (iii) breach of fiduciary duty; and (iv) breach of contract. The lawsuits have been filed in both Federal and state courts and seek such remedies as compensatory damages; restitution; rescission; accounting for wrongfully gotten gains, profits and compensation; injunctive relief; disgorgement; equitable relief; various corrective measures under ERISA; rescission of certain Funds’ advisory agreements with AIM; declaration that the advisory agreement is unenforceable or void; refund of advisory fees; interest; and attorneys’ and experts’ fees.

IFG has removed certain of the state court proceedings to Federal District Court. At a hearing before the Judicial Panel on Multidistrict Litigation concerning the most efficient way to manage the numerous lawsuits alleging market timing in mutual funds throughout the industry, IFG and AIM supported transfer of all cases pending against them to one district for consolidated proceedings. The Panel has not issued a ruling.

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

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

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

NOTE 14—Significant Events

On December 9, 2003, the Board of Directors approved an Agreement and Plan of Reorganization (the “Plan”) pursuant to which the Fund would acquire all of the assets of AIM V.I. Global Utilities Fund (“Selling Fund”), a series of AIM Variable Insurance Funds. As a result of the Plan, shareholders of the Selling Fund would receive shares of the Fund in exchange for their shares of the Selling Fund, and the Selling Fund would cease operations. The Plan requires approval of the Selling Fund’s shareholders and will be submitted to the shareholders for their consideration at a special meeting to be held on March 26, 2004. If the Plan is approved by shareholders of the Selling Fund and certain conditions required by the Plan are satisfied, the transaction is expected to become effective on or about April 30, 2004.

In addition, the following proposals, approved by the Board of Directors on December 9, 2003, will be put to a Fund shareholder vote on March 6, 2004 and upon shareholder approval will become effective on or about April 30, 2004:

- The election of Directors as proposed;
- A new investment advisory agreement between AIM and the Company, under which AIM will serve as the investment advisor for the Fund, and a new sub-advisory agreement between AIM and INVESCO Institutional (N.A.), Inc. (“INVESCO Institutional”), under which INVESCO Institutional will serve as sub-advisor for the Fund.
- An Agreement and Plan of Reorganization (the “Reorganization”) that provides for the Redomestication of the Fund as a series portfolio of AIM Variable Insurance Funds. The Reorganization has been structured as a tax-free reorganization.

Also effective on or about April 30, 2004, A I M Distributors, Inc. will become the Fund’s distributor and will be responsible for the sale of the Fund’s shares.

Report of Independent Auditors

To the Board of Directors and Shareholders of INVESCO VIF-Utilities Fund

In our opinion, the accompanying statement of assets and liabilities, including the schedule 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 the INVESCO VIF-Utilities Fund (one of the funds constituting INVESCO Variable Investment Funds, Inc.; hereafter referred to as the "Fund") at December 31, 2003, 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 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, 2003 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

February 20, 2004
Houston, Texas

Directors and Officers

As of January 1, 2004

The address of each director and officer of INVESCO Variable Investment Funds, Inc. (the "Company"), is 11 Greenway Plaza, Suite 100, Houston, Texas 77046. Each independent director oversees 96 portfolios in the AIM and INVESCO Funds complex. Mr. Williamson, a director and interested person, oversees 117 portfolios in the AIM and INVESCO Funds complex. The directors serve for the life of the Company, subject to their earlier death, incapacitation, resignation, retirement or removal as more specifically provided in the Company's organizational documents. Column two below includes length of time served with predecessor entities, if any.

Name, Year of Birth and Position(s) Held with the Company	Director and/or Officer Since	Principal Occupation(s) During Past 5 Years	Other Directorship(s) Held by Director
Interested Persons			
Mark H. Williamson ¹ — 1951 Director, Chairman and Executive Vice President	1998	Director, President and Chief Executive Officer, A I M Management Group Inc. (financial services holding company); Director, Chairman and President, A I M Advisors, Inc. (registered investment advisor); Director, A I M Capital Management, Inc. (registered investment advisor) and A I M Distributors, Inc. (registered broker dealer); Director and Chairman, AIM Investment Services, Inc. (registered transfer agent), and Fund Management Company (registered broker dealer); and Chief Executive Officer, AMVESCAP PLC — AIM Division (parent of AIM and a global investment management firm) Formerly: Director, Chairman, President and Chief Executive Officer, INVESCO Funds Group, Inc. and INVESCO Distributors, Inc.; Chief Executive Officer, AMVESCAP PLC — Managed Products; Chairman and Chief Executive Officer of NationsBanc Advisors, Inc.; and Chairman of NationsBanc Investments, Inc.	None
Independent Directors			
Bob R. Baker — 1936 Director	1993	Retired Formerly: President and Chief Executive Officer, AMC Cancer Research Center; and Chairman and Chief Executive Officer, First Columbia Financial Corporation	None
James T. Bunch — 1942 Director	2000	Co-President and Founder, Green, Manning & Bunch Ltd., (investment banking firm); and Director, Policy Studies, Inc. and Van Gilder Insurance Corporation	None
Gerald J. Lewis — 1933 Director	2000	Chairman, Lawsuit Resolution Services (San Diego, California) Formerly: Associate Justice of the California Court of Appeals	General Chemical Group, Inc.
Larry Soll, Ph.D. — 1942 Director	1997	Retired	None

¹ Mr. Williamson is considered an interested person of the Company because he is an officer and a director of the advisor to, and a director of the principal underwriter of, the Company.

Directors and Officers (continued)

As of January 1, 2004

The address of each director and officer of INVESCO Variable Investment Funds, Inc. (the "Company"), is 11 Greenway Plaza, Suite 100, Houston, Texas 77046. Each independent director oversees 96 portfolios in the AIM and INVESCO Funds complex. Mr. Williamson, a director and interested person, oversees 117 portfolios in the AIM and INVESCO Funds complex. The directors serve for the life of the Company, subject to their earlier death, incapacitation, resignation, retirement or removal as more specifically provided in the Company's organizational documents. Column two below includes length of time served with predecessor entities, if any.

Name, Year of Birth and Position(s) Held with the Company	Director and/or Officer Since	Principal Occupation(s) During Past 5 Years	Other Directorship(s) Held by Director
Other Officers			
Robert H. Graham — 1946 President	2003	Director and Chairman, A I M Management Group Inc. (financial services holding company); and Director and Vice Chairman, AMVESCAP PLC and Chairman of AMVESCAP PLC — AIM Division (parent of AIM and a global investment management firm) Formerly: President and Chief Executive Officer, A I M Management Group Inc.; Director, Chairman and President, A I M Advisors, Inc. (registered investment advisor); Director and Chairman, A I M Capital Management, Inc. (registered investment advisor), A I M Distributors, Inc. (registered broker dealer), AIM Investment Services, Inc., (registered transfer agent), and Fund Management Company (registered broker dealer); and Chief Executive Officer, AMVESCAP PLC — Managed Products	N/A
Raymond R. Cunningham — 1951 Executive Vice President	2001	President and Chief Executive Officer, INVESCO Funds Group, Inc.; Chairman and President, INVESCO Distributors, Inc.; Senior Vice President and Chief Operating Officer, A I M Management Group Inc.; Senior Vice President, A I M Advisors, Inc., AIM Capital Management, Inc., A I M Distributors, Inc., AIM Investment Services Inc. and Fund Management Company Formerly: Chief Operating Officer and Senior Vice President, INVESCO Funds Group, Inc. and INVESCO Distributors, Inc.; and Senior Vice President GT Global — North America	N/A
Kevin M. Carome — 1956 Senior Vice President, Chief Legal Officer and Secretary	2003	Director, Senior Vice President, Secretary and General Counsel, A I M Management Group Inc. (financial services holding company) and A I M Advisors, Inc.; Vice President, A I M Capital Management, Inc., A I M Distributors, Inc. and AIM Investment Services, Inc.; and Director, Vice President and General Counsel, Fund Management Company Formerly: Senior Vice President and General Counsel, Liberty Financial Companies, Inc.; and Senior Vice President and General Counsel, Liberty Funds Group, LLC	N/A
Robert G. Alley — 1948 Vice President	2003	Managing Director, Chief Fixed Income Officer and Senior Investment Officer, A I M Capital Management, Inc.; and Vice President, A I M Advisors, Inc.	N/A
Stuart W. Coco — 1955 Vice President	2003	Managing Director and Chief Research Officer — Fixed Income, A I M Capital Management, Inc.; and Vice President, A I M Advisors, Inc.	N/A
Melville B. Cox — 1943 Vice President	2003	Vice President and Chief Compliance Officer, A I M Advisors, Inc. and A I M Capital Management, Inc.; and Vice President, AIM Investment Services, Inc.	N/A
Sidney M. Dilgren — 1961 Vice President and Treasurer	2004	Vice President and Fund Treasurer, A I M Advisors, Inc.; Senior Vice President, AIM Investment Services, Inc.; and Vice President, A I M Distributors, Inc.	N/A
Karen Dunn Kelley — 1960 Vice President	2003	Managing Director and Chief Cash Management Officer, A I M Capital Management, Inc.; Director and President, Fund Management Company; and Vice President, A I M Advisors, Inc.	N/A
Edgar M. Larsen — 1940 Vice President	2003	Vice President, A I M Advisors, Inc.; and President, Chief Executive Officer and Chief Investment Officer, A I M Capital Management, Inc.	N/A

The Statement of Additional Information of the Company includes additional information about the Fund's Directors and is available upon request, without charge, by calling 1.800.347.4246.

Office of the Fund

11 Greenway Plaza
Suite 100
Houston, TX 77046-1173

Investment Advisor

INVESCO Funds Group, Inc.
4350 South Monaco Street
Denver, CO 80237

Distributor

INVESCO Distributors, Inc.
11 Greenway Plaza
Suite 100
Houston, TX 77046-1173

Auditors

PricewaterhouseCoopers LLP
1201 Louisiana Street
Suite 2900
Houston, TX 77002-5678

Transfer Agent

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

Custodian

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

Required Federal Income Tax Information (Unaudited)

Of ordinary dividends paid to shareholders during the Fund's tax year ended December 31, 2003, 99.56% is eligible for the dividends received deduction for corporations.

Scudder Variable Series I

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

Annual Report to Shareholders
December 31, 2003

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

NOT FDIC/NCUA INSURED NO BANK GUARANTEE MAY LOSE VALUE

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

Growth and Income Portfolio

After a more-than-three-year downturn, the US stock market produced strong gains in 2003. Stocks struggled early in the year but then rallied after active combat in Iraq ended, corporate earnings improved, a federal economic stimulus package was signed into law and economic data improved.

The portfolio's total return for the year was 26.74% (Class A shares, unadjusted for contract charges) versus a 28.68% return by its S&P 500 index benchmark. Please see the following page for standardized performance as of December 31, 2003. We attribute a significant portion of the relative underperformance to the portfolio's technology position. Technology led the market, and the best-performing technology stocks in the S&P 500 were generally those with the smallest market capitalizations. Due to our large-cap investment discipline, the portfolio typically invests in companies with market caps at or above \$5 billion. While the portfolio's overweight technology position resulted in strong absolute performance, it fell short of the gains generated by the smaller-cap issues.

Good stock selection and industry positioning within health care helped performance. The portfolio was underweight in pharmaceutical stocks — a poorly performing group in 2003. Stocks within the biotechnology and health care equipment areas of the sector posted strong gains and outperformed the benchmark. An overweight in industrial stocks also helped performance as many of the portfolio's stocks rallied as the economy improved.

We remain focused on building a well-diversified portfolio and continue to employ a blend of valuation screens, fundamental research and rigorous risk analysis to find the stocks that we believe are most likely to outperform the broader market.

Gregory S. Adams
Lead Portfolio Manager

Andrew Brudenell
Portfolio Manager

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

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

The Standard & Poor's 500 (S&P 500) Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Index returns assume reinvested dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of December 31, 2003, and may not come to pass. This information is subject to change at any time based on market and other conditions.

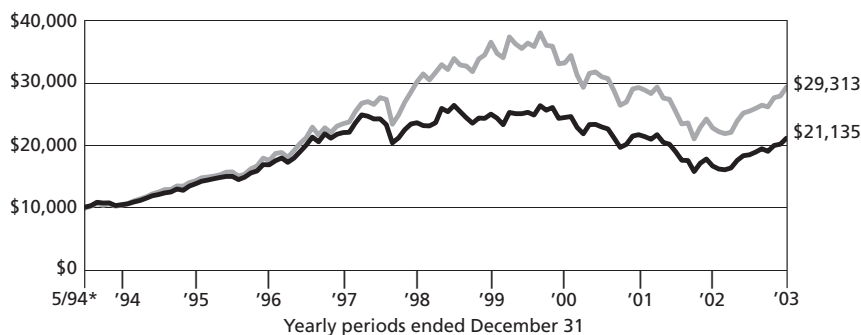
Growth and Income Portfolio

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

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

Growth of an Assumed \$10,000 Investment

- Growth and Income Portfolio — Class A*
- S&P 500 Index



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

Comparative Results (as of December 31, 2003)

Growth and Income Portfolio		1-Year	3-Year	5-Year	Life of Portfolio*
Class A	Growth of \$10,000	\$12,674	\$8,642	\$8,951	\$21,135
	Average annual total return	26.74%	-4.75%	-2.19%	8.05%
S&P 500 Index					
	Growth of \$10,000	\$12,868	\$8,833	\$9,718	\$29,313
	Average annual total return	28.68%	-4.05%	-5.7%	11.77%

Growth and Income Portfolio		1-Year	3-Year	5-Year	Life of Class**
Class B	Growth of \$10,000	\$12,655	\$8,573	\$8,832	\$11,607
	Average annual total return	26.55%	-5.00%	-2.45%	2.26%
S&P 500 Index					
	Growth of \$10,000	\$12,868	\$8,833	\$9,718	\$15,315
	Average annual total return	28.68%	-4.05%	-5.7%	6.60%

The growth of \$10,000 is cumulative.

* The Portfolio commenced operations on May 2, 1994. Index returns begin April 30, 1994. Total returns for the Life of Portfolio period for Class A would have been lower if the Portfolio's expenses were not maintained.

** The Portfolio commenced selling Class B shares on May 1, 1997. Index returns begin April 30, 1997.

Information concerning portfolio holdings of the Portfolio as of a month end is available upon request no earlier than 15 days after the month end. Please call 1-800-778-1482.

Growth and Income Portfolio

	Shares	Value (\$)
Common Stocks 96.9%		
Consumer Discretionary 12.3%		
Internet & Catalog Retail 1.0%		
Amazon.com, Inc.*	21,200	1,115,968
InterActiveCorp.*	21,200	719,316
		<u>1,835,284</u>
Media 5.8%		
Comcast Corp. "A"*	63,000	1,970,640
Interpublic Group of Companies, Inc.*	104,500	1,630,200
Time Warner, Inc.*	187,700	3,376,723
Viacom, Inc. "B"	78,900	3,501,582
		<u>10,479,145</u>
Multiline Retail 1.5%		
Kohl's Corp.*	14,700	660,618
Target Corp.	54,900	2,108,160
		<u>2,768,778</u>
Specialty Retail 4.0%		
Home Depot, Inc.	42,900	1,522,521
Staples, Inc.*	112,600	3,073,980
The Gap, Inc.	118,900	2,759,669
		<u>7,356,170</u>
Consumer Staples 7.4%		
Beverages 2.6%		
Anheuser-Busch Companies, Inc.	58,500	3,081,780
PepsiCo, Inc.	36,200	1,687,644
		<u>4,769,424</u>
Food & Drug Retailing 1.2%		
Wal-Mart Stores, Inc.	42,300	2,244,015
Food Products 1.0%		
Hershey Foods Corp.	22,400	1,724,576
Household Products 0.7%		
Clorox Co.	27,800	1,349,968
Personal Products 1.9%		
Avon Products, Inc.	51,700	3,489,233
Energy 6.0%		
Energy Equipment & Services 0.5%		
Baker Hughes, Inc.	29,900	961,584
Oil & Gas 5.5%		
ChevronTexaco Corp.	23,300	2,012,887
Devon Energy Corp.	17,200	984,872
ExxonMobil Corp.	130,814	5,363,374
Total SA (ADR)	18,190	1,682,757
		<u>10,043,890</u>
Financials 17.9%		
Banks 4.7%		
Bank of America Corp.	49,200	3,957,156
Bank One Corp.	41,200	1,878,308
Mellon Financial Corp.	42,400	1,361,464

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

	Shares	Value (\$)
US Bancorp.	46,900	1,396,682
		8,593,610
Diversified Financials 8.8%		
Citigroup, Inc.	140,400	6,815,016
Fannie Mae	17,800	1,336,068
Lehman Brothers Holdings, Inc.	27,600	2,131,272
Morgan Stanley	100,700	5,827,509
		16,109,865
Insurance 4.4%		
AMBAC Financial Group, Inc.	18,200	1,262,898
American International Group, Inc.	26,800	1,776,304
Hartford Financial Services Group, Inc.	34,500	2,036,535
Marsh & McLennan Companies, Inc.	19,400	929,066
MetLife, Inc.	61,400	2,067,338
		8,072,141
Health Care 13.3%		
Biotechnology 2.1%		
Amgen, Inc.*	62,300	3,850,140
Health Care Equipment & Supplies 2.5%		
Biomet, Inc.	53,650	1,953,396
Guidant Corp.	43,900	2,642,780
		4,596,176
Health Care Providers & Services 1.3%		
Caremark Rx, Inc.*	55,200	1,398,216
WellPoint Health Networks, Inc.*	9,200	892,308
		2,290,524
Pharmaceuticals 7.4%		
Allergan, Inc.	10,600	814,186
Eli Lilly & Co.	32,200	2,264,626
Johnson & Johnson	62,700	3,239,082
Pfizer, Inc.	159,700	5,642,201
Wyeth	36,900	1,566,405
		13,526,500
Industrials 13.1%		
Aerospace & Defense 4.1%		
Honeywell International, Inc.	60,100	2,009,143
United Technologies Corp.	59,000	5,591,430
		7,600,573
Industrial Conglomerates 6.0%		
3M Co.	52,500	4,464,075
General Electric Co.	208,100	6,446,938
		10,911,013
Machinery 3.0%		
Deere & Co.	32,800	2,133,640
Parker-Hannifin Corp.	57,400	3,415,300
		5,548,940
Information Technology 19.1%		
Communications Equipment 3.2%		
Cisco Systems, Inc.*	175,300	4,258,037
Nokia Oyj (ADR)	93,500	1,589,500
		5,847,537
Computers & Peripherals 5.1%		
Dell, Inc.*	57,700	1,959,492

	Shares	Value (\$)
EMC Corp.*	236,400	3,054,288
International Business Machines Corp.	35,300	3,271,604
Lexmark International, Inc.*	12,900	1,014,456
		9,299,840
Semiconductor Equipment & Products 4.4%		
Altera Corp.*	100,700	2,285,890
Intel Corp.	59,500	1,915,900
Texas Instruments, Inc.	132,100	3,881,098
		8,082,888
Software 6.4%		
Microsoft Corp.	237,800	6,549,012
Oracle Corp.*	227,200	2,999,040
Symantec Corp.*	62,500	2,165,625
		11,713,677
Materials 2.2%		
Chemicals 1.5%		
E.I. du Pont de Nemours & Co.	32,100	1,473,069
Monsanto Co.	42,500	1,223,150
		2,696,219
Paper & Forest Products 0.7%		
International Paper Co.	32,600	1,405,386
Telecommunication Services 3.5%		
Diversified Telecommunication Services 2.0%		
ALLTEL Corp.	32,400	1,509,192
Verizon Communications, Inc.	58,272	2,044,182
		3,553,374
Wireless Telecommunication Services 1.5%		
AT&T Wireless Services, Inc.	347,200	2,774,128
Utilities 2.1%		
Electric Utilities		
Exelon Corp.	31,300	2,077,068
FPL Group, Inc.	25,660	1,678,677
		3,755,745
Total Common Stocks (Cost \$152,765,971)		177,250,343
Cash Equivalents 3.1%		
Scudder Cash Management QP Trust, 1.11% (b) (Cost \$5,715,626)	5,715,626	5,715,626
Total Investment Portfolio — 100.0% (Cost \$158,481,597) (a)		182,965,969

* Non-income producing security.

(a) The cost for federal income tax purposes was \$161,186,849. At December 31, 2003, net unrealized appreciation for all securities based on tax cost was \$21,779,120. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$28,209,664 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$6,430,544.

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

Purchases and sales of investment securities (excluding short-term investments) for the year ended December 31, 2003, aggregated \$58,298,239 and \$56,142,271, respectively.

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

Financial Statements

Growth and Income Portfolio

Statement of Assets and Liabilities as of December 31, 2003

Assets

Investments:	
Investments in securities, at value (cost \$152,765,971)	\$ 177,250,343
Investments in Scudder Cash Management QP Trust (cost \$5,715,626)	5,715,626
Total investments in securities, at value (cost \$158,481,597)	182,965,969
Dividends receivable	112,404
Interest receivable	4,698
Receivable for Portfolio shares sold	77,795
Foreign taxes recoverable	3,501
Other assets	129
Total assets	183,164,496

Liabilities

Payable for investments purchased	4,215,838
Payable for Portfolio shares redeemed	241,212
Accrued management fee	74,225
Other accrued expenses and payables	69,628
Total liabilities	4,600,903
Net assets, at value	\$ 178,563,593

Net Assets

Net assets consist of:	
Undistributed net investment income	1,273,616
Net unrealized appreciation (depreciation) on investments	24,484,372
Accumulated net realized gain (loss)	(44,632,988)
Paid-in capital	197,438,593
Net assets, at value	\$ 178,563,593

Class A

Net Asset Value , offering and redemption price per share (\$160,653,610 ÷ 18,896,518 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	\$ 8.50
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Class B

Net Asset Value , offering and redemption price per share (\$17,909,983 ÷ 2,114,110 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	\$ 8.47
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Statement of Operations for the year ended December 31, 2003**Investment Income**

Income:	
Dividends (net of foreign taxes withheld of \$7,672)	\$ 2,257,675
Interest — Scudder Cash Management QP Trust	35,924
Total Income	2,293,599
Expenses:	
Management fee	730,659
Custodian fees	24,873
Accounting fees	68,392
Distribution service fees (Class B)	27,480
Record keeping fees (Class B)	1,126
Auditing	34,052
Legal	13,006
Trustees' fees and expenses	6,668
Reports to shareholders	23,318
Other	8,156
Total expenses, before expense reductions	937,730
Expense reductions	(18)
Total expenses, after expense reductions	937,712
Net investment income (loss)	1,355,887

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from investments	(2,190,678)
Net unrealized appreciation (depreciation) during the period on investments	37,960,524
Net gain (loss) on investment transactions	35,769,846
Net increase (decrease) in net assets resulting from operations	\$ 37,125,733

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2003	2002
Operations:		
Net investment income (loss)	\$ 1,355,887	\$ 1,549,481
Net realized gain (loss) on investment transactions	(2,190,678)	(27,315,158)
Net unrealized appreciation (depreciation) on investment transactions during the period	37,960,524	(20,815,347)
Net increase (decrease) in net assets resulting from operations	37,125,733	(46,581,024)
Distributions to shareholders from:		
Net investment income:		
Class A	(1,476,002)	(1,605,814)
Class B	(71,436)	(57,174)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	16,861,930	49,741,869
Reinvestment of distributions	1,476,002	1,605,814
Cost of shares redeemed	(25,120,246)	(56,127,144)
Net increase (decrease) in net assets from Class A share transactions	(6,782,314)	(4,779,461)
Class B		
Proceeds from shares sold	9,818,320	1,117,081
Reinvestment of distributions	71,436	57,174
Cost of shares redeemed	(1,439,484)	(2,056,195)
Net increase (decrease) in net assets from Class B share transactions	8,450,272	(881,940)
Increase (decrease) in net assets	37,246,253	(53,905,413)
Net assets at beginning of period	141,317,340	195,222,753
Net assets at end of period (including undistributed net investment income of \$1,273,616 and \$1,465,168, respectively)	\$ 178,563,593	\$ 141,317,340

Other Information

Class A		
Shares outstanding at beginning of period	19,882,920	20,820,420
Shares sold	2,314,339	6,066,477
Shares issued to shareholders in reinvestment of distributions	208,181	195,355
Shares redeemed	(3,508,922)	(7,199,332)
Net increase (decrease) in Portfolio shares	(986,402)	(937,500)
Shares outstanding at end of period	18,896,518	19,882,920
Class B		
Shares outstanding at beginning of period	990,738	1,111,138
Shares sold	1,308,947	148,089
Shares issued to shareholders in reinvestment of distributions	10,104	6,972
Shares redeemed	(195,679)	(275,461)
Net increase (decrease) in Portfolio shares	1,123,372	(120,400)
Shares outstanding at end of period	2,114,110	990,738

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

Financial Highlights

Growth and Income Portfolio

Class A

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

Class B

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

^a Based on average shares outstanding during the period.

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

Capital Growth Portfolio

Positive economic news, better-than-expected corporate earnings, accommodative monetary policy and significant fiscal stimulus combined to create a very favorable environment for stocks during 2003. This helped the portfolio deliver a strong total return of 26.89% (Class A shares, unadjusted for contract charges). Please see the following page for standardized performance as of December 31, 2003. However, during a period in which smaller and lower-quality companies generally produced the best returns, our focus on larger, higher-quality companies caused the portfolio to trail the 28.68% return of its benchmark, the S&P 500 index.

Portfolio performance was helped by our security selection in health care. Several biotechnology holdings provided considerable gains, particularly top-10 holding Genentech, Inc.. In addition, the portfolio's positioning within the technology sector — most notably semiconductor companies such as top-10 holding Intel Corp. — was a positive given the industry's strong performance. On the negative side, the consumer sectors detracted from returns, as positions in both the consumer discretionary and consumer staples areas underperformed. An overweight in energy stocks was also a detractor.

In general, we believe the portfolio is positioned to benefit from an environment of continued economic expansion. We maintain a pro-cyclical stance and the portfolio is modestly overweight in the consumer discretionary and technology sectors. We continue to actively overweight the energy sector. Energy has historically been a late-cycle performer, and while we believe this will be the case again, the portfolio is invested on the basis that long-term secular growth opportunities exist in the sector.

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

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

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

The Standard & Poor's 500 (S&P 500) index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Index returns assume reinvested dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of December 31, 2003, and may not come to pass. This information is subject to change at any time based on market and other conditions.

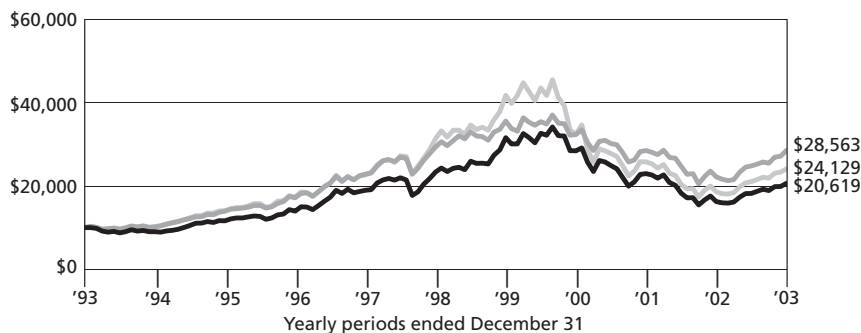
Capital Growth Portfolio

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

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

Growth of an Assumed \$10,000 Investment

- Capital Growth Portfolio — Class A
- S&P 500 Index
- Russell 1000 Growth Index



The Standard & Poor's (S&P) 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The Russell 1000 Growth Index is an unmanaged capitalization-weighted index containing those securities in the Russell 1000 Index with higher price-to-book ratios and higher forecasted growth values.

Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results (as of December 31, 2003)

Capital Growth Portfolio		1-Year	3-Year	5-Year	10-Year
Class A	Growth of \$10,000	\$12,689	\$7,246	\$8,829	\$20,619
	Average annual total return	26.89%	-10.18%	-2.46%	7.50%
S&P 500 Index	Growth of \$10,000	\$12,868	\$8,833	\$9,718	\$28,563
	Average annual total return	28.68%	-4.05%	-5.7%	11.07%
Russell 1000 Growth Index	Growth of \$10,000	\$12,975	\$7,446	\$7,692	\$24,129
	Average annual total return	29.75%	-9.36%	-5.11%	9.21%
Capital Growth Portfolio		1-Year	3-Year	5-Year	Life of Class*
Class B	Growth of \$10,000	\$12,651	\$7,181	\$8,704	\$12,626
	Average annual total return	26.51%	-10.45%	-2.74%	3.58%
S&P 500 Index	Growth of \$10,000	\$12,868	\$8,833	\$9,718	\$14,436
	Average annual total return	28.68%	-4.05%	-5.7%	5.74%
Russell 1000 Growth Index	Growth of \$10,000	\$12,975	\$7,446	\$7,692	\$10,669
	Average annual total return	29.75%	-9.36%	-5.11%	1.08%

The growth of \$10,000 is cumulative.

* The Portfolio commenced selling Class B shares on May 12, 1997. Index returns begin May 31, 1997.

Information concerning portfolio holdings of the Portfolio as of a month end is available upon request no earlier than 15 days after the month end. Please call 1-800-778-1482.

Capital Growth Portfolio

	Shares	Value (\$)
Common Stocks 96.7%		
Consumer Discretionary 15.0%		
Automobiles 1.3%		
Harley-Davidson, Inc.	190,300	9,044,959
Hotels, Restaurants & Leisure 2.3%		
International Game Technology	305,100	10,892,070
YUM! Brands, Inc.*	167,000	5,744,800
		<u>16,636,870</u>
Media 5.7%		
Comcast Corp. "A"*	257,800	8,063,984
McGraw-Hill, Inc.	100,500	7,026,960
Omnicom Group, Inc.	117,700	10,278,741
Time Warner, Inc.*	458,400	8,246,616
Viacom, Inc. "B"	169,800	7,535,724
		<u>41,152,025</u>
Multiline Retail 2.7%		
Kohl's Corp.*	137,700	6,188,238
Target Corp.	344,600	13,232,640
		<u>19,420,878</u>
Specialty Retail 3.0%		
Bed Bath & Beyond, Inc.*	113,600	4,924,560
Home Depot, Inc.	112,950	4,008,596
Lowe's Companies, Inc.	104,200	5,771,638
Staples, Inc.*	246,000	6,715,800
		<u>21,420,594</u>
Consumer Staples 10.2%		
Beverages 2.8%		
Coca-Cola Co.	132,100	6,704,075
PepsiCo, Inc.	283,000	13,193,460
		<u>19,897,535</u>
Food & Drug Retailing 3.6%		
Wal-Mart Stores, Inc.	352,000	18,673,600
Walgreen Co.	203,600	7,406,968
		<u>26,080,568</u>
Household Products 3.8%		
Colgate-Palmolive Co.	275,500	13,788,775
Procter & Gamble Co.	134,100	13,393,908
		<u>27,182,683</u>
Energy 6.8%		
Energy Equipment & Services 4.4%		
Baker Hughes, Inc.	188,100	6,049,296
Nabors Industries Ltd.*	288,400	11,968,600
Noble Corp.*	82,800	2,962,584
Schlumberger Ltd.	203,000	11,108,160
		<u>32,088,640</u>
Oil & Gas 2.4%		
ConocoPhillips	119,400	7,829,058
EOG Resources, Inc.	200,900	9,275,553
		<u>17,104,611</u>

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

	Shares	Value (\$)
Financials 11.1%		
Banks 1.2%		
Bank of America Corp.	107,500	8,646,225
Consumer Finance 1.3%		
American Express Co.	189,400	9,134,762
Capital Markets 0.8%		
State Street Corp.	105,200	5,478,816
Diversified Financials 5.8%		
Citigroup, Inc.	285,133	13,840,355
Fannie Mae	174,200	13,075,452
Goldman Sachs Group, Inc.	34,700	3,425,931
Lehman Brothers Holdings, Inc.	45,000	3,474,900
Morgan Stanley	143,200	8,286,984
		<u>42,103,622</u>
Insurance 2.0%		
AFLAC, Inc.	48,700	1,761,966
American International Group, Inc.	189,402	12,553,564
		<u>14,315,530</u>
Health Care 20.3%		
Biotechnology 3.6%		
Amgen, Inc.*	29,700	1,835,460
Genentech, Inc.*	179,300	16,777,101
Gilead Sciences, Inc.*	127,200	7,395,408
		<u>26,007,969</u>
Health Care Equipment & Supplies 4.2%		
Baxter International, Inc.	214,500	6,546,540
Boston Scientific Corp.*	102,800	3,778,928
Medtronic, Inc.	251,600	12,230,276
Zimmer Holdings, Inc.*	109,890	7,736,256
		<u>30,292,000</u>
Health Care Providers & Services 1.6%		
UnitedHealth Group, Inc.	196,700	11,444,006
Pharmaceuticals 10.9%		
Abbott Laboratories	319,500	14,888,700
Eli Lilly & Co.	177,900	12,511,707
Johnson & Johnson	372,100	19,222,686
Merck & Co., Inc.	123,400	5,701,080
Pfizer, Inc.	728,575	25,740,555
		<u>78,064,728</u>
Industrials 6.9%		
Aerospace & Defense 2.2%		
United Technologies Corp.	171,300	16,234,101
Air Freight & Logistics 0.9%		
FedEx Corp.	93,700	6,324,750
Industrial Conglomerates 3.8%		
3M Co.	73,000	6,207,190
General Electric Co.	688,100	21,317,338
		<u>27,524,528</u>
Information Technology 24.3%		
Communications Equipment 2.9%		
Cisco Systems, Inc.*	844,400	20,510,476

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

	Shares	Value (\$)
Computers & Peripherals 4.4%		
Dell, Inc.*	110,400	3,749,184
EMC Corp.*	868,100	11,215,852
International Business Machines Corp.	182,000	16,867,760
		<u>31,832,796</u>
IT Consulting & Services 1.2%		
Fiserv, Inc.*	223,400	8,826,534
Semiconductor Equipment & Products 8.4%		
Applied Materials, Inc.*	512,900	11,514,605
Intel Corp.	851,100	27,405,420
Linear Technology Corp.	207,100	8,712,697
Texas Instruments, Inc.	430,400	12,645,152
		<u>60,277,874</u>
Software 7.4%		
BEA Systems, Inc.*	122,300	1,504,290
Electronic Arts, Inc.*	228,600	10,922,508
Microsoft Corp.	992,300	27,327,942
Oracle Corp.*	437,600	5,776,320
Symantec Corp.*	101,400	3,513,510
VERITAS Software Corp.*	110,600	4,109,896
		<u>53,154,466</u>
Materials 0.7%		
Chemicals		
Ecolab, Inc.	197,700	5,411,049
Telecommunication Services 1.4%		
Diversified Telecommunication Services 0.6%		
Verizon Communications, Inc.	122,500	4,297,300
Wireless Telecommunication Services 0.8%		
AT&T Wireless Services, Inc.*	699,400	5,588,206
Total Common Stocks (Cost \$640,554,758)		<u>695,499,101</u>

Cash Equivalents 3.3%

Scudder Cash Management QP Trust, 1.11% (b) (Cost \$23,866,579)	23,866,579	23,866,579
Total Investment Portfolio — 100.0% (Cost \$664,421,337) (a)		<u>719,365,680</u>

* Non-income producing security.

(a) The cost for federal income tax purposes was \$665,180,071. At December 31, 2003, net unrealized appreciation for all securities based on tax cost was \$54,185,609. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$118,262,845 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$64,077,236

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

Purchases and sales of investment securities (excluding short-term investments) for the year ended December 31, 2003, aggregated \$79,891,393 and \$78,035,417, respectively.

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

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

Financial Statements

Capital Growth Portfolio

Statement of Assets and Liabilities as of December 31, 2003

Assets

Investments:	
Investments in securities, at value (cost \$640,554,758)	\$ 695,499,101
Investment in Scudder Cash Management QP Trust (cost \$23,866,579)	23,866,579
Total investments in securities, at value (cost \$664,421,337)	719,365,680
Cash	10,000
Dividends receivable	531,266
Interest receivable	22,655
Receivable for Portfolio shares sold	961,943
Other assets	15,023
Total assets	720,906,567

Liabilities

Payable for Portfolio shares redeemed	66,249
Accrued management fee	271,170
Other accrued expenses and payables	90,762
Total liabilities	428,181
Net assets, at value	\$ 720,478,386

Net Assets

Net assets consist of:	
Undistributed net investment income	3,640,130
Net unrealized appreciation (depreciation) on investments	54,944,343
Accumulated net realized gain (loss)	(205,017,514)
Paid-in capital	866,911,427
Net assets, at value	\$ 720,478,386

Class A

Net Asset Value , offering and redemption price per share (\$705,308,823 ÷ 48,332,734 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	\$ 14.59
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Class B

Net Asset Value , offering and redemption price per share (\$15,169,563 ÷ 1,044,792 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	\$ 14.52
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The accompanying notes are an integral part of the financial statements.

Statement of Operations for the year ended December 31, 2003**Investment Income**

Income:	
Dividends	\$ 6,801,038
Interest — Scudder Cash Management QP Trust	201,548
Total Income	7,002,586
Expenses:	
Management fee	2,927,691
Custodian fees	40,601
Accounting fees	108,362
Distribution service fees (Class B)	18,025
Record keeping fees (Class B)	7,139
Auditing	24,406
Legal	26,548
Trustees' fees and expenses	17,520
Reports to shareholders	13,764
Other	31,642
Total expenses, before expense reductions	3,215,698
Expense reductions	(34)
Total expenses, after expense reductions	3,215,664
Net investment income (loss)	3,786,922

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from investments	(13,492,454)
Net unrealized appreciation (depreciation) during the period on investments	159,146,770
Net gain (loss) on investment transactions	145,654,316
Net increase (decrease) in net assets resulting from operations	\$ 149,441,238

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2003	2002
Operations:		
Net investment income (loss)	\$ 3,786,922	\$ 2,627,537
Net realized gain (loss) on investment transactions	(13,492,454)	(158,812,793)
Net unrealized appreciation (depreciation) on investment transactions during the period	159,146,770	(93,657,671)
Net increase (decrease) in net assets resulting from operations	149,441,238	(249,842,927)
Distributions to shareholders from:		
Net investment income:		
Class A	(2,595,329)	(2,359,009)
Class B	(8,219)	(321)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	99,262,252	157,255,646
Reinvestment of distributions	2,595,329	2,359,009
Cost of shares redeemed	(99,434,360)	(215,777,844)
Net increase (decrease) in net assets from Class A share transactions	2,423,221	(56,163,189)
Class B		
Proceeds from shares sold	13,042,500	524,737
Reinvestment of distributions	8,219	321
Cost of shares redeemed	(598,220)	(117,694)
Net increase (decrease) in net assets from Class B share transactions	12,452,499	407,364
Increase (decrease) in net assets	161,713,410	(307,958,082)
Net assets at beginning of period	558,764,976	866,723,058
Net assets at end of period (including undistributed net investment income of \$3,640,130 and \$2,456,756, respectively)	\$ 720,478,386	\$ 558,764,976

Other Information

Class A		
Shares outstanding at beginning of period	48,337,865	52,934,260
Shares sold	7,881,425	11,277,302
Shares issued to shareholders in reinvestment of distributions	211,174	160,695
Shares redeemed	(8,097,730)	(16,034,392)
Net increase (decrease) in Portfolio shares	(5,131)	(4,596,395)
Shares outstanding at end of period	48,332,734	48,337,865
Class B		
Shares outstanding at beginning of period	77,608	43,484
Shares sold	1,011,277	43,275
Shares issued to shareholders in reinvestment of distributions	670	22
Shares redeemed	(44,763)	(9,173)
Net increase (decrease) in Portfolio shares	967,184	34,124
Shares outstanding at end of period	1,044,792	77,608

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

Financial Highlights

Capital Growth Portfolio

Class A

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

Class B

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

^a Based on average shares outstanding during the period.

^b Less than \$.005 per share

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

21st Century Growth Portfolio

Scudder 21st Century Growth Portfolio posted a total return of 30.87% (Class A shares, unadjusted for contract charges) for the 12 months ended December 31, 2003. Please see the following page for standardized performance as of December 31, 2003. Within the small-cap universe, a low-quality effect occurred, whereby the smallest of the small caps — the heavily discounted nonearners — drove most of the Russell 2000 Growth Index's annual 48.54% return; these securities outperformed the larger, more investable small-cap securities — the stocks we hold in the portfolio.

From a sector standpoint, consumer staples was the only sector represented within the portfolio that produced better relative performance than the benchmark, while stock selection in health care and consumer discretionary delivered the biggest negative blows relative to the benchmark.

As evidenced by the portfolio's strong absolute performance, the majority of stocks in the portfolio rang in solid returns. Electronic components maker Vishay Intertechnology, Inc. was a top-contributing stock. On the flip side, the bottom three detractors were securities we inherited from the previous investment team. As we repositioned the portfolio in the early part of 2003, we decided to exit these stocks, which had steeply declined, and redeploy the assets.

Going into the new year, we worked closely as a team to position the portfolio to benefit from the continuing economic recovery. While some segments of the small-cap market have reached fair value, we continue to find individual investment opportunities at good valuations through our bottom-up stock selection process.

Audrey M.T. Jones
Samuel A. Dedio
Doris R. Klug
Portfolio Managers

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

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

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

Portfolio management market commentary is as of December 31, 2003, and may not come to pass. This information is subject to change at any time based on market and other conditions.

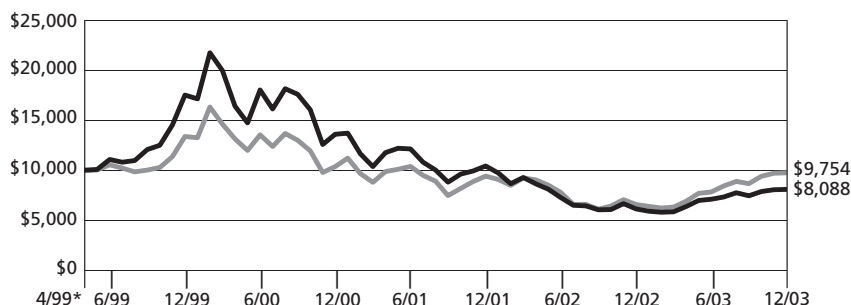
21st Century Growth Portfolio

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

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

Growth of an Assumed \$10,000 Investment

- 21st Century Growth Portfolio — Class A*
- Russell 2000 Growth Index



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

Comparative Results (as of December 31, 2003)

21st Century Growth Portfolio*		1-Year	3-Year	Life of Portfolio
Class A	Growth of \$10,000	\$13,087	\$5,899	\$8,088
	Average annual total return	30.87%	-16.13%	-4.45%
Class B	Growth of \$10,000	\$13,039	\$5,871	\$7,969
	Average annual total return	30.39%	-16.27%	-4.75%
Russell 2000 Growth Index	Growth of \$10,000	\$14,854	\$9,403	\$9,754
	Average annual total return	48.54%	-2.03%	-.53%

The growth of \$10,000 is cumulative.

* The Portfolio commenced operations on May 3, 1999. Index returns begin April 30, 1999. Total returns for the 3-year and Life of Portfolio periods for Class A and B shares would have been lower if the Portfolio's expenses were not maintained.

Information concerning portfolio holdings of the Portfolio as of a month end is available upon request no earlier than 15 days after the month end. Please call 1-800-778-1482.

21st Century Growth Portfolio

	Shares	Value (\$)
Common Stocks 90.7%		
Consumer Discretionary 14.4%		
Auto Components 2.3%		
Keystone Automotive Industries, Inc.*	52,300	1,326,328
Automobiles 0.9%		
Thor Industries, Inc.	8,700	489,114
Hotels, Restaurants & Leisure 6.5%		
Multimedia Games, Inc.*	12,900	530,190
Panera Bread Co. "A"*	19,000	751,070
RARE Hospitality International, Inc.*	23,150	565,786
Shuffle Master, Inc.*	29,200	1,010,904
The Cheesecake Factory, Inc.*	19,100	840,973
		3,698,923
Specialty Retail 3.7%		
Cost Plus, Inc.*	11,800	483,800
Hancock Fabrics, Inc.	45,100	653,048
Jos. A. Bank Clothiers, Inc.* (b)	28,000	971,320
		2,108,168
Textiles, Apparel & Luxury Goods 1.0%		
Gildan Activewear, Inc.*	18,100	558,928
Consumer Staples 4.1%		
Food & Drug Retailing		
Performance Food Group Co.*	23,100	835,527
United Natural Foods, Inc.*	41,200	1,479,492
		2,315,019
Energy 3.5%		
Energy Equipment & Services 2.5%		
FMC Technologies, Inc.*	26,000	605,800
Unit Corp.*	34,500	812,475
		1,418,275
Oil & Gas 1.0%		
Western Gas Resources, Inc.	12,100	571,725
Financials 7.9%		
Diversified Financials 6.5%		
Affiliated Managers Group, Inc.*	14,100	981,219
Jefferies Group, Inc.	34,800	1,149,096
Labranche & Co., Inc. (b)	42,800	499,476
National Financial Partners Corp.	18,600	512,430
The First Marblehead Corp.*	23,700	518,556
		3,660,777
Insurance 1.4%		
Scottish Re Group Ltd.	14,400	299,232
Triad Guaranty, Inc.*	10,200	513,570
		812,802
Health Care 16.3%		
Biotechnology 9.8%		
Connetics Corp.*	61,900	1,124,104
Digene Corp.*	24,900	998,490
Exact Sciences Corp.*	87,900	889,548

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

	Shares	Value (\$)
Martek Biosciences Corp.*	25,800	1,676,226
Neurocrine Biosciences, Inc.*	15,700	856,278
		5,544,646
Health Care Equipment & Supplies 3.6%		
ICU Medical, Inc.* (b)	30,700	1,052,396
Integra LifeSciences Holdings Corp.*	15,800	452,354
Ocular Sciences, Inc.*	19,100	548,361
		2,053,111
Health Care Providers & Services 0.9%		
Apria Healthcare Group, Inc.*	16,800	478,296
Pharmaceuticals 2.0%		
NPS Pharmaceuticals, Inc.*	37,300	1,146,602
Industrials 7.5%		
Airlines 2.7%		
Frontier Airlines, Inc.*	36,600	521,916
SkyWest, Inc.	55,200	1,000,224
		1,522,140
Commercial Services & Supplies 1.9%		
CoStar Group, Inc.*	26,300	1,096,184
Electrical Equipment 0.9%		
General Cable Corp.*	59,400	484,110
Road & Rail 1.1%		
Heartland Express, Inc.	25,064	606,298
Transportation Infrastructure 0.9%		
Overnite Corp.*	23,100	525,525
Information Technology 32.7%		
Communications Equipment 3.9%		
Adaptec, Inc.*	155,700	1,374,831
NetScreen Technologies, Inc.*	34,300	848,925
		2,223,756
Computers & Peripherals 3.9%		
Dot Hill Systems Corp.*	83,300	1,261,995
Synaptics, Inc.*	62,900	942,242
		2,204,237
Electronic Equipment & Instruments 4.6%		
Identix, Inc.*	124,321	553,229
Vishay Intertechnology, Inc.*	90,200	2,065,580
		2,618,809
Internet Software & Services 1.4%		
iPass, Inc.*	50,500	809,515
Semiconductor Equipment & Products 9.9%		
AMIS Holdings, Inc.*	55,100	1,007,228
Applied Micro Circuits Corp.*	204,900	1,225,302
ATMI, Inc.*	34,500	798,330
Exar Corp.*	28,500	486,780
Micrel, Inc.*	32,100	500,118
Semtech Corp.*	24,600	559,158
Varian Semiconductor Equipment Associates, Inc.*	23,300	1,017,977
		5,594,893
Software 9.0%		
Interwoven, Inc.*	131,650	1,664,056

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

	Shares	Value (\$)
Macromedia, Inc.*	26,800	478,112
NetIQ Corp.*	140,000	1,855,000
Universal Technical Institute, Inc.*	37,400	1,122,000
		5,119,168
Materials 1.5%		
Chemicals 0.6%		
Compass Minerals International, Inc.*	24,300	347,004
Containers & Packaging 0.9%		
Packaging Corp. of America	24,200	529,012
Other 2.8%		
iShares Russell 2000 Growth (b)	26,500	1,570,390
Total Common Stocks (Cost \$44,696,650)		51,433,755

Cash Equivalents 9.3%

Daily Assets Fund Institutional, 1.05% (c) (d)	3,324,175	3,324,175
Scudder Cash Management QP Trust, 1.11% (e)	1,978,895	1,978,895
Total Cash Equivalents (Cost \$5,303,070)		5,303,070
Total Investment Portfolio — 100.0% (Cost \$49,999,720) (a)		56,736,825

* Non-income producing security.

- (a) The cost for federal income tax purposes was \$50,054,453. At December 31, 2003, net unrealized appreciation for all securities based on tax cost was \$6,682,372. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$8,365,410 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$1,683,038.
- (b) All or a portion on these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at December 31, 2003 amounted to \$3,197,708, which is 6.0% of total net assets.
- (c) Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.
- (d) Represents collateral held in connection with securities lending.
- (e) Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.

Purchases and sales of investment securities (excluding short-term investments) for the year ended December 31, 2003, aggregated \$54,790,742 and \$44,888,925, respectively.

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

In addition, from November 1, 2003 through December 31, 2003, the Fund incurred approximately \$269,000 of net realized capital losses. As permitted by tax regulations, the Fund intends to elect to defer these losses and treat them as arising in the fiscal year ending December 31, 2004.

Financial Statements

21st Century Growth Portfolio

Statement of Assets and Liabilities as of December 31, 2003

Assets

Investments:	
Investments in securities, at value (cost \$44,696,650)	\$ 51,433,755
Investment in Daily Assets Fund Institutional (cost \$3,324,175)*	3,324,175
Investment in Scudder Cash Management QP Trust (cost \$1,978,895)	1,978,895
Total investments in securities, at value (cost \$49,999,720)	56,736,825
Cash	10,000
Receivable for investments sold	219,132
Dividends receivable	12,598
Interest receivable	1,596
Receivable for Portfolio shares sold	48,004
Other assets	1,761
Total assets	57,029,916

Liabilities

Payable upon return of securities loaned	3,324,175
Payable for Portfolio shares redeemed	144,599
Accrued management fee	37,775
Other accrued expenses and payables	61,854
Total liabilities	3,568,403
Net assets, at value	\$ 53,461,513

Net Assets

Net assets consist of:	
Net unrealized appreciation (depreciation) on investment securities	6,737,105
Accumulated net realized gain (loss)	(27,108,049)
Paid-in capital	73,832,457
Net assets, at value	\$ 53,461,513

Net Asset Value

Class A

Net Asset Value, offering and redemption price per share ($\$47,530,480 \div 9,918,991$ outstanding shares of beneficial interest, no par value, unlimited number of shares authorized) **\$ 4.79**

Class B

Net Asset Value, offering and redemption price per share ($\$5,931,033 \div 1,256,244$ outstanding shares of beneficial interest, no par value, unlimited number of shares authorized) **\$ 4.72**

* Represents collateral on securities loaned.

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

Statement of Operations for the year ended December 31, 2003**Investment Income**

Income:		
Dividends	\$	84,348
Interest — Scudder Cash Management QP Trust		31,973
Total Income		116,321
Expenses:		
Management fee		367,279
Custodian fees		19,649
Accounting fees		44,980
Distribution service fees (Class B)		6,246
Record keeping fees (Class B)		3,503
Auditing		35,501
Legal		13,923
Trustees' fees and expenses		3,649
Reports to shareholders		11,225
Other		3,776
Total expenses, before expense reductions		509,731
Expense reductions		(116)
Total expenses, after expense reductions		509,615
Net investment income (loss)		(393,294)

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from investments		940,146
Net unrealized appreciation (depreciation) during the period on investments		10,800,560
Net gain (loss) on investment transactions		11,740,706
Net increase (decrease) in net assets resulting from operations	\$	11,347,412

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2003	2002
Operations:		
Net investment income (loss)	\$ (393,294)	\$ (343,895)
Net realized gain (loss) on investment transactions	940,146	(13,981,457)
Net unrealized appreciation (depreciation) on investment transactions during the period	10,800,560	(7,611,269)
Net increase (decrease) in net assets resulting from operations	11,347,412	(21,936,621)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	16,045,090	21,627,664
Cost of shares redeemed	(12,701,118)	(10,758,573)
Net increase (decrease) in net assets from Class A share transactions	3,343,972	10,869,091
Class B		
Proceeds from shares sold	5,228,477	171,863
Cost of shares redeemed	(130,839)	(6,118)
Net increase (decrease) in net assets from Class B share transactions	5,097,638	165,745
Increase (decrease) in net assets	19,789,022	(10,901,785)
Net assets at beginning of period	33,672,491	44,574,276
Net assets at end of period	\$ 53,461,513	\$ 33,672,491

Other Information

Class A		
Shares outstanding at beginning of period	9,153,467	7,152,255
Shares sold	3,849,909	4,412,802
Shares redeemed	(3,084,385)	(2,411,590)
Net increase (decrease) in Portfolio shares	765,524	2,001,212
Shares outstanding at end of period	9,918,991	9,153,467
Class B		
Shares outstanding at beginning of period	44,351	101
Shares sold	1,245,969	45,909
Shares redeemed	(34,076)	(1,659)
Net increase (decrease) in Portfolio shares	1,211,893	44,250
Shares outstanding at end of period	1,256,244	44,351

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

Financial Highlights

21st Century Growth Portfolio

Class A

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

Class B

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

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

^b Original capital.

^c Based on average shares outstanding during the period.

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

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

^{*} Annualized

^{**} Not annualized

^{***} Net assets less than one million

Global Discovery Portfolio

Stronger economic growth and investors' declining aversion to risk seemed to be the reasons for the rally among small-cap growth stocks during 2003. This was a substantial positive for the portfolio's absolute performance. During the period, its total return was 49.09% for (Class A shares, unadjusted for contract charges). Please see the following page for standardized performance as of December 31, 2003. The portfolio outperformed the 47.44% return of its benchmark, the Citigroup World Equity EMI.

Performance was helped by our strong stock selection within financials. The portfolio's top holding — Anglo Irish Bank Corp., PLC — reported 37% annual earnings growth for its fiscal year ended in September, capping a year of strong stock price performance for the company. We added to the portfolio's position in financials during the second half, particularly Asian banks and real estate companies that are positioned to capitalize on the region's growth. Health care was the second-largest contributor to performance. We liked the sector for several reasons: a favorable demographic backdrop, its independence from broader economic trends and its wealth of innovative companies. Selection in the consumer discretionary sector also helped. On the negative side, the portfolio's conservative positioning within the technology sector — where we favored larger, service-oriented companies over more aggressive names — caused the performance of our tech holdings to trail the benchmark during the first nine months of the year.

On a regional basis, the portfolio remained overweight in Europe throughout the year. We reduced its weighting in North America, but added in the Pacific Rim and allowed its weighting in Latin America to increase by virtue of price appreciation.

Joseph Axtell
Portfolio Manager

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

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

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

Portfolio management market commentary is as of December 31, 2003, and may not come to pass. This information is subject to change at any time based on market and other conditions.

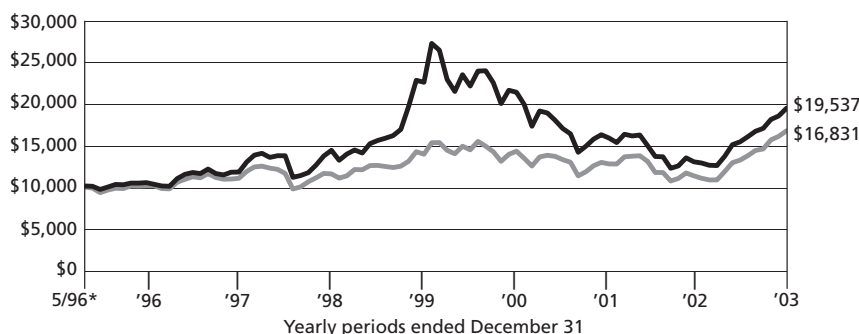
Global Discovery Portfolio

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Growth of an Assumed \$10,000 Investment

- Global Discovery Portfolio — Class A*
- Citigroup World Equity EMI



Citigroup World Equity Extended Market Index (formerly known as Salomon Smith Barney World Equity Extended Market Index) is an unmanaged small capitalization stock universe of 22 countries. Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results (as of December 31, 2003)

Global Discovery Portfolio		1-Year	3-Year	5-Year	Life of Portfolio*
Class A	Growth of \$10,000	\$14,909	\$9,007	\$14,151	\$19,537
	Average annual total return	49.09%	-3.43%	7.19%	9.13%
Citigroup World Equity EMI	Growth of \$10,000	\$14,744	\$12,026	\$14,377	\$16,831
	Average annual total return	47.44%	6.34%	7.53%	7.01%
Global Discovery Portfolio		1-Year	3-Year	5-Year	Life of Class**
Class B	Growth of \$10,000	\$14,877	\$8,923	\$13,979	\$18,519
	Average annual total return	48.77%	-3.73%	6.93%	9.69%
Citigroup World Equity EMI	Growth of \$10,000	\$14,744	\$12,026	\$14,377	\$17,050
	Average annual total return	47.44%	6.34%	7.53%	8.32%

The growth of \$10,000 is cumulative.

* The Portfolio commenced operations on May 1, 1996. Index returns begin April 30, 1996. Total returns for the Life of Portfolio period for Class A shares would have been lower if the Portfolio's expenses were not maintained.

** The Portfolio commenced selling Class B shares on May 2, 1997. Index returns begin April 30, 1997. Total returns for the Life of Class period for Class B shares would have been lower if the Portfolio's expenses were not maintained.

Information concerning portfolio holdings of the Portfolio as of a month end is available upon request no earlier than 15 days after the month end. Please call 1-800-778-1482.

Global Discovery Portfolio

	Shares	Value (\$)
Common Stocks 98.8%		
Australia 1.6%		
Macquarie Bank Ltd.	82,511	2,206,877
QBE Insurance Group Ltd.	124,940	996,120
(Cost \$1,782,595)		3,202,997
Bermuda 0.9%		
Alea Group Holdings SA*	166,865	764,210
Midland Realty Holdings Ltd.	3,674,600	1,005,754
(Cost \$1,553,445)		1,769,964
Brazil 2.0%		
Aracruz Celulose SA (Preferred) (ADR)	80,000	2,803,200
Empresa Brasileira de Aeronautica SA (Preferred) (ADR)	29,718	1,041,022
(Cost \$2,528,974)		3,844,222
Czech Republic 0.6%		
Cesky Telecom AS (Cost \$1,052,888)	110,000	1,250,170
Denmark 0.6%		
Group 4 Falck AS (Cost \$1,351,699)	55,500	1,134,519
Finland 0.6%		
TietoEnator Oyj (Cost \$738,051)	41,700	1,138,443
France 4.3%		
Autoroutes du Sud de la France	77,328	2,587,818
Camaieu	22,545	1,744,379
Flamel Technologies SA (ADR)*	77,300	2,070,867
JC Decaux SA*	123,654	2,016,176
(Cost \$6,274,911)		8,419,240
Germany 8.3%		
Deutsche Boerse AG	87,222	4,756,971
Fresenius Medical Care AG	91,721	6,508,235
Puma AG	18,000	3,170,414
Stada Arzneimittel AG	30,422	1,882,312
(Cost \$8,846,956)		16,317,932
Greece 4.6%		
Alpha Bank AE	126,000	3,798,155
Coca-Cola Hellenic Bottling Co. SA	100,200	2,085,060
Greek Organization of Football Prognostics	108,500	1,567,065
Public Power Corp.	11,100	273,712
Titan Cement Co.	31,500	1,287,981
(Cost \$7,071,098)		9,011,973

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

	Shares	Value (\$)
Hong Kong 1.9%		
Kingboard Chemical Holdings Ltd.	935,900	1,440,523
Wing Hang Bank Ltd.	389,000	2,314,805
(Cost \$3,553,884)		<u>3,755,328</u>
India 0.5%		
Ranbaxy Laboratories Ltd. (Cost \$933,256)	40,800	982,169
Ireland 9.5%		
Anglo Irish Bank Corp., PLC	739,508	11,638,997
Irish Continental Group PLC	66,760	898,701
Irish Life & Permanent PLC	120,759	1,944,665
Jurys Doyle Hotel Group PLC	236,050	2,880,654
Ryanair Holdings PLC*	169,500	1,405,305
(Cost \$5,695,783)		<u>18,768,322</u>
Japan 6.9%		
AEON Credit Services Co., Ltd.	40,600	1,727,579
AEON Mall Co., Ltd.*	60,000	1,843,576
JAFCO Co., Ltd.	22,000	1,724,767
Nidec Corp.	37,400	3,562,402
Olympus Optical Co., Ltd.	132,000	2,857,542
Sumitomo Realty & Development Co., Ltd.	199,000	1,749,125
(Cost \$12,084,371)		<u>13,464,991</u>
Korea 0.6%		
Korea Information Service, Inc. (Cost \$979,428)	35,000	1,159,329
Netherlands 4.2%		
Chicago Bridge & Iron Co., NV (ADR)	68,900	1,991,210
IHC Caland NV	55,685	3,012,465
Vedior NV	208,958	3,259,839
(Cost \$6,400,885)		<u>8,263,514</u>
Norway 0.6%		
Tandberg ASA* (Cost \$751,909)	150,300	1,103,690
Russia 0.9%		
Mobile Telesystems (ADR) (Cost \$638,167)	22,000	1,821,600
Spain 1.7%		
Actividades de Construcción y Servicios SA	34,800	1,694,360
Amadeus Global Travel Distribution SA "A"	251,400	1,628,875
(Cost \$3,005,295)		<u>3,323,235</u>
Sweden 1.3%		
Eniro AB	201,400	1,930,995
Micronic Laser Systems AB*	60,700	704,284
(Cost \$1,958,448)		<u>2,635,279</u>

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

	Shares	Value (\$)
Switzerland 0.5%		
Micronas Semiconductor Holdings AG (Foreign Registered) (Cost \$1,028,882)	24,500	1,045,936
Taiwan 1.8%		
Compal Electronics, Inc.	1,259,000	1,724,404
Siliconware Precision Industries Co.*	1,691,000	1,733,337
(Cost \$3,429,574)		<u>3,457,741</u>
Thailand 0.6%		
Bangkok Bank PLC (Foreign Registered)* (Cost \$1,033,810)	418,400	1,214,223
United Kingdom 5.5%		
Aegis Group PLC	1,220,793	2,152,480
ARM Holdings PLC*	754,679	1,731,512
ICON PLC (ADR)*	27,900	1,216,440
Misys PLC	297,575	1,125,071
Taylor Nelson Sofres PLC	587,083	2,180,333
Viridian Group PLC	172,578	1,702,463
Wood Group (John) PLC	303,284	729,690
(Cost \$12,765,578)		<u>10,837,989</u>
United States 38.8%		
Advance Auto Parts, Inc.*	12,500	1,017,500
Affiliated Computer Services, Inc. "A"*	32,900	1,791,734
Alkermes, Inc.*	61,100	824,850
Applied Micro Circuits Corp.*	236,600	1,414,868
Arthur J. Gallagher & Co.	51,800	1,682,982
Brinker International, Inc.*	108,500	3,597,860
Caremark Rx, Inc.*	161,500	4,090,795
Carter's, Inc.*	34,800	885,660
Celgene Corp.*	42,200	1,899,844
Cephalon, Inc.*	12,000	580,920
Chico's FAS, Inc.*	45,600	1,684,920
Diebold, Inc.	40,500	2,181,735
Energy East Corp.	115,400	2,584,960
EOG Resources, Inc.	32,200	1,486,674
Fiserv, Inc.*	105,100	4,152,501
FTI Consulting, Inc.*	84,750	1,980,607
Garmin Ltd.	23,400	1,274,832
GTECH Holdings Corp.	39,900	1,974,651
Harman International Industries, Inc.	42,800	3,166,344
Harris Interactive, Inc.*	147,700	1,225,910
Invitrogen Corp.*	38,200	2,674,000
Lam Research Corp.*	46,700	1,508,410
Legg Mason, Inc.	93,600	7,224,048
Mercury Interactive Corp.*	50,200	2,441,728
NetScreen Technologies, Inc.*	34,600	856,350
NPS Pharmaceuticals, Inc.*	32,600	1,002,124
Open Solutions, Inc.*	5,600	98,392
Pharmaceutical Resources, Inc.*	54,900	3,576,735
Rowan Companies, Inc.*	44,300	1,026,431
Spinnaker Exploration Co.*	29,400	948,738
St. Jude Medical, Inc.*	48,900	3,000,015
Symbol Technologies, Inc.	121,593	2,053,706
The First Marblehead Corp.*	85,900	1,879,492

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

	Shares	Value (\$)
Thoratec Corp.*	53,300	693,433
THQ, Inc.*	96,100	1,625,051
Waters Corp.*	65,800	2,181,928
Zions Bancorp.	65,400	4,010,982
(Cost \$60,537,210)		76,301,710
Total Common Stocks (Cost \$145,997,097)		194,224,516

Cash Equivalents 1.2%

Scudder Cash Management QP Trust, 1.11% (b) (Cost \$2,348,140)	2,348,140	2,348,140
Total Investment Portfolio — 100.0% (Cost \$148,345,237) (a)		196,572,656

At December 31, 2003, the Global Discovery Portfolio had the following industry diversification:

Industry	Value	Percent
Financials	\$ 50,639,752	25.7
Information Technology	34,175,482	17.4
Health Care	33,860,282	17.2
Consumer Discretionary	32,470,172	16.5
Industrials	23,637,626	12.1
Materials	5,531,704	2.8
Utilities	4,561,135	2.3
Energy	4,191,533	2.1
Telecommunication Services	3,071,770	1.6
Consumer Staples	2,085,060	1.1
Total Common Stock	194,224,516	98.8
Cash Equivalent	2,348,140	1.2
Total Investment Portfolio	\$ 196,572,656	100.0%

* Non-income producing security.

(a) The cost for federal income tax purposes was \$148,937,699. At December 31, 2003, net unrealized appreciation for all securities based on tax cost was \$47,634,957. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$54,687,527 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$7,052,570.

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

Purchases and sales of investment securities (excluding short-term investments) for the year ended December 31, 2003, aggregated \$70,616,625 and \$59,745,786, respectively.

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

Financial Statements

Global Discovery Portfolio

Statement of Assets and Liabilities as of December 31, 2003

Assets

Investments:	
Investments in securities, at value (cost \$145,997,097)	\$ 194,224,516
Investment in Scudder Cash Management QP Trust (cost \$2,348,140)	2,348,140
Total investments in securities, at value (cost \$148,345,237)	196,572,656
Dividends receivable	188,038
Interest receivable	2,679
Receivable for Portfolio shares sold	146,617
Foreign taxes recoverable	63,325
Total assets	196,973,315

Liabilities

Payable for Portfolio shares redeemed	654,918
Accrued management fee	165,774
Other accrued expenses and payables	109,872
Total liabilities	930,564
Net assets, at value	\$ 196,042,751

Net Assets

Net assets consist of:	
Undistributed net investment income	396,318
Net unrealized appreciation (depreciation) on:	
Investments	48,227,419
Foreign currency related transactions	10,817
Accumulated net realized gain (loss)	(56,268,304)
Paid-in capital	203,676,501
Net assets, at value	\$ 196,042,751

Class A

Net Asset Value , offering and redemption price per share (\$182,824,114 ÷ 17,610,512 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	\$ 10.38
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Class B

Net Asset Value , offering and redemption price per share (\$13,218,637 ÷ 1,289,405 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	\$ 10.25
--	-----------------

Statement of Operations for the year ended December 31, 2003**Investment Income**

Income:	
Dividends (net of foreign taxes withheld of \$149,215)	\$ 2,087,630
Interest — Scudder Cash Management QP Trust	100,006
Total Income	2,187,636
Expenses:	
Management fee	1,456,437
Custodian fees	93,298
Accounting fees	125,625
Distribution service fees (Class B)	19,924
Record keeping fees (Class B)	899
Auditing	33,729
Legal	8,530
Trustees' fees and expenses	8,175
Reports to shareholders	21,138
Other	13,662
Total expenses	1,781,417
Net investment income (loss)	406,219

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from:	
Investments	(3,503,176)
Foreign currency related transactions	1,605
	(3,501,571)
Net unrealized appreciation (depreciation) during the period on:	
Investments	65,108,960
Foreign currency related transactions	(467)
	65,108,493
Net gain (loss) on investment transactions	61,606,922
Net increase (decrease) in net assets resulting from operations	\$ 62,013,141

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2003	2002
Operations:		
Net investment income (loss)	\$ 406,219	\$ (52,872)
Net realized gain (loss) on investment transactions	(3,501,571)	(22,711,667)
Net unrealized appreciation (depreciation) on investment transactions during the period	65,108,493	(9,589,493)
Net increase (decrease) in net assets resulting from operations	62,013,141	(32,354,032)
Distributions to shareholders from:		
Net investment income:		
Class A	(133,861)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	36,495,865	66,936,815
Reinvestment of distributions	133,861	—
Cost of shares redeemed	(33,146,972)	(65,055,875)
Net increase (decrease) in net assets from Class A share transactions	3,482,754	1,880,940
Class B		
Proceeds from shares sold	6,497,655	616,165
Cost of shares redeemed	(1,234,627)	(1,766,874)
Net increase (decrease) in net assets from Class B share transactions	5,263,028	(1,150,709)
Increase (decrease) in net assets	70,625,062	(31,623,801)
Net assets at beginning of period	125,417,689	157,041,490
Net assets at end of period (including undistributed net investment income of \$396,318 and \$122,354, respectively)	\$ 196,042,751	\$ 125,417,689

Other Information

Class A		
Shares outstanding at beginning of period	17,358,587	17,267,802
Shares sold	4,275,233	8,265,963
Shares issued to shareholders in reinvestment of distributions	18,413	—
Shares redeemed	(4,041,721)	(8,175,178)
Net increase (decrease) in Portfolio shares	251,925	90,785
Shares outstanding at end of period	17,610,512	17,358,587
Class B		
Shares outstanding at beginning of period	645,610	795,058
Shares sold	796,263	84,878
Shares redeemed	(152,468)	(234,326)
Net increase (decrease) in Portfolio shares	643,795	(149,448)
Shares outstanding at end of period	1,289,405	645,610

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

Financial Highlights

Global Discovery Portfolio

Class A

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

Class B

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

^a Based on average shares outstanding during the period.

^b The ratios of operating expenses excluding costs incurred in connection with a fund complex reorganization before and after expense reductions were 1.22% and 1.22%, and 1.47% and 1.47% for Class A and Class B, respectively.

^c Less than .005%

* Less than \$.005 per share

International Portfolio

Stock markets worldwide rallied during 2003 on the strength of a recovery in the global economy. The favorable environment helped the portfolio's total return of 27.75% (Class A shares, unadjusted for contract charges). Please see the following page for standardized performance as of December 31, 2003. However, the portfolio lagged the 39.42% return of its benchmark, the MSCI EAFE[®] + Canada Index. The most important factor in its underperformance was the fact that lower-quality companies — those with substantial debt and unsustainable business models in which we do not invest — performed exceptionally well. In addition, the portfolio's large-cap bias was a negative given the substantial outperformance of small-cap stocks.

The principle detractor to performance on a sector basis was the portfolio's position in financials, where it avoids the type of highly indebted and lower-quality companies that outperformed in 2003. Other detractors included our position in Japanese consumer stocks — which were hurt by the rising yen — and stock selection within technology. Positive contributions came from the materials sector — particularly metals and mining companies that are benefiting from higher commodities prices — and industrials.

We hold a positive view on Asia, which we believe will benefit from stronger global growth and a weaker US dollar. Asia appears to be offering increasingly fertile ground for investment ideas due to its wealth of growth opportunities and the fact the companies have higher levels of free cash flow than they have had for many years. We are more cautious on Europe, where the euro's rise may hinder economic growth.

Alex Tedder
Lead Manager

Clare Gray
Marc J. Slendebroek
Co-Managers

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

Portfolio management market commentary is as of December 31, 2003, and may not come to pass. This information is subject to change at any time based on market and other conditions.

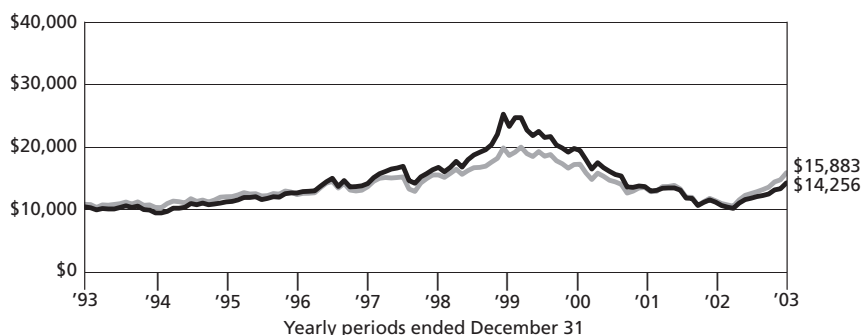
International Portfolio

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

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

Growth of an Assumed \$10,000 Investment

- International Portfolio — Class A
- MSCI EAFE® + Canada Index



The Morgan Stanley Capital International (MSCI) Europe, Australasia, 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 reinvested dividends net of withholding tax and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results (as of December 31, 2003)

International Portfolio		1-Year	3-Year	5-Year	10-Year
Class A	Growth of \$10,000	\$12,775	\$7,211	\$8,724	\$14,256
	Average annual total return	27.75%	-10.33%	-2.69%	3.61%
MSCI EAFE® + Canada Index	Growth of \$10,000	\$13,942	\$9,227	\$10,226	\$15,883
	Average annual total return	39.42%	-2.64%	.45%	4.74%

International Portfolio		1-Year	3-Year	5-Year	Life of Class*
Class B	Growth of \$10,000	\$12,752	\$7,180	\$8,644	\$10,461
	Average annual total return	27.52%	-10.45%	-2.87%	.68%
MSCI EAFE® + Canada Index	Growth of \$10,000	\$13,942	\$9,227	\$10,226	\$11,764
	Average annual total return	39.42%	-2.64%	.45%	2.50%

The growth of \$10,000 is cumulative.

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

Information concerning portfolio holdings of the Portfolio as of a month end is available upon request no earlier than 15 days after the month end. Please call 1-800-778-1482.

International Portfolio

	Shares	Value (\$)
Common Stocks 98.4%		
Australia 1.1%		
Australia & New Zealand Banking Group Ltd.	190,452	2,532,633
Westpac Banking Corp., Ltd.	259,697	3,123,344
(Cost \$4,388,330)		<u>5,655,977</u>
Brazil 1.2%		
Companhia Vale do Rio Doce (ADR) (Cost \$2,764,156)	98,702	5,774,067
Czech Republic 0.4%		
Cesky Telecom AS (GDR)* (Cost \$1,607,540)	170,110	1,929,864
Denmark 1.3%		
A P Moller — Maersk A/S "B" (Cost \$6,722,899)	930	6,693,078
Finland 1.1%		
Nokia Oyj (ADR)	136,100	2,313,700
Stora Enso Oyj "R"	236,850	3,182,438
(Cost \$4,312,389)		<u>5,496,138</u>
France 7.5%		
Aventis SA	14,750	972,386
Compagnie de Saint-Gobain*	73,587	3,593,024
Credit Agricole SA*	213,809	5,092,044
Dassault Systemes SA	107,469	4,889,078
Scheider Electric SA	55,571	3,628,532
Total SA	82,033	15,212,530
Vivendi Universal SA*	166,500	4,036,559
(Cost \$26,525,215)		<u>37,424,153</u>
Germany 11.5%		
Allianz AG (Registered)*	86,800	10,929,050
Altana AG	43,200	2,589,775
BASF AG	131,577	7,379,644
Deutsche Telekom AG (Registered)*	359,827	6,568,656
E.ON AG	116,146	7,560,422
Metro AG	90,800	3,992,532
Muenchener Rueckversicherungs-Gesellschaft AG (Registered)	59,872	7,240,239
SAP AG	14,800	2,479,238
Siemens AG	109,207	8,724,480
(Cost \$42,642,657)		<u>57,464,036</u>
Greece 1.2%		
Alpha Bank AE	113,901	3,433,442
Public Power Corp.	111,300	2,744,521
(Cost \$4,741,679)		<u>6,177,963</u>
Hong Kong 1.4%		
BOC Hong Kong (Holdings) Ltd.	2,292,357	4,310,801

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

	Shares	Value (\$)
Sun Hung Kai Properties Ltd. (REIT)	336,446	2,773,436
(Cost \$6,322,140)		<u>7,084,237</u>
Hungary 0.6%		
OTP Bank Rt. (GDR)* (Cost \$2,047,286)	103,800	2,724,750
Ireland 0.5%		
Bank of Ireland (Cost \$1,869,046)	169,500	2,303,079
Italy 2.1%		
Eni SpA	430,070	8,094,427
UniCredito Italiano SpA	452,240	2,435,163
(Cost \$7,862,298)		<u>10,529,590</u>
Japan 19.1%		
Bridgestone Corp.	264,000	3,542,123
Canon, Inc.	191,000	8,874,209
Dai Nippon Printing Co., Ltd.	220,145	3,084,900
Daiwa House Industry Co., Ltd.	221,000	2,345,810
FANUC Ltd.	59,700	3,568,659
Hoya Corp.	26,800	2,455,419
KDDI Corp.	632	3,613,110
Kirin Brewery Co., Ltd.	572,000	4,867,858
Mitsubishi Corp.	534,000	5,648,268
Mitsui Fudosan Co., Ltd.	410,000	3,695,344
Mizuho Financial Group, Inc.*	1,364	4,127,561
Murata Manufacturing Co., Ltd.	40,000	2,156,425
Nippon Steel Corp.	1,413,371	3,026,772
Nissan Motor Co., Ltd.	631,957	7,202,191
Nomura Holdings, Inc.	411,180	6,986,997
Nomura Research Institute, Inc.*	23,000	2,237,896
NTT DoCoMo, Inc.	3,450	7,805,866
Ricoh Co., Ltd.	123,000	2,422,207
Sony Corp	59,016	2,038,635
Toyota Motor Corp.	340,400	11,473,445
UFJ Holdings, Inc.*	942	4,517,039
(Cost \$81,509,605)		<u>95,690,734</u>
Korea 3.2%		
LG Electronics, Inc.	71,300	3,503,715
POSCO	18,200	2,487,715
Samsung Electronics Co., Ltd.	26,834	10,148,540
(Cost \$11,455,165)		<u>16,139,970</u>
Mexico 0.9%		
Grupo Financiero BBVA Bancomer SA de CV "B"*	2,853,540	2,439,358
Telefonos de Mexico SA de CV (ADR)	68,100	2,249,343
(Cost \$4,441,006)		<u>4,688,701</u>
Netherlands 4.4%		
ING Groep NV	339,657	7,901,196
Koninklijke Ahold NV*	681,666	5,179,931

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

	Shares	Value (\$)
Koninklijke (Royal) Philips Electronics NV	132,850	3,869,260
Reed Elsevier NV	118,330	1,466,380
TPG NV	164,570	3,844,837
(Cost \$19,092,916)		22,261,604
Russia 1.0%		
LUKOIL (ADR)	27,010	2,514,631
YUKOS (ADR)	61,100	2,566,200
(Cost \$4,379,168)		5,080,831
South Africa 0.9%		
Harmony Gold Mining Co., Ltd. (ADR) (Cost \$4,219,591)	288,900	4,688,847
Spain 1.9%		
Banco Popular Espanol SA	35,890	2,135,750
Telefonica SA	499,890	7,320,535
(Cost \$6,123,838)		9,456,285
Sweden 0.9%		
Telefonaktiebolaget LM Ericsson "B"* (Cost \$2,996,584)	2,468,987	4,425,692
Switzerland 13.0%		
ABB Ltd.	1,588,310	8,029,270
Credit Suisse Group	356,270	12,997,837
Nestle SA (Registered)	41,234	10,272,762
Novartis AG (Registered)	170,065	7,699,065
Roche Holding AG	91,750	9,228,261
Swiss Re (Registered)	57,716	3,885,581
Syngenta AG	33,544	2,252,854
UBS AG (Registered)	155,927	10,648,244
(Cost \$50,485,167)		65,013,874
Taiwan 1.6%		
Chunghwa Telecom Co., Ltd. (ADR)	143,300	2,077,850
Hon Hai Precision Industry Co., Ltd.	553,098	2,174,923
MediaTek, Inc.	131,200	1,232,778
Mega Financial Holding Co., Ltd.	4,505,300	2,707,161
(Cost \$7,849,490)		8,192,712
United Kingdom 21.6%		
Anglo American PLC	196,700	4,239,080
AstraZeneca PLC	228,562	10,937,016
BAA PLC	313,195	2,775,079
BHP Billiton PLC	482,700	4,205,882
British Sky Broadcasting Group PLC*	282,573	3,546,876
Compass Group PLC	231,200	1,568,669
Daily Mail and General Trust "A"	112,800	1,327,255
GlaxoSmithKline PLC	271,806	6,211,965
Granada PLC	1,868,914	4,071,076
HBOS PLC	275,100	3,553,769
HSBC Holdings PLC	756,401	11,857,868
Kingfisher PLC	565,435	2,811,693

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

	Shares	Value (\$)
Lloyds TSB Group PLC	389,200	3,113,228
Royal Bank of Scotland Group PLC	352,732	10,366,561
Scottish & Southern Energy PLC	384,976	4,626,033
Shell Transport & Trading Co., PLC	1,554,647	11,533,546
Smith & Nephew PLC	708,700	5,937,816
Vodafone Group PLC	6,317,127	15,621,740
(Cost \$86,185,167)		108,305,152
Total Common Stocks (Cost \$390,543,332)		493,201,334

Preferred Stock 0.9%

Germany

Henkel KGaA (Cost \$3,404,371)	54,217	4,229,047
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Cash Equivalents 0.7%

Scudder Cash Management QP Trust, 1.11% (b) (Cost \$3,705,225)	3,705,225	3,705,225
Total Investment Portfolio — 100.0% (Cost \$397,652,928) (a)		501,135,606

At December 31, 2003, the International Portfolio had the following industry diversification:

Industry	Value (\$)	Percent (%)
Financials	137,831,471	27.5
Consumer Discretionary	56,796,221	11.3
Industrials	49,590,128	9.9
Telecommunication Services	47,186,964	9.4
Information Technology	45,810,104	9.2
Health Care	43,576,284	8.7
Energy	39,921,334	8.0
Materials	37,237,300	7.4
Consumer Staples	24,549,599	5.0
Utilities	14,930,976	2.9
Total Common and Preferred Stocks	497,430,381	99.3
Cash Equivalents	3,705,225	0.7
Total Investment Portfolio	\$ 501,135,606	100.0

* Non-income producing security.

(a) The cost for federal income tax purposes was \$402,666,632. At December 31, 2003, net unrealized appreciation for all securities based on tax cost was \$98,468,974. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$100,624,023 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$2,155,049.

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

Purchases and sales of investment securities (excluding short-term investments) for the year ended December 31, 2003, aggregated \$497,943,054 and \$510,838,757, respectively.

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

Financial Statements

International Portfolio

Statement of Assets and Liabilities as of December 31, 2003

Assets

Investments:	
Investments in securities, at value (cost \$393,947,703)	\$ 497,430,381
Investment in Scudder Cash Management QP Trust (cost \$3,705,225)	3,705,225
Total investments in securities, at value (cost \$397,652,928)	501,135,606
Cash	57,831
Foreign currency, at value (cost \$8,070,188)	8,129,768
Dividends receivable	683,556
Interest receivable	2,488
Receivable for Portfolio shares sold	213,761
Foreign taxes recoverable	918,285
Total assets	511,141,295

Liabilities

Payable for Portfolio shares redeemed	1,063,077
Accrued management fee	362,666
Other accrued expenses and payables	293,825
Total liabilities	1,719,568
Net assets, at value	\$ 509,421,727

Net Assets

Net assets consist of:	
Undistributed net investment income	6,422,885
Net unrealized appreciation (depreciation) on:	
Investments	103,482,678
Foreign currency related transactions	238,092
Accumulated net realized gain (loss)	(257,399,619)
Paid-in capital	656,677,691
Net assets, at value	\$ 509,421,727

Net Asset Value

Class A

Net Asset Value, offering and redemption price per share ($\$485,428,087 \div 58,747,179$ outstanding shares of beneficial interest, no par value, unlimited number of shares authorized) **\$ 8.26**

Class B

Net Asset Value, offering and redemption price per share ($\$23,993,640 \div 2,910,661$ outstanding shares of beneficial interest, no par value, unlimited number of shares authorized) **\$ 8.24**

Statement of Operations for the year ended December 31, 2003**Investment Income**

Income:	
Dividends (net of foreign taxes withheld of \$1,414,693)	\$ 10,298,317
Interest — Scudder Cash Management QP Trust	31,131
Total Income	10,329,448
Expenses:	
Management fee	3,810,737
Custodian fees	330,267
Accounting fees	326,304
Distribution service fees (Class B)	35,650
Record keeping fees (Class B)	2,165
Auditing	28,039
Legal	20,404
Trustees' fees and expenses	13,827
Reports to shareholders	21,972
Other	23,172
Total expenses	4,612,537
Net investment income (loss)	5,716,911

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from:	
Investments (net of foreign taxes of \$68,569)	(5,176,331)
Foreign currency related transactions	1,018,781
	(4,157,550)
Net unrealized appreciation (depreciation) during the period on:	
Investments	111,041,209
Foreign currency related transactions	149,155
	111,190,364
Net gain (loss) on investment transactions	107,032,814
Net increase (decrease) in net assets resulting from operations	\$ 112,749,725

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2003	2002
Operations:		
Net investment income (loss)	\$ 5,716,911	\$ 3,622,445
Net realized gain (loss) on investment transactions	(4,157,550)	(94,462,069)
Net unrealized appreciation (depreciation) on investment transactions during the period	111,190,364	10,724,925
Net increase (decrease) in net assets resulting from operations	112,749,725	(80,114,699)
Distributions to shareholders from:		
Net investment income:		
Class A	(3,294,533)	(3,979,977)
Class B	(65,246)	(25,865)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	144,783,011	3,252,979,447
Reinvestment of distributions	3,294,533	3,979,977
Cost of shares redeemed	(179,951,683)	(3,274,235,277)
Net increase (decrease) in net assets from Class A share transactions	(31,874,139)	(17,275,853)
Class B		
Proceeds from shares sold	13,693,862	6,033,545
Reinvestment of distributions	65,246	25,865
Cost of shares redeemed	(1,831,157)	(544,773)
Net increase (decrease) in net assets from Class B share transactions	11,927,951	5,514,637
Increase (decrease) in net assets	89,443,758	(95,881,757)
Net assets at beginning of period	419,977,969	515,859,726
Net assets at end of period (including undistributed net investment income of \$6,422,885 and \$3,115,540, respectively)	\$ 509,421,727	\$ 419,977,969

Other Information

Class A		
Shares outstanding at beginning of period	63,268,457	63,646,512
Shares sold	21,527,511	423,618,009
Shares issued to shareholders in reinvestment of distributions	522,046	507,650
Shares redeemed	(26,570,835)	(424,503,714)
Net increase (decrease) in Portfolio shares	(4,521,278)	(378,055)
Shares outstanding at end of period	58,747,179	63,268,457
Class B		
Shares outstanding at beginning of period	1,173,516	400,769
Shares sold	1,976,109	845,134
Shares issued to shareholders in reinvestment of distributions	10,356	3,303
Shares redeemed	(249,320)	(75,690)
Net increase (decrease) in Portfolio shares	1,737,145	772,747
Shares outstanding at end of period	2,910,661	1,173,516

Financial Highlights

International Portfolio

Class A

Years Ended December 31,	2003	2002	2001	2000	1999
Selected Per Share Data					
Net asset value, beginning of period	\$ 6.52	\$ 8.05	\$ 14.26	\$ 20.34	\$ 14.56
<i>Income (loss) from investment operations:</i>					
Net investment income ^a	.09	.05	.06	.08	.12 ^b
Net realized and unrealized gain (loss) on investment transactions	1.70	(1.52)	(3.97)	(4.24)	7.17
Total from investment operations	1.79	(1.47)	(3.91)	(4.16)	7.29
<i>Less distributions from:</i>					
Net investment income	(.05)	(.06)	(.05)	(.09)	(.02)
Net realized gains on investment transactions	—	—	(2.25)	(1.83)	(1.49)
Total distributions	(.05)	(.06)	(2.30)	(1.92)	(1.51)
Net asset value, end of period	\$ 8.26	\$ 6.52	\$ 8.05	\$ 14.26	\$ 20.34
Total Return (%)	27.75	(18.37)	(30.86)	(21.70)	54.51
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period (\$ millions)	485	412	513	720	874
Ratio of expenses before expense reductions (%)	1.05	1.03	1.01 ^c	.96	1.03
Ratio of expenses after expense reductions (%)	1.05	1.03	1.00 ^c	.96	1.03
Ratio of net investment income (loss) (%)	1.32	.73	.64	.48	.76
Portfolio turnover rate (%)	119	123	105	79	86

Class B

Years Ended December 31,	2003	2002	2001	2000	1999
Selected Per Share Data					
Net asset value, beginning of period	\$ 6.50	\$ 8.03	\$ 14.19	\$ 20.24	\$ 14.51
<i>Income (loss) from investment operations:</i>					
Net investment income ^a	.07	.04	.05	.04	.08 ^b
Net realized and unrealized gain (loss) on investment transactions	1.71	(1.53)	(3.94)	(4.22)	7.14
Total from investment operations	1.78	(1.49)	(3.89)	(4.18)	7.22
<i>Less distributions from:</i>					
Net investment income	(.04)	(.04)	(.02)	(.04)	—
Net realized gains on investment transactions	—	—	(2.25)	(1.83)	(1.49)
Total distributions	(.04)	(.04)	(2.27)	(1.87)	(1.49)
Net asset value, end of period	\$ 8.24	\$ 6.50	\$ 8.03	\$ 14.19	\$ 20.24
Total Return (%)	27.52	(18.62)	(30.81)	(21.89)	54.13
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period (\$ millions)	24	8	3	.77	.69
Ratio of expenses before expense reductions (%)	1.32	1.28	1.26 ^c	1.21	1.28
Ratio of expenses after expense reductions (%)	1.32	1.28	1.25 ^c	1.21	1.28
Ratio of net investment income (loss) (%)	1.05	.48	.39	.23	.53
Portfolio turnover rate (%)	119	123	105	79	86

^a Based on average shares outstanding during the period.

^b Net investment income per share includes non-recurring dividend income amounting to \$.03 per share.

^c The ratios of operating expenses excluding costs incurred in connection with a fund complex reorganization before and after expense reductions were 1.00% and 1.00%, and 1.25% and 1.25% for Class A and Class B, respectively.

Health Sciences Portfolio

The portfolio posted a strong positive return for the 12 months ended December 31, 2003. The portfolio's total return of 33.70% (Class A shares, unadjusted for contract charges) outpaced the 28.67% return of its primary benchmark, the S&P 500 index, as well as the 23.22% return of its secondary benchmark, the Goldman Sachs Healthcare Index. Please see the following page for standardized performance as of December 31, 2003. Both subsector allocation and security selection helped the portfolio outperform its benchmark, with the portfolio's stock picks in pharmaceuticals and biotechnology strongly outdistancing the benchmark.

During the period, many of the portfolio's small-cap biotechnology stocks fared well. Within biotechnology, we saw an acceleration in revenue growth this year and an increase in the number of companies achieving profitability. We also saw positive clinical results come out on many compelling new products. The portfolio's prescription benefits managers (PBMs) stocks provided a gain during the period. Although Caremark Rx's announced acquisition of another PBM company was viewed with initial skepticism, the stock rallied strongly. We view the combination of the two PBMs favorably and maintained a core position in Caremark Rx. We increased the portfolio's weighting in European pharmaceutical companies, a group that has fared much better than its US counterparts. We believe the new product pipeline is well stocked for these overseas companies, and we increased the portfolio's position in stocks such as Roche Holding AG, which performed well in 2003.

Hospital stocks hurt performance for the year, as this area was plagued by weak admission trends and higher bad-debt expenses.

We finally saw a Medicare prescription drug benefit signed into law. We view this event positively because we expect it to reduce uncertainty in the health care industry.

James E. Fenger
Leefin Lai
Co-Managers
Thomas Bucher
Consultant to the Portfolio

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Risk Considerations

This portfolio is subject to stock market risk. This portfolio is non-diversified and can take larger positions in fewer companies, increasing its overall potential risk. The portfolio may focus its investments on certain industry sectors, thereby increasing its vulnerability to any single industry or regulatory development. All of these factors may result in greater share price volatility. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

The Standard & Poor's 500 (S&P 500) index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Index returns assume reinvested dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

The Goldman Sachs Healthcare Index is a market-capitalization-weighted index of 114 stocks designed to measure the performance of companies in the health care sector. Index returns assume reinvested dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of December 31, 2003, and may not come to pass. This information is subject to change at any time based on market and other conditions.

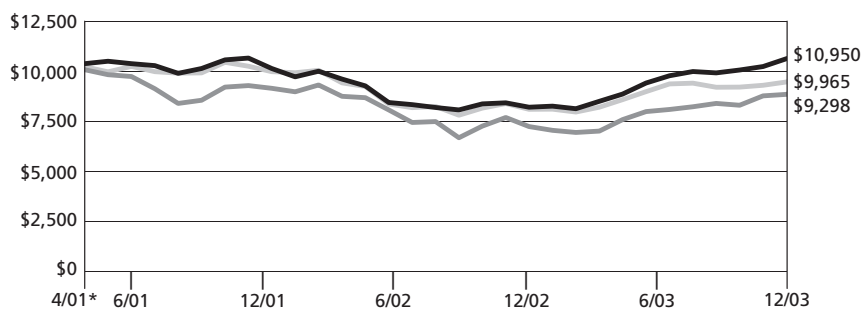
Health Sciences Portfolio

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

This portfolio is subject to stock market risk. This portfolio is non-diversified and can take larger positions in fewer companies, increasing its overall potential risk. The portfolio may focus its investments on certain industry sectors, thereby increasing its vulnerability to any single industry or regulatory development. All of these factors may result in greater share price volatility. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

Growth of an Assumed \$10,000 Investment

- Health Sciences Portfolio — Class A*
- S&P 500 Index
- Goldman Sachs Healthcare Index



The Standard & Poor's (S&P) 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The Goldman Sachs Healthcare Index is a market capitalization-weighted index of 114 stocks designed to measure the performance of companies in the health care sector.

Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results (as of December 31, 2003)

Health Sciences Portfolio		1-Year	Life of Portfolio*
Class A	Growth of \$10,000	\$13,370	\$10,950
	Average annual total return	33.70%	3.46%
S&P 500 Index	Growth of \$10,000	\$12,868	\$9,298
	Average annual total return	28.68%	-2.69%
Goldman Sachs Healthcare Index	Growth of \$10,000	\$12,322	\$9,965
	Average annual total return	23.22%	-.13%

Health Sciences Portfolio		1-Year	Life of Class**
Class B	Growth of \$10,000	\$13,321	\$13,486
	Average annual total return	33.21%	22.06%
S&P 500 Index	Growth of \$10,000	\$12,868	\$11,543
	Average annual total return	28.68%	15.43%
Goldman Sachs Healthcare Index	Growth of \$10,000	\$12,322	\$11,931
	Average annual total return	23.22%	12.45%

The growth of \$10,000 is cumulative.

* The Portfolio commenced operations on May 1, 2001. Index returns begin April 30, 2001. Total returns would have been lower for the Life of Portfolio period for Class A shares if the Portfolio's expenses were not maintained.

** The Portfolio commenced selling Class B shares on July 1, 2002. Index returns begin June 30, 2002.

Information concerning portfolio holdings of the Portfolio as of a month end is available upon request no earlier than 15 days after the month end. Please call 1-800-778-1482.

Health Sciences Portfolio

	Shares	Value (\$)
Common Stocks 88.9%		
Health Care 88.9%		
Biotechnology 22.5%		
Adolor Corp.*	63,300	1,267,266
Alkermes, Inc.*	49,700	670,950
Amgen, Inc.*	44,550	2,753,190
Amylin Pharmaceuticals, Inc.*	49,700	1,104,334
AtheroGenics, Inc.*	37,300	557,635
Atrix Laboratories, Inc.*	31,600	759,664
Biogen Idec, Inc.*	28,720	1,056,322
Celgene Corp.*	17,700	796,854
Cephalon, Inc.*	7,300	353,393
Gen-Probe, Inc.*	17,000	619,990
Genentech, Inc.*	27,400	2,563,818
Genzyme Corp. (General Division)*	38,900	1,919,326
Gilead Sciences, Inc.*	27,800	1,616,292
ILEX Oncology, Inc.*	72,300	1,536,375
Inspire Pharmaceuticals, Inc.*	58,150	823,404
InterMune, Inc.*	42,200	977,352
Medicines Co.*	48,300	1,422,918
MedImmune, Inc.*	27,600	701,040
MGI Pharma, Inc.*	42,500	1,748,875
Neurocrine Biosciences, Inc.*	26,400	1,439,856
NPS Pharmaceuticals, Inc.*	33,600	1,032,864
Onyx Pharmaceuticals, Inc.*	28,200	796,086
Vicuron Pharmaceuticals, Inc.*	27,100	505,415
		27,023,219
Health Care Services 12.9%		
Aetna, Inc.	11,500	777,170
AmerisourceBergen Corp.	18,800	1,055,620
Anthem, Inc.* (b)	27,900	2,092,500
Cardinal Health, Inc.	23,700	1,449,492
Caremark Rx, Inc.* (b)	130,100	3,295,433
McKesson Corp.	31,500	1,013,040
Medco Health Solutions, Inc.*	13,884	471,917
Omnicare, Inc.	20,400	823,956
UnitedHealth Group, Inc. (b)	46,000	2,676,280
WellPoint Health Networks, Inc.*	18,300	1,774,917
		15,430,325
Hospital Management 2.1%		
HCA, Inc.	45,200	1,941,792
Universal Health Services, Inc. "B"	10,000	537,200
		2,478,992
Life Sciences Equipment 2.2%		
Charles River Laboratories International, Inc.*	25,000	858,250
Fisher Scientific International, Inc.*	43,500	1,799,595
		2,657,845
Medical Supply & Specialty 15.3%		
Abbott Laboratories	72,100	3,359,860
Baxter International, Inc.	57,100	1,742,692
Becton, Dickinson and Co.	29,000	1,193,060
Biomet, Inc.	22,200	808,302
Boston Scientific Corp.*	48,000	1,764,480
Guidant Corp.	19,500	1,173,900

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

	Shares	Value (\$)
Interpore International, Inc.*	36,300	471,900
Johnson & Johnson	28,900	1,492,974
Medtronic, Inc.	28,800	1,399,968
Nobel Holdings AG	11,200	1,131,017
Smith & Nephew PLC	87,365	731,984
St. Jude Medical, Inc.*	30,100	1,846,635
Zimmer Holdings, Inc.*	18,100	1,274,240
		18,391,012
Pharmaceuticals 33.9%		
Alcon, Inc.	23,200	1,404,528
Allergan, Inc.	19,100	1,467,071
Altana AG*	17,483	1,048,080
AstraZeneca PLC	22,964	1,098,860
Aventis SA	24,147	1,591,878
Barr Laboratories, Inc.*	13,400	1,031,130
Eli Lilly & Co.	38,200	2,686,606
Forest Laboratories, Inc.*	17,960	1,109,928
GlaxoSmithKline PLC (ADR)	33,400	1,557,108
IVAX Corp.*	33,200	792,816
Mylan Laboratories, Inc.	42,625	1,076,708
Novartis AG (Registered)	56,561	2,560,590
Pfizer, Inc.	179,040	6,325,483
Pharmaceutical Resources, Inc.*	23,600	1,537,540
Roche Holding AG	26,348	2,650,095
Sanofi-Synthelabo SA	14,660	1,101,092
Takeda Chemical Industries, Ltd.	29,000	1,147,579
Taro Pharmaceutical Industries Ltd.*	7,900	509,550
Teva Pharmaceutical Industries Ltd. (ADR) (b)	33,300	1,888,443
Valeant Pharmaceuticals International	30,700	772,105
Watson Pharmaceuticals, Inc.*	31,000	1,426,000
Wyeth	139,000	5,900,550
		40,683,740
Total Common Stocks (Cost \$85,313,132)		106,665,133

Cash Equivalents 11.1%

Daily Assets Fund Institutional, 1.05% (c) (d)	8,406,650	8,406,650
Scudder Cash Management QP Trust, 1.11% (e)	4,904,703	4,904,703
Total Cash Equivalents (Cost \$13,311,353)		13,311,353
Total Investment Portfolio — 100.0% (Cost \$98,624,485) (a)		119,976,486

* Non-income producing security.

- (a) The cost for federal income tax purposes was \$100,071,009. At December 31, 2003, net unrealized appreciation for all securities based on tax cost was \$19,905,477. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$21,367,152 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$1,461,675.
- (b) All or a portion on these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at December 31, 2003 amounted to \$8,182,876, which is 7.3% of total net assets.
- (c) Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.
- (d) Represents collateral held in connection with securities lending.
- (e) Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.

Purchases and sales of investment securities (excluding short-term investments) for the year ended December 31, 2003, aggregated \$65,777,085 and \$52,285,757, respectively.

At December 31, 2003, the Health Sciences Portfolio had a net tax basis capital loss carryforward of approximately \$10,063,000 which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until December 31, 2009 (\$305,000), December 31, 2010 (\$7,516,000) and December 31, 2011 (\$2,242,000), the respective expiration dates, whichever occurs first.

Financial Statements

Health Sciences Portfolio

Statement of Assets and Liabilities as of December 31, 2003

Assets

Investments:	
Investments in securities, at value (cost \$85,313,132)	\$ 106,665,133
Investment in Daily Assets Fund Institutional (cost \$8,406,650)*	8,406,650
Investment in Scudder Cash Management QP Trust (cost \$4,904,703)	4,904,703
Total investments in securities, at value (cost \$98,624,485)	119,976,486
Cash	12,013
Foreign currency, at value (cost \$8,713)	8,931
Dividends receivable	55,386
Interest receivable	3,930
Receivable for investments sold	1,236,729
Foreign taxes recoverable	6,608
Other assets	2,220
Total assets	121,302,303

Liabilities

Payable upon return of securities loaned	8,406,650
Payable for Portfolio shares redeemed	183,555
Accrued management fee	69,333
Other accrued expenses and payables	40,088
Total liabilities	8,699,626
Net assets, at value	\$ 112,602,677

Net Assets

Net assets consist of:	
Net unrealized appreciation (depreciation) on:	
Investments	21,352,001
Foreign currency related transactions	805
Accumulated net realized gain (loss)	(11,509,989)
Paid-in capital	102,759,860
Net assets, at value	\$ 112,602,677

Net Asset Value

Class A

Net Asset Value , offering and redemption price per share (\$101,316,327 ÷ 9,253,001 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	\$ 10.95
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Class B

Net Asset Value , offering and redemption price per share (\$11,286,350 ÷ 1,034,876 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	\$ 10.91
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* Represents collateral on securities loaned.

Statement of Operations for the year ended December 31, 2003**Investment Income**

Income:		
Dividends (net of foreign taxes withheld of \$15,503)	\$	512,509
Interest — Scudder Cash Management QP Trust		40,543
Total Income		553,052
Expenses:		
Management fee		662,973
Custodian fees		16,453
Accounting fees		47,373
Distribution service fees (Class B)		12,477
Record keeping fees (Class B)		6,918
Auditing		16,979
Legal		4,774
Trustees' fees and expenses		5,891
Reports to shareholders		7,309
Other		6,098
Total expenses, before expense reductions		787,245
Expense reductions		(46)
Total expenses, after expense reductions		787,199
Net investment income (loss)		(234,147)

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from:		
Investments		(1,641,336)
Foreign currency related transactions		29,437
		(1,611,899)
Net unrealized appreciation (depreciation) during the period on:		
Investments		27,512,610
Foreign currency related transactions		499
		27,513,109
Net gain (loss) on investment transactions		25,901,210
Net increase (decrease) in net assets resulting from operations	\$	25,667,063

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2003	2002
Operations:		
Net investment income (loss)	\$ (234,147)	\$ (265,275)
Net realized gain (loss) on investment transactions	(1,611,899)	(9,367,556)
Net unrealized appreciation (depreciation) on investment transactions during the period	27,513,109	(8,652,894)
Net increase (decrease) in net assets resulting from operations	25,667,063	(18,285,725)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	17,907,340	42,730,716
Cost of shares redeemed	(9,770,087)	(11,443,796)
Net increase (decrease) in net assets from Class A share transactions	8,137,253	31,286,920
Class B		
Proceeds from shares sold	9,800,801	375,318
Cost of shares redeemed	(305,900)	(51,305)
Net increase (decrease) in net assets from Class B share transactions	9,494,901	324,013
Increase (decrease) in net assets	43,299,217	13,325,208
Net assets at beginning of period	69,303,460	55,978,252
Net assets at end of period	\$ 112,602,677	\$ 69,303,460

Other Information

Class A		
Shares outstanding at beginning of period	8,419,124	5,257,558
Shares sold	1,933,592	4,518,361
Shares redeemed	(1,099,715)	(1,356,795)
Net increase (decrease) in Portfolio shares	833,877	3,161,566
Shares outstanding at end of period	9,253,001	8,419,124
Class B		
Shares outstanding at beginning of period	39,123	—
Shares sold	1,024,680	45,098
Shares redeemed	(28,927)	(5,975)
Net increase (decrease) in Portfolio shares	995,753	39,123
Shares outstanding at end of period	1,034,876	39,123

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

Financial Highlights

Health Sciences Portfolio

Class A

Years Ended December 31,	2003	2002	2001 ^a
Selected Per Share Data			
Net asset value, beginning of period	\$ 8.19	\$ 10.65	\$ 10.00
<i>Income (loss) from investment operations:</i>			
Net investment income (loss) ^c	(.02)	(.03)	(.02)
Net realized and unrealized gain (loss) on investment transactions	2.78	(2.43)	.67
Total from investment operations	2.76	(2.46)	.65
Net asset value, end of period	\$ 10.95	\$ 8.19	\$ 10.65
Total Return (%)	33.70	(23.10)	6.50 ^{d**}

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	101	69	56
Ratio of expenses before expense reductions (%)	.87	.91	1.40*
Ratio of expenses after expense reductions (%)	.87	.91	.95*
Ratio of net investment income (loss) (%)	(.24)	(.38)	(.25)*
Portfolio turnover rate (%)	64	53	34*

Class B

	2003	2002 ^b
Selected Per Share Data		
Net asset value, beginning of period	\$ 8.19	\$ 8.09
<i>Income (loss) from investment operations:</i>		
Net investment income (loss) ^c	(.07)	(.04)
Net realized and unrealized gain (loss) on investment transactions	2.79	.14
Total from investment operations	2.72	.10
Net asset value, end of period	\$ 10.91	\$ 8.19
Total Return (%)	33.21	1.24 ^{**}

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	11	.3
Ratio of expenses (%)	1.26	1.16*
Ratio of net investment income (loss) (%)	(.63)	(.92)*
Portfolio turnover rate (%)	64	53

^a For the period May 1, 2001 (commencement of operations) to December 31, 2001.

^b For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

^c Based on average shares outstanding during the period.

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

* Annualized

** Not annualized

Notes to Financial Statements

A. Significant Accounting Policies

Scudder Variable Series I (the “Fund”) is registered under the Investment Company Act of 1940, as amended (the “1940 Act”), as an open-end, registered management investment company organized as a Massachusetts business trust. The Fund is a series fund consisting of eight diversified portfolios: Money Market Portfolio, Bond Portfolio, Balanced Portfolio, Growth and Income Portfolio, Capital Growth Portfolio, 21st Century Growth Portfolio, Global Discovery Portfolio and International Portfolio, and one non-diversified portfolio: Health Sciences Portfolio (individually or collectively hereinafter referred to as a “Portfolio” or the “Portfolios”). These financial statements report on six Portfolios, which consist of the Growth and Income Portfolio, Capital Growth Portfolio, 21st Century Growth Portfolio, Global Discovery Portfolio, International Portfolio and Health Sciences Portfolio. The Fund is intended to be the underlying investment vehicle for variable annuity contracts and variable life insurance policies to be offered by the separate accounts of certain life insurance companies (“Participating Insurance Companies”).

Multiple Classes of Shares of Beneficial Interest. The Fund offers two classes of shares (Class A shares and Class B shares) for each of the Portfolios. Class B shares are subject to Rule 12b-1 fees under the 1940 Act and record keeping fees equal to an annual rate of 0.25% and up to 0.15%, respectively, of the average daily net assets of the Class B shares of the applicable Portfolio. Class A shares are not subject to such fees.

Investment income, realized and unrealized gains and losses, and certain fund-level expenses and expense reductions, if any, are borne pro rata on the basis of relative net assets by the holders of all classes of shares except that each class bears certain expenses unique to that class (including the applicable 12b-1 fee and record keeping fees). Differences in class-level expenses may result in payment of different per share dividends by class. All shares have equal rights with respect to voting subject to class-specific arrangements.

The Fund’s financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, which require the use of management estimates. Actual results could differ from those estimates. The policies described below are followed consistently by the Fund in the preparation of the financial statements for its Portfolios.

Security Valuation. Investments are stated at value determined as of the close of regular trading on the New York Stock Exchange on each day the exchange is open for trading. Equity securities are valued at the most recent sale price reported on the exchange (US or foreign) or over-the-counter market on which the security is traded most extensively. Securities for which no sales are reported are valued at the calculated mean between the most recent bid and asked quotations on the relevant market or, if a mean cannot be determined, at the most recent bid quotation.

Debt securities are valued by independent pricing services approved by the Trustees of the Fund. If the pricing services are unable to provide valuations, securities are valued at the most recent bid quotation or evaluated price, as applicable, obtained from one or more broker-dealers. Such services may use various pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes.

Money market instruments purchased with an original or remaining maturity of sixty days or less, maturing at par, are valued at amortized cost. Investments in open-end investment companies and Scudder Cash Management QP Trust are valued at their net asset value each business day.

Securities and other assets for which market quotations are not readily available or for which the above valuation procedures are deemed not to reflect fair value are valued in a manner that is intended to reflect their fair value as determined in accordance with procedures approved by the Trustees.

Foreign Currency Translations. The books and records of the Portfolios are maintained in US dollars. Investment securities and other assets and liabilities denominated in a foreign currency are translated into US dollars at the prevailing exchange rates at period end. Purchases and sales of investment securities, income and expenses are translated into US dollars at the prevailing exchange rates on the respective dates of the transactions.

Net realized and unrealized gains and losses on foreign currency transactions represent net gains and losses between trade and settlement dates on securities transactions, the disposition of forward foreign currency exchange contracts and foreign currencies, and the difference between the amount of net investment income accrued and the US dollar amount actually received. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed but is included with net realized and unrealized gains and losses on investment securities.

Repurchase Agreements. Each Portfolio may enter into repurchase agreements with certain banks and broker/dealers whereby the Portfolio, through its custodian or sub-custodian bank, receives delivery of the underlying securities, the amount of which at the time of purchase and each subsequent business day is required to be maintained at such a level that the value is equal to at least the principal amount of the repurchase price plus accrued interest. The custodial bank holds the collateral in a separate account until the agreement matures. If the value of the securities falls below the principal amount of the repurchase agreement plus accrued interest, the financial institution deposits additional collateral by the following business day. If the financial institution either fails to deposit the required additional collateral or fails to repurchase the securities as agreed, the Portfolio has the right to

sell the securities and recover any resulting loss from the financial institution. If the financial institution enters into bankruptcy, the Portfolio's claims on the collateral may be subject to legal proceedings.

Forward Foreign Currency Exchange Contracts. A forward foreign currency exchange contract ("forward currency contract") is a commitment to purchase or sell a foreign currency at the settlement date at a negotiated rate. A portfolio may enter into forward currency contracts in order to hedge its exposure to changes in foreign currency exchange rates on its foreign currency denominated portfolio holdings and to facilitate transactions in foreign currency denominated securities.

Forward currency contracts are valued at the prevailing forward exchange rate of the underlying currencies and unrealized gain (loss) is recorded daily. Sales and purchases of forward currency contracts having the same settlement date and broker are offset and any gain (loss) is realized on the date of offset; otherwise, gain (loss) is realized on settlement date. Realized and unrealized gains and losses which represent the difference between the value of a forward currency contract to buy and a forward currency contract to sell are included in net realized and unrealized gain (loss) from foreign currency related transactions.

Certain risks may arise upon entering into forward currency contracts from the potential inability of counterparties to meet the terms of their contracts. Additionally, when utilizing forward currency contracts to hedge, a portfolio gives up the opportunity to profit from favorable exchange rate movements during the term of the contract.

The Global Discovery Portfolio and International Portfolio entered into forward currency contracts during the year ended December 31, 2003.

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 price of such security and the date when the security will be delivered and paid for are fixed at the time the transaction is negotiated. The value of the security may vary with market fluctuations. No interest accrues to the Portfolio until payment takes place. At the time the Portfolio enters into this type of transaction it is required to segregate cash or other liquid assets at least equal to the amount of the commitment.

Certain risks may arise upon entering when-issued or delayed delivery securities from the potential inability of counterparties to meet the terms of their contracts or if the issuer does not issue the securities due to political, economic, or other factors. Additionally, losses may arise due to changes in the value of the underlying securities.

Securities Lending. Each Portfolio may lend securities to financial institutions. The Portfolio retains beneficial ownership of the securities it has loaned and continues to receive interest and dividends paid by the securities and to participate in any changes in their market value. The Portfolio requires the borrowers of the securities to maintain collateral with the Portfolio in the form of cash and/or government securities equal to 102 percent of the value of domestic securities and 105 percent of the value of international securities. The Portfolio may invest the cash collateral in an affiliated money market fund. The Portfolio receives compensation for lending its securities either in the form of fees or by earning interest on invested cash collateral. Either the Portfolio or the borrower may terminate the loan. During the year ended December 31, 2003, 21st Century Portfolio and Health Sciences Portfolio loaned securities.

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.

Gains realized upon disposition of Indian securities held by the Global Discovery Portfolio and the International Portfolio are subject to capital gains tax in India, payable prior to repatriation of sale proceeds. The tax is computed on net realized gains; any realized losses in excess of gains may be carried forward eight years to offset future gains. In addition, the Global Discovery Portfolio and the International Portfolio accrue a deferred tax liability for net unrealized gains in excess of available carryforwards on Indian securities.

Distribution of Income and Gains. All Portfolios will declare and distribute dividends from their net investment income, if any, in April, although additional distributions may be made if necessary. Net realized gains from investment transactions, in excess of available capital loss carryforwards, would be taxable to each Portfolio if not distributed, and, therefore, will be distributed to shareholders at least annually.

The timing and characterization of certain income and capital gains distributions are determined annually in accordance with federal tax regulations which may differ from accounting principles generally accepted in the United States of America. These differences primarily relate to investments in forward currency contracts, passive foreign investment companies, post October loss deferrals, non-taxable distributions and certain securities sold at a loss. As a result, net investment income (loss) and net realized gain (loss) on investment transactions for a reporting period may differ significantly from distributions during such period.

Accordingly, each Portfolio may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Portfolio.

At December 31, 2003, the Portfolios' components of distributable earnings (accumulated losses) on a tax-basis are as follows:

Portfolio	Undistributed ordinary income (\$)*	Undistributed net long-term capital gains (\$)	Capital loss carryforwards (\$)	Net unrealized gain (loss) on investments (\$)
Growth and Income Portfolio	1,273,616	—	(41,927,000)	21,779,120
Capital Growth Portfolio	3,640,130	—	(204,259,000)	54,185,609
21st Century Growth Portfolio	—	—	(26,784,000)	6,682,372
Global Discovery Portfolio	434,810	—	(55,714,000)	47,634,957
International Portfolio	6,422,885	—	(252,386,000)	98,468,974
Health Sciences Portfolio	—	—	(10,063,000)	19,905,477

In addition, the tax character of distributions paid by the Portfolios are summarized as follows:

Portfolio	Distributions from ordinary income (\$)*		Distributions from long-term capital gains (\$)	
	Years Ended December 31,		Years Ended December 31,	
	2003	2002	2003	2002
Growth and Income Portfolio	1,547,438	1,662,988	—	—
Capital Growth Portfolio	2,603,548	2,359,330	—	—
21st Century Growth Portfolio	—	—	—	—
Global Discovery Portfolio	133,861	—	—	—
International Portfolio	3,359,779	4,005,842	—	—
Health Sciences Portfolio	—	—	—	—

* For tax purposes short-term capital gains distributions are considered ordinary income distributions.

Expenses. Each Portfolio is charged for those expenses which are directly attributable to it, such as management fees and custodian fees, while other expenses, such as reports to shareholders and legal fees, are allocated among the Portfolios.

Other. Investment transactions are accounted for on a trade date plus one basis for daily net asset value calculations. However, for financial reporting purposes, investment transactions are reported on trade date. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date net of foreign withholding taxes. Certain dividends from foreign securities may be recorded subsequent to the ex-dividend date as soon as the Portfolio is informed of such dividends. Realized gains and losses from investment transactions are recorded on an identified cost basis. All discounts and premiums are accreted/amortized for both tax and financial reporting purposes.

B. Related Parties

Under the Management Agreement with Deutsche Investment Management Americas Inc. ("DeIM" or the "Advisor"), the Advisor directs the investments of the Fund in accordance with its investment objectives, policies and restrictions. The Advisor determines the securities, instruments and other contracts relating to investments to be purchased, sold or entered into by the Fund. In addition to portfolio management services, the Advisor provides certain administrative services in accordance with the Management Agreement.

Under the Fund's management agreement with the Advisor, the Portfolios pay a monthly investment management fee, based on the average daily net assets of each Portfolio, payable monthly, at the annual rates shown below:

Portfolio	Annual Management Fee Rate
Growth and Income Portfolio	0.475%
21st Century Growth Portfolio	0.875%
Global Discovery Portfolio	0.975%

The Capital Growth Portfolio pays the Advisor a graduated investment management fee, based on the average daily net assets of the Portfolio, payable monthly, at the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annual Management Fee Rate
first \$500 million	0.475%
next \$500 million	0.450%
over \$1 billion	0.425%

For the year ended December 31, 2003, the Capital Growth Portfolio incurred a management fee equivalent to an annual effective rate of 0.470% of the Portfolio's average daily net assets.

The International Portfolio pays the Advisor a graduated investment management fee, based on the average daily net assets of the Portfolio, payable monthly, at the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annual Management Fee Rate
first \$500 million	0.875%
over \$500 million	0.725%

For the year ended December 31, 2003, the International Portfolio incurred a management fee equivalent to an annual effective rate of 0.875% of the Portfolio's average daily net assets. Deutsche Asset Management Investment Services Ltd. ("DeAMIS"), an affiliate of the Advisor, serves as subadvisor with respect to the investment and reinvestment of assets in the International Portfolio. The Advisor compensates DeAMIS out of the management fee it receives from the Fund.

The Health Sciences Portfolio pays the Advisor a graduated investment management fee, based on the average daily net assets of the Portfolio, payable monthly, at the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annual Management Fee Rate
first \$250 million	0.750%
next \$750 million	0.725%
next \$1.5 billion	0.700%
next \$2.5 billion	0.680%
next \$2.5 billion	0.650%
next \$2.5 billion	0.640%
next \$2.5 billion	0.630%
over \$12.5 billion	0.620%

For the year ended December 31, 2003, the Health Sciences Portfolio incurred a management fee equivalent to an annual effective rate of 0.750% of the Portfolio's average daily net assets.

The Trustees authorized the Fund on behalf of each Portfolio to pay Scudder Fund Accounting Corporation, a subsidiary of the Advisor, for determining the daily net asset value per share and maintaining the portfolio and general accounting records of the Fund. Scudder Investments Service Company, an affiliate of the Advisor, is the transfer and dividend-paying agent of the Fund. These affiliated entities have in turn entered into various agreements with third-party service providers to provide these services.

Scudder Distributors, Inc. ("SDI"), also an affiliate of the Advisor, is the Fund's Distributor. In accordance with the Master Distribution Plan, SDI receives 12b-1 fees of 0.25% of average daily net assets of Class B shares. Pursuant to the Master Distribution Plan, SDI remits these fees to the Participating Insurance Companies for various costs incurred or paid by these companies in connection with marketing and distribution of Class B shares. These fees are detailed in each Portfolio's Statement of Operations.

The Portfolios pay each Trustee not affiliated with the Advisor retainer fees plus specified amounts for attended board and committee meetings. Allocated Trustees' fees and expenses for each Portfolio for the year ended December 31, 2003 are detailed in each Portfolio's Statement of Operations.

Scudder Cash Management QP Trust. Pursuant to an Exemptive Order issued by the SEC, the Fund may invest in the Scudder Cash Management QP Trust (the "QP Trust"), and other affiliated funds managed by the Advisor. The QP Trust seeks to provide as high a level of current income as is consistent with the preservation of capital and the maintenance of liquidity. The QP Trust does not pay the Advisor a management fee for the affiliated funds' investments in the QP Trust.

C. Expense Off-Set Arrangements

The Growth and Income Portfolio, Capital Growth Portfolio, 21st Century Growth Portfolio and Health Sciences Portfolio have entered into an arrangement with their custodian whereby credits realized as a result of uninvested cash balances were used to reduce a portion of the Portfolios' expenses. During the year ended December 31, 2003, the custodian fees were reduced as follows:

Portfolio	Custody Credits (\$)
Growth and Income Portfolio	18
Capital Growth Portfolio	34
21st Century Growth Portfolio	116
Health Sciences Portfolio	46

D. Ownership of the Portfolios

At the end of the period, the beneficial ownership in the Portfolios was as follows:

Growth and Income Portfolio: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 29%, 24% and 23%, respectively. Two Participating Insurance Companies were owners of record of 55% and 36%, respectively, of the total outstanding Class B shares of the Portfolio.

Capital Growth Portfolio: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 59% and 13%, respectively. One Participating Insurance Company was owner of record of 91% of the total outstanding Class B shares of the Portfolio.

21st Century Growth Portfolio: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 59%, 23% and 12%, respectively. One Participating Insurance Company was owner of record of 97% of the total outstanding Class B shares of the Portfolio.

Global Discovery Portfolio: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 54%, 23% and 11%, respectively. Two Participating Insurance Companies were owners of record of 52% and 43%, respectively, of the total outstanding Class B shares of the Portfolio.

International Portfolio: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 34%, 18% and 11%, respectively. Two Participating Insurance Companies were owners of record of 52% and 43%, respectively, of the total outstanding Class B shares of the Portfolio.

Health Sciences Portfolio: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 73% and 26%, respectively. One Participating Insurance Company was owner of record of 93% of the total outstanding Class B shares of the Fund.

E. Line of Credit

The Fund and several other affiliated funds (the "Participants") share in a \$1.25 billion revolving credit facility administered by J.P. Morgan Chase Bank for temporary or emergency purposes, including the meeting of redemption requests that otherwise might require the untimely disposition of securities. The Participants are charged an annual commitment fee which is allocated, pro rata based upon net assets, among each of the Participants. Interest is calculated at the Federal Funds Rate plus 0.5 percent. Each Portfolio may borrow up to a maximum of 33 percent of its net assets under the agreement.

Report of Independent Auditors

To the Trustees and Shareholders of Scudder Variable Series I:

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 six Portfolios (identified in Note A) of Scudder Variable Series I (the “Fund”) at December 31, 2003 and the results of each of their operations, the changes in each of 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, 2003 by correspondence with the custodians and brokers, provide a reasonable basis for our opinion.

Boston, Massachusetts
February 16, 2004

PricewaterhouseCoopers LLP

Pursuant to Section 854 of the Internal Revenue Code, the percentages of income dividends paid in calendar year 2003 which qualify for the dividends received deduction are as follows: Growth and Income Portfolio 100% and Capital Growth Portfolio 100%.

The International Portfolio paid foreign taxes of \$1,483,262 and earned \$7,446,067 of foreign source income during the year ended December 31, 2003. Pursuant to Section 853 of the Internal Revenue Code, the International Portfolio designates \$.03 per share as foreign taxes paid and \$.13 per share as income earned from foreign sources for the year ended December 31, 2003.

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.

Proxy Voting

A description of the fund's policies and procedures for voting proxies for portfolio securities can be found on our Web site — scudder.com (type "proxy voting" in the search field) — or on the SEC's Web site — www.sec.gov. To obtain a written copy without charge, call us toll free at (800) 621-1048.

Trustees and Officers

The following table presents certain information regarding the Trustees and Officers of the fund as of December 31, 2003. Each individual's age is set forth in parentheses after his or her name. Unless otherwise noted, (i) each individual has engaged in the principal occupation(s) noted in the table for at least the most recent five years, although not necessarily in the same capacity, and (ii) the address of each Trustee is c/o Dawn-Marie Driscoll, PO Box 100176, Cape Coral, FL 33910. Unless otherwise indicated, the address of each officer is Two International Place, Boston, Massachusetts 02110-4103. Each Trustee's term of office extends until the next shareholder's meeting called for the purpose of electing Trustees and until the election and qualification of a successor, or until such Trustee sooner dies, resigns or is removed as provided in the governing documents of the fund.

Independent Trustees		
Name, Age, Position(s) Held with the Fund and Length of Time Served ¹	Principal Occupation(s) During Past 5 Years and Other Directorships Held	Number of Funds in Fund Complex Overseen
Henry P. Becton, Jr. (60) Trustee, 1990–present	President, WGBH Educational Foundation. Directorships: Becton Dickinson and Company (medical technology company); The A.H. Belo Company (media company); Concord Academy; Boston Museum of Science; Public Radio International. Former Directorships: American Public Television; New England Aquarium; Mass Corporation for Educational Telecommunications; Committee for Economic Development; Public Broadcasting Service	48
Dawn-Marie Driscoll (57) Trustee, 1987–present	President, Driscoll Associates (consulting firm); Executive Fellow, Center for Business Ethics, Bentley College; formerly, Partner, Palmer & Dodge (1988–1990); Vice President of Corporate Affairs and General Counsel, Filene's (1978–1988). Directorships: CRS Technology (technology service company); Advisory Board, Center for Business Ethics, Bentley College; Board of Governors, Investment Company Institute; former Chairman, ICI Directors Services Committee	48
Keith R. Fox (49) Trustee, 1996–present	Managing Partner, Exeter Capital Partners (private equity funds). Directorships: Facts on File (school and library publisher); Progressive Holding Corporation (kitchen importer and distributor); Cloverleaf Transportation Inc. (trucking); K-Media, Inc. (broadcasting); Natural History, Inc. (magazine publisher); National Association of Small Business Investment Companies (trade association)	48
Louis E. Levy (71) Trustee, 2002–present	Retired. Formerly, Chairman of the Quality Control Inquiry Committee, American Institute of Certified Public Accountants (1992–1998); Partner, KPMG LLP (1958–1990). Directorships: Household International (banking and finance); ISI Family of Funds (registered investment companies; 4 funds overseen)	48
Jean Gleason Stromberg (60) Trustee, 1999–present	Retired. Formerly, Consultant (1997–2001); Director, US General Accounting Office (1996–1997); Partner, Fulbright & Jaworski, L.L.P. (law firm) (1978–1996). Directorships: The William and Flora Hewlett Foundation; Service Source, Inc.	48
Jean C. Tempel (60) Trustee, 1994–present	Managing Partner, First Light Capital (venture capital group) (2000–present); formerly, Special Limited Partner, TL Ventures (venture capital fund) (1996–1998); General Partner, TL Ventures (1994–1996); President and Chief Operating Officer, Safeguard Scientifics, Inc. (public technology business incubator company) (1991–1993). Directorships: Sonesta International Hotels, Inc.; Aberdeen Group (technology research); United Way of Mass Bay; The Commonwealth Institute (supports women entrepreneurs). Trusteeships: Connecticut College, Vice Chair of Board, Chair, Finance Committee; Northeastern University, Vice Chair of Finance Committee, Chair, Funds and Endowment Committee	48
Carl W. Vogt (67) Trustee, 2002–present	Senior Partner, Fulbright & Jaworski, L.L.P. (law firm); formerly, President (interim) of Williams College (1999–2000); President, certain funds in the Deutsche Asset Management Family of Funds (formerly, Flag Investors Family of Funds) (registered investment companies) (1999–2000). Directorships: Yellow Corporation (trucking); American Science & Engineering (x-ray detection equipment); ISI Family of Funds (registered investment companies, 4 funds overseen); National Railroad Passenger Corporation (Amtrak); formerly, Chairman and Member, National Transportation Safety Board	48

Interested Trustees and Officers ²		
Name, Age, Position(s) Held with the Fund and Length of Time Served ¹	Principal Occupation(s) During Past 5 Years and Other Directorships Held	Number of Funds in Fund Complex Overseen
Richard T. Hale ³ (58) Chairman and Trustee, 2002–present Chief Executive Officer, 2003–present	Managing Director, Deutsche Investment Management Americas Inc. (2003–present); Managing Director, Deutsche Bank Securities Inc. (formerly Deutsche Banc Alex. Brown Inc.) and Deutsche Asset Management (1999 to present); Director and President, Investment Company Capital Corp. (registered investment advisor) (1996 to present); Director, Deutsche Global Funds, Ltd. (2000 to present), CABEL Fund (2000 to present), North American Income Fund (2000 to present) (registered investment companies); Director, Scudder Global Opportunities Fund (since 2003); Director/Officer Deutsche/Scudder Mutual Funds (various dates); President, Montgomery Street Income Securities, Inc. (2002 to present) (registered investment companies); Vice President, Deutsche Asset Management, Inc. (2000 to present); formerly, Director, ISI Family of Funds (registered investment companies; 4 funds overseen) (1992–1999)	201
Brenda Lyons (40) President, 2003–present	Managing Director, Deutsche Asset Management	n/a

Name, Age, Position(s) Held with the Fund and Length of Time Served ¹	Principal Occupation(s) During Past 5 Years and Other Directorships Held	Number of Funds in Fund Complex Overseen
Daniel O. Hirsch ³ (49) Vice President and Assistant Secretary, 2002–present Chief Legal Officer, 2003–present	Managing Director, Deutsche Asset Management (2002–present) and Director, Deutsche Global Funds Ltd. (2002–present); formerly, Director, Deutsche Asset Management (1999–2002); Principal, BT Alex. Brown Incorporated (now Deutsche Bank Securities Inc.) (1998–1999); Assistant General Counsel, United States Securities and Exchange Commission (1993–1998)	n/a
John Millette (41) Vice President and Secretary, 1999–present	Director, Deutsche Asset Management	n/a
Kenneth Murphy (40) Vice President, 2002–present	Vice President, Deutsche Asset Management (2000–present); Vice President, Scudder Distributors, Inc. (December 2002–present); formerly, Director, John Hancock Signature Services (1992–2000)	n/a
Charles A. Rizzo (46) Treasurer and Chief Financial Officer, 2002–present	Director, Deutsche Asset Management (April 2000– present). Formerly, Vice President and Department Head, BT Alex. Brown Incorporated (now Deutsche Bank Securities Inc.) (1998–1999); Senior Manager, Coopers & Lybrand L.L.P. (now PricewaterhouseCoopers LLP) (1993–1998)	n/a
Salvatore Schiavone (38) Assistant Treasurer, 2003–present	Director, Deutsche Asset Management	n/a
Lucinda H. Stebbins (58) Assistant Treasurer, 2003–present	Director, Deutsche Asset Management	n/a
Kathleen Sullivan D'Eramo (46) Assistant Treasurer, 2003–present	Director, Deutsche Asset Management	n/a
Lisa Hertz ⁴ (33) Assistant Secretary, 2003–present	Assistant Vice President, Deutsche Asset Management	n/a
Caroline Pearson (41) Assistant Secretary, 1997–present	Managing Director, Deutsche Asset Management	n/a

¹ Length of time served represents the date that each Trustee was first elected to the common board of trustees which oversees a number of investment companies, including the fund, managed by the Advisor. For the Officers of the fund, length of time served represents the date that each Officer was first elected to serve as an officer of any fund overseen by the aforementioned common board of trustees.

² As a result of their respective positions held with the Advisor, these individuals are considered "interested persons" of the Advisor within the meaning of the 1940 Act. Interested persons receive no compensation from the fund.

³ Address: One South Street, Baltimore, Maryland

⁴ Address: 345 Park Avenue, New York, New York

The fund's Statement of Additional Information ("SAI") includes additional information about the Trustees. The SAI is available, without charge, upon request. If you would like to request a copy of the SAI, you may do so by calling the following toll-free number: 1-800-778-1482.

Notes

About the Fund's Advisor

Scudder Investments is part of Deutsche Asset Management, which is the marketing name in the US for the asset management activities of Deutsche Bank AG, Deutsche Investment Management Americas Inc., Deutsche Asset Management Inc., Deutsche Asset Management Investment Services Ltd., Deutsche Bank Trust Company Americas and Scudder Trust Company.

The views expressed in this report reflect those of the portfolio managers only through the end of the period of the report as stated on the cover. The managers' views are subject to change at any time based on market and other conditions and should not be construed as a recommendation.

Scudder Distributors, Inc.
222 South Riverside Plaza
Chicago, IL 60606
1-800-778-1482

SCUDDER
INVESTMENTS

A Member of
Deutsche Asset Management



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

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

Printed on recycled paper.
SVSI-2 (2/29/04) 27893
Form V
Printed in the U.S.A.

Annual report to
shareholders for the year
ended December 31, 2003

Scudder Variable Series II

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

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

NOT FDIC/INCUA INSURED NO BANK GUARANTEE MAY LOSE VALUE

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

Scudder Aggressive Growth Portfolio

For the 12 months ended December 31, 2003, the portfolio posted a strong 33.99% total return (Class A shares, unadjusted for contract charges) outpacing its benchmark, the Russell 3000 Growth Index, which returned 30.97%. Please see the following page for standardized performance as of December 31, 2003.

At the sector level, the portfolio's technology stocks experienced a healthy gain, rising on average 60% for the period, versus 49% for the benchmark's technology stocks. The portfolio's second-best-performing sector was consumer discretionary. While the portfolio was underweight in this sector, our stock picks were up an average of 57%, versus the benchmark's 36% average. On the downside, the portfolio was underweight in the industrials sector, which came back strongly during the period, and our stock picks fell short of the benchmark average for that sector.

Looking at securities, the highest-contributing stock was National Semiconductor Corp. Its shares were up more than 150% for the year. The next-best performer was Harman International Industries, Inc., a consumer discretionary company that produces entertainment subsystems for automobiles. In terms of detractors, LaBranche & Co., Inc., a financial specialist firm, had its stock valuation decline significantly when the New York Stock Exchange scandal hit, calling the specialist system into question. We believe LaBranche will bounce back, and the portfolio continues to hold it. The next three biggest detractors were stocks we inherited from the previous portfolio management team. The portfolio has since exited these securities.

We have positioned the portfolio based on the thesis of a sustained economic recovery. We believe that as the economy improves and business decision makers gain more confidence, job growth should finally ignite, propelling both consumer and capital spending.

Audrey M.T. Jones

Samuel A. Dedio

Doris R. Klug

Co-Managers

Deutsche Investment Management Americas Inc.

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

This portfolio is subject to stock market risk. It is non-diversified and can take larger positions in fewer companies, increasing its overall potential risk. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

The Russell 3000 Growth Index is an unmanaged, capitalization-weighted index containing the growth stocks in the Russell 3000 Index with higher price-to-book ratios and higher forecasted growth values.

The Standard & Poor's (S&P) 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of December 31, 2003, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Scudder Aggressive Growth Portfolio

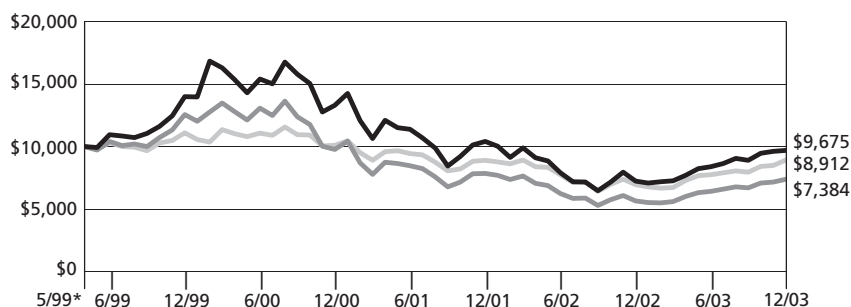
All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

This Portfolio is subject to stock market risk. It is non-diversified and can take larger positions in fewer companies, increasing its overall potential risk. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The 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 Portfolio would be lower.

Growth of an Assumed \$10,000 Investment in Scudder Aggressive Growth Portfolio from 5/1/1999 to 12/31/2003

- Scudder Aggressive Growth Portfolio — Class A
- Russell 3000 Growth Index
- S&P 500 Index



The Russell 3000 Growth Index is an unmanaged, capitalization-weighted index containing the growth stocks in the Russell 3000 Index with higher price-to-book ratios and higher forecasted growth values. The Standard & Poor's (S&P) 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

Scudder Aggressive Growth Portfolio	1-Year	3-Year	Life of Portfolio*
Class A			
Growth of \$10,000	\$13,399	\$7,277	\$9,675
Average annual total return	33.99%	-10.05%	-7.1%
Russell 3000 Growth Index			
Growth of \$10,000	\$13,097	\$7,576	\$7,384
Average annual total return	30.97%	-8.84%	-6.29%
S&P 500 Index			
Growth of \$10,000	\$12,868	\$8,833	\$8,912
Average annual total return	28.68%	-4.05%	-2.44%
Scudder Aggressive Growth Portfolio	1-Year	Life of Class**	
Class B			
Growth of \$10,000	\$13,343	\$12,678	
Average annual total return	33.43%	17.14%	
Russell 3000 Growth Index			
Growth of \$10,000	\$13,097	\$11,862	
Average annual total return	30.97%	12.06%	
S&P 500 Index			
Growth of \$10,000	\$12,868	\$11,543	
Average annual total return	28.68%	10.04%	

The growth of \$10,000 is cumulative.

* The Portfolio commenced operations on May 1, 1999. Index returns begin April 30, 1999.

** The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.

Information concerning portfolio holdings of the Portfolio as of a month end is available upon request no earlier than 15 days after the month end. Please call 1-800-778-1482.

Scudder Aggressive Growth Portfolio

	Shares	Value (\$)		Shares	Value (\$)
Common Stocks 94.6%					
Consumer Discretionary 15.9%					
Automobiles 0.9%					
Thor Industries, Inc.	9,400	528,468			
Hotel Restaurants & Leisure 6.1%					
GTECH Holdings Corp.	45,800	2,266,642			
The Cheesecake Factory, Inc.*	31,900	1,404,557			
		3,671,199			
Household Durables 4.4%					
Harman International Industries, Inc.	19,000	1,405,620			
Tempur-Pedic International, Inc.*	81,400	1,261,700			
		2,667,320			
Multiline Retail 0.9%					
Kohl's Corp.*	12,200	548,268			
Specialty Retail 1.4%					
Chico's FAS, Inc.*	23,400	864,630			
Textiles, Apparel & Luxury Goods 2.2%					
Columbia Sportswear Co.*	24,900	1,357,050			
Consumer Staples 4.4%					
Beverages 1.0%					
Constellation Brands, Inc. "A"*	19,300	635,549			
Food & Drug Retailing 2.0%					
Performance Food Group Co.*	32,700	1,182,759			
Food Products 1.4%					
Dean Foods Co.*	25,900	851,333			
Energy 3.3%					
Energy Equipment & Services					
BJ Services Co.*	16,000	574,400			
Rowan Companies, Inc.*	60,600	1,404,102			
		1,978,502			
Financials 8.1%					
Diversified Financial Services 8.0%					
Ameritrade Holding Corp.*	65,000	914,550			
Chicago Mercantile Exchange	5,400	390,744			
Citigroup, Inc.	11,400	553,356			
Goldman Sachs Group, Inc.	3,000	296,190			
Investment Technology Group, Inc.	46,900	757,435			
Investors Financial Services Corp.	27,300	1,048,593			
LaBranche & Co., Inc.	30,400	354,768			
Providian Financial Corp.*	45,000	523,800			
		4,839,436			
Insurance 0.1%					
Aspen Insurance Holdings Ltd.*	2,100	52,101			
Health Care 20.4%					
Biotechnology 6.3%					
Amgen, Inc.*	20,600	1,273,080			
Gilead Sciences, Inc.*	14,700	854,658			
Martek Biosciences Corp.*	16,600	1,078,502			
MedImmune, Inc.*	25,300	642,620			
		3,848,860			
Health Care Equipment & Supplies 2.3%					
Medtronic, Inc.	28,898	1,404,732			
Health Care Providers & Services 3.8%					
Cardinal Health, Inc.	14,700	899,052			
WellPoint Health Networks, Inc.*	14,300	1,386,957			
		2,286,009			
Pharmaceuticals 8.0%					
Biovail Corp.*	23,300	500,717			
Eli Lilly & Co.	17,700	1,244,841			
Johnson & Johnson	16,800	867,888			
Pfizer, Inc.	35,200	1,243,616			
Teva Pharmaceutical Industries Ltd. (ADR)	17,100	969,741			
		4,826,803			
Industrials 8.6%					
Aerospace & Defense 1.9%					
Alliant Techsystems, Inc.*	20,300	1,172,528			
Airlines 2.0%					
SkyWest, Inc.	39,400	713,928			
Southwest Airlines Co.	31,100	501,954			
		1,215,882			
Commercial Services & Supplies 3.4%					
Corinthian Colleges, Inc.*	21,200	1,177,872			
ITT Educational Services, Inc.*	19,300	906,521			
		2,084,393			
Road & Rail 1.3%					
Swift Transportation Co., Inc.*	36,200	760,924			
Information Technology 31.6%					
Communications Equipment 5.6%					
Adaptec, Inc.*	110,100	972,183			
Cisco Systems, Inc.*	100,200	2,433,858			
		3,406,041			
Computers & Peripherals 4.6%					
Dell, Inc.*	32,300	1,096,908			
EMC Corp.*	67,000	865,640			
Network Appliance, Inc.*	40,900	839,677			
		2,802,225			
Electronic Equipment & Instruments 5.4%					
Jabil Circuit, Inc.*	39,700	1,123,510			
Vishay Intertechnology, Inc.*	92,000	2,106,800			
		3,230,310			
IT Consulting & Services 1.0%					
Fiserv, Inc.*	15,800	624,258			
Semiconductors & Semiconductor Equipment & 13.3%					
Applied Micro Circuits Corp.*	204,500	1,222,910			
Linear Technology Corp.	25,500	1,072,785			
Microchip Technology, Inc.	22,200	740,592			

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

	Shares	Value (\$)
National Semiconductor Corp.*	33,600	1,324,176
Novellus Systems, Inc.*	19,900	836,795
QLogic Corp.*	11,200	577,920
Teradyne, Inc.*	41,900	1,066,355
Texas Instruments, Inc.	41,500	1,219,270
		8,060,803
Software 1.7%		
Cognos, Inc.*	32,300	989,026
Materials 1.0%		
Containers & Packaging		
Packaging Corp. of America	27,400	598,964
Telecommunication Services 1.3%		
Wireless Telecommunication Services		
Nextel Partners, Inc. "A"*	59,400	798,930
Total Common Stocks (Cost \$47,069,217)		57,287,303

	Shares	Value (\$)
Other 2.0%		
Ishares Russell 3000 Growth Cost (\$695,839)	32,000	1,209,600
Cash Equivalents 3.4%		
Scudder Cash Management QP Trust, 1.11% (b) (Cost \$2,038,983)	2,038,983	2,038,983
Total Investment Portfolio — 100.0% (Cost \$49,804,039) (a)		60,535,886

Notes to Scudder Aggressive Growth Portfolio of Investments

* Non-income producing security.

(a) The cost for federal income tax purposes was \$49,916,746. At December 31, 2003, net unrealized appreciation for all securities based on tax cost was \$10,619,140. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$11,722,832 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$1,103,692.

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

Financial Statements

Statement of Assets and Liabilities as of December 31, 2003

Assets

Investments:	
Investments in securities, at value (cost \$47,765,056)	\$ 58,496,903
Investment in Scudder Cash Management QP Trust (cost \$2,038,983)	2,038,983
Total investments in securities, at value (cost \$49,804,039)	60,535,886
Dividends receivable	8,153
Interest receivable	1,667
Receivable for Portfolio shares sold	31,095
Other assets	1,239
Total assets	60,578,040

Liabilities

Due to custodian bank	550,000
Payable for Portfolio shares redeemed	48,766
Accrued management fee	42,672
Other accrued expenses and payables	50,024
Total liabilities	691,462
Net assets, at value	\$ 59,886,578

Net Assets

Net assets consist of:	
Accumulated net investment loss	(85)
Net unrealized appreciation (depreciation) on investments	10,731,847
Accumulated net realized gain (loss)	(41,752,884)
Paid-in capital	90,907,700
Net assets, at value	\$ 59,886,578

Class A

Net Asset Value , offering and redemption price per share (\$56,067,632 ÷ 5,923,874 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 9.46
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Class B

Net Asset Value , offering and redemption price per share (\$3,818,946 ÷ 405,258 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 9.42
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Statement of Operations for the year ended December 31, 2003

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$955)	\$ 160,936
Interest — Scudder Cash Management QP Trust	30,253
Total Income	191,189
Expenses:	
Management fee	379,697
Custodian and accounting fees	52,831
Distribution service fees (Class B)	3,462
Record keeping fees (Class B)	1,967
Auditing	42,750
Legal	9,407
Trustees' fees and expenses	1,088
Reports to shareholders	5,814
Other	5,053
Total expenses before expense reductions	502,069
Expense reductions	(15,048)
Total expenses after expense reductions	487,021
Net investment income (loss)	(295,832)

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from investments	(6,980,374)
Net unrealized appreciation (depreciation) during the period on investments	21,899,078
Net gain (loss) on investment transactions	14,918,704
Net increase (decrease) in net assets resulting from operations	\$ 14,622,872

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2003	2002
Operations:		
Net investment income (loss)	\$ (295,832)	\$ (99,515)
Net realized gain (loss) on investment transactions	(6,980,374)	(25,580,629)
Net unrealized appreciation (depreciation) on investment transactions during the period	21,899,078	4,021,333
Net increase (decrease) in net assets resulting from operations	14,622,872	(21,658,811)
Distributions to shareholders from:		
Net investment income		
Class A	—	(257,547)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	19,207,656	16,785,284
Reinvestment of distributions	—	257,547
Cost of shares redeemed	(21,817,569)	(21,199,303)
Net increase (decrease) in net assets from Class A share transactions	(2,609,913)	(4,156,472)
Class B		
Proceeds from shares sold	3,541,180	85,623*
Cost of shares redeemed	(186,774)	(134)*
Net increase (decrease) in net assets from Class B share transactions	3,354,406	85,489
Increase (decrease) in net assets	15,367,365	(25,987,341)
Net assets at beginning of period	44,519,213	70,506,554
Net assets at end of period (including accumulated net investment loss of \$85 and \$486, respectively)	\$ 59,886,578	\$ 44,519,213

Other Information

Class A		
Shares outstanding at beginning of period	6,292,403	6,898,699
Shares sold	2,320,895	1,832,303
Shares issued to shareholders in reinvestment of distributions	—	26,632
Shares redeemed	(2,689,424)	(2,465,231)
Net increase (decrease) in Portfolio shares	(368,529)	(606,296)
Shares outstanding at end of period	5,923,874	6,292,403
Class B		
Shares outstanding at beginning of period	11,689	—
Shares sold	417,145	11,707*
Shares redeemed	(23,576)	(18)*
Net increase (decrease) in Portfolio shares	393,569	11,689
Shares outstanding at end of period	405,258	11,689

* For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

Financial Highlights

Class A

Years Ended December 31,	2003	2002	2001	2000 ^a	1999 ^{a,b}
Selected Per Share Data					
Net asset value, beginning of period	\$ 7.06	\$ 10.22	\$ 13.20	\$ 13.99	\$ 10.00
<i>Income (loss) from investment operations:</i>					
Net investment income (loss) ^c	(.05)	(.01)	.06	.18	.06
Net realized and unrealized gain (loss) on investment transactions	2.45	(3.11)	(2.92)	(.87)	3.93
Total from investment operations	2.40	(3.12)	(2.86)	(.69)	3.99
<i>Less distributions from:</i>					
Net investment income	—	(.04)	(.12)	—	—
Net realized gains on investment transactions	—	—	—	(.10)	—
Total distributions	—	(.04)	(.12)	(.10)	—
Net asset value, end of period	\$ 9.46	\$ 7.06	\$ 10.22	\$ 13.20	\$ 13.99
Total Return (%)	33.99 ^d	(30.66)	(21.76)	(4.96)	39.89 ^{d**}

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	56	44	71	66	12
Ratio of expenses before expense reductions (%)	.98	.81	.86	.95	2.66*
Ratio of expenses after expense reductions (%)	.95	.81	.86	.94	.50*
Ratio of net investment income (loss) (%)	(.57)	(.19)	.58	1.22	.80*
Portfolio turnover rate (%)	91	71	42	103	90*

^a On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly.

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

^c Based on average shares outstanding during the period.

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

* Annualized

** Not annualized

Class B

Years Ended December 31,	2003	2002 ^a
Selected Per Share Data		
Net asset value, beginning of period	\$ 7.06	\$ 7.43
<i>Income (loss) from investment operations:</i>		
Net investment income (loss) ^b	(.09)	(.02)
Net realized and unrealized gain (loss) on investment transactions	2.45	(.35)
Total from investment operations	2.36	(.37)
Net asset value, end of period	\$ 9.42	\$ 7.06
Total Return (%)	33.43 ^c	(4.98)**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	4	.1
Ratio of expenses before expense reductions (%)	1.37	1.06*
Ratio of expenses after expense reductions (%)	1.34	1.06*
Ratio of net investment income (loss) (%)	(.96)	(.47)*
Portfolio turnover rate (%)	91	71

^a For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

^b Based on average shares outstanding during the period.

^c Total return would have been lower had certain expenses not been reduced.

* Annualized

** Not annualized

Scudder Blue Chip Portfolio

Two main stories with fortuitous outcomes emerged in 2003. The war in Iraq was the first story. When it became clear that coalition forces would win the main campaign to depose Saddam Hussein's regime, market sentiment rose while the risk premium fell, sparking a strong spring rally. The second story began at the end of summer, when we saw leading indicators point to a potential economic recovery. By the fourth quarter, it became clear that the recovery would be self-sustaining.

With these dramas at play, Scudder Blue Chip Portfolio produced a strong 27.25% total return (Class A shares, unadjusted for contract charges) for the 12 months ended December 31, 2003. Its benchmark, the Russell 1000 Index, returned 29.89% for the same annual period. Please see the following page for standardized performance as of December 31, 2003.

Overweight positions in top-10 holdings Intel Corp. and Citigroup, Inc. racked up nice gains for the portfolio. Intel Corp., the world's largest semiconductor chip maker, was a direct beneficiary of the past year's tremendous revival in technology. Citigroup, Inc., the financial services behemoth, managed to beat earnings estimates throughout the year.

Detractors included Eastman Kodak Co. The market did not take a liking to the company's plan to focus on digital technology versus traditional film — and punished its stock accordingly.

We believe the portfolio's strong performance in 2003 validates the strength of the disciplines we use to manage risk and select companies with solid balance sheets, strong cash flows, improving relative earnings and attractive valuations.

Janet Campagna

Robert Wang

Co-Managers

Deutsche Investment Management Americas Inc.

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

This portfolio is subject to stock market risk. It may focus its investments on certain economic sectors, thereby increasing its vulnerability to any single economic, political or regulatory development. This may result in greater share price volatility. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

The Russell 1000 Index is an unmanaged capitalization-weighted price-only index composed of the largest-capitalized United States companies whose common stocks are traded in the US. This larger capitalization, market-oriented index is highly correlated with the S&P 500 Index. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of December 31, 2003, and may not come to pass. This information is subject to change at any time based on market and other conditions.

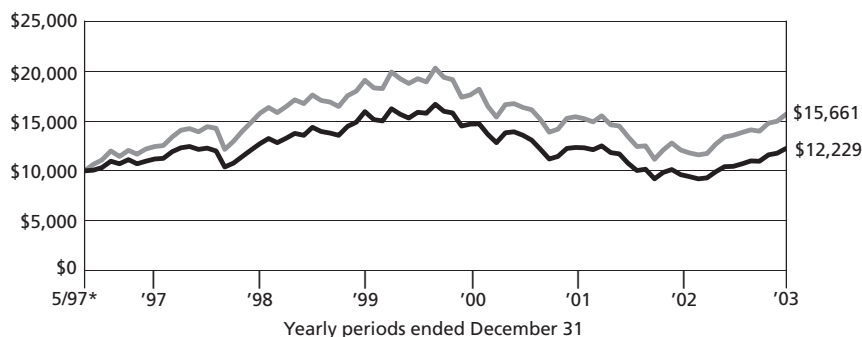
Scudder Blue Chip Portfolio

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

This Portfolio is subject to stock market risk. It focuses its investments on certain economic sectors, thereby increasing its vulnerability to any single economic, political or regulatory development. This may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

Growth of an Assumed \$10,000 Investment in Scudder Blue Chip Portfolio from 5/1/1997 to 12/31/2003

- Scudder Blue Chip Portfolio — Class A
- Russell 1000 Index



The Russell 1000 Index is an unmanaged capitalization-weighted price-only index composed of the largest-capitalized United States companies whose common stocks are traded in the US. This larger capitalization, market-oriented index is highly correlated with the S&P 500 Index. Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

Scudder Blue Chip Portfolio		1-Year	3-Year	5-Year	Life of Portfolio*
Class A	Growth of \$10,000	\$12,725	\$8,344	\$9,630	\$12,229
	Average annual total return	27.25%	-5.86%	-.75%	3.06%
Russell 1000 Index					
Growth of \$10,000		\$12,989	\$8,910	\$9,934	\$15,661
Average annual total return		29.89%	-3.78%	-.13%	6.96%
Scudder Blue Chip Portfolio				1-Year	Life of Class**
Class B	Growth of \$10,000			\$12,676	\$11,529
	Average annual total return			26.76%	9.95%
Russell 1000 Index		Growth of \$10,000		\$12,989	\$11,673
		Average annual total return		29.89%	10.86%

The growth of \$10,000 is cumulative.

* The Portfolio commenced operations on May 1, 1997. Index returns begin April 30, 1997.

** The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.

Information concerning portfolio holdings of the Portfolio as of a month end is available upon request no earlier than 15 days after the month end. Please call 1-800-778-1482.

Scudder Blue Chip Portfolio

	Shares	Value (\$)		Shares	Value (\$)
Common Stocks 97.2%					
Consumer Discretionary 14.7%					
Auto Components 1.4%					
American Axle & Manufacturing Holdings, Inc.*	58,900	2,380,738			
Autoliv, Inc.	33,700	1,268,805			
		3,649,543			
Hotel Restaurants & Leisure 2.0%					
Brinker International, Inc.*	40,200	1,333,032			
CBRL Group, Inc.	26,000	994,760			
Regal Entertainment Group "A"	7,700	158,004			
Starbucks Corp.*	77,900	2,575,374			
		5,061,170			
Household Durables 0.8%					
NVR, Inc.*	2,600	1,211,600			
Ryland Group, Inc.	3,800	336,832			
Toll Brothers, Inc.	9,300	369,768			
Whirlpool Corp.	3,700	268,805			
		2,187,005			
Internet & Catalog Retail 0.3%					
eBay, Inc.*	13,200	852,588			
Leisure Equipment & Products 0.9%					
Eastman Kodak Co.	48,200	1,237,294			
Marvel Enterprises, Inc.*	38,200	1,112,002			
		2,349,296			
Media 4.9%					
Comcast Corp. "A"*	111,339	3,659,713			
Cox Communications, Inc. "A"*	77,000	2,652,650			
Hughes Electronics Corp.*	135,254	2,238,453			
McGraw-Hill, Inc.	51,400	3,593,888			
News Corporation Ltd. (ADR)	15,127	457,592			
		12,602,296			
Specialty Retail 3.6%					
Advance Auto Parts, Inc.*	19,500	1,587,300			
Blockbuster, Inc. "A"	111,800	2,006,810			
Chico's FAS, Inc.*	53,200	1,965,740			
Claire's Stores, Inc.	126,800	2,388,912			
PETSMART, Inc.	20,400	485,520			
Talbots, Inc.	22,800	701,784			
The Gap, Inc.	12,000	278,520			
		9,414,586			
Textiles, Apparel & Luxury Goods 0.8%					
Coach, Inc.*	7,200	271,800			
NIKE, Inc. "B"	24,700	1,690,962			
		1,962,762			
Consumer Staples 7.1%					
Beverages 3.0%					
Anheuser-Busch Companies, Inc.	69,600	3,666,528			
PepsiCo, Inc.	89,100	4,153,842			
		7,820,370			
Food & Drug Retailing 1.6%					
Supervalu, Inc.	11,200	320,208			
Sysco Corp.	77,200	2,874,156			
Wal-Mart Stores, Inc.	20,100	1,066,305			
		4,260,669			
Household Products 2.4%					
Procter & Gamble Co.	62,100	6,202,548			
Tobacco 0.1%					
Loew's Corp. — Carolina Group	8,000	201,920			
Energy 6.1%					
Oil & Gas					
Apache Corp.	8,400	681,240			
Chesapeake Energy Corp.	36,700	498,386			
ChevronTexaco Corp.	37,400	3,230,986			
ExxonMobil Corp.	97,540	3,999,140			
Occidental Petroleum Corp.	99,800	4,215,552			
Pogo Producing Co.	63,400	3,062,220			
		15,687,524			
Financials 18.5%					
Banks 7.4%					
Bank of America Corp.	82,500	6,635,475			
Golden West Financial Corp.	28,400	2,930,596			
National City Corp.	56,300	1,910,822			
US Bancorp.	90,300	2,689,134			
Wachovia Corp.	96,100	4,477,299			
Wells Fargo & Co.	8,300	488,787			
		19,132,113			
Consumer Finance 0.6%					
American Express Co.	34,400	1,659,112			
Diversified Financial Services 6.6%					
Capital One Finance Corp.	9,900	606,771			
CIT Group, Inc.	34,900	1,254,655			
Citigroup, Inc.	140,800	6,834,432			
Countrywide Financial Corp.	13,200	1,001,220			
Doral Financial Corp.	7,350	237,258			
Fannie Mae	8,700	653,022			
J.P. Morgan Chase & Co.	73,300	2,692,309			
Lehman Brothers Holdings, Inc.	42,200	3,258,684			
MBNA Corp.	17,200	427,420			
		16,965,771			
Insurance 3.0%					
American International Group, Inc.	18,612	1,233,603			
John Hancock Financial Services, Inc.	6,700	251,250			
Prudential Financial, Inc.	72,400	3,024,148			
W.R. Berkley Corp.	92,850	3,245,108			
		7,754,109			
Real Estate 0.9%					
Apartment Investment & Management Co. (REIT)	5,700	196,650			
Avalonbay Communities, Inc. (REIT)	4,400	210,320			
Equity Office Properties Trust (REIT)	24,500	701,925			

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

	Shares	Value (\$)		Shares	Value (\$)
Equity Residential (REIT)	9,700	286,247			
General Growth Properties, Inc. (REIT)	12,300	341,325			
The Rouse Co. (REIT)	5,300	249,100			
Vornado Realty Trust (REIT)	5,800	317,550			
		2,303,117			
Health Care 14.5%					
Biotechnology 4.0%					
Amgen, Inc.*	70,700	4,369,260			
Genentech, Inc.*	12,500	1,169,625			
Gilead Sciences, Inc.*	40,500	2,354,670			
IDEXX Laboratories, Inc.*	55,200	2,554,656			
		10,448,211			
Health Care Equipment & Supplies 0.8%					
Guidant Corp.	28,700	1,727,740			
Respironics, Inc.*	9,000	405,810			
		2,133,550			
Health Care Providers & Services 3.5%					
First Health Group Corp.*	91,400	1,778,644			
Humana, Inc.*	104,400	2,385,540			
Manor Care, Inc.	8,100	280,017			
PacifiCare Health Systems, Inc.*	4,500	304,200			
UnitedHealth Group, Inc.	74,800	4,351,864			
		9,100,265			
Pharmaceuticals 6.2%					
Abbott Laboratories	20,800	969,280			
Allergan, Inc.	22,900	1,758,949			
Endo Pharmaceuticals Holdings, Inc.*	88,500	1,704,510			
Johnson & Johnson	13,682	706,812			
Merck & Co., Inc.	110,300	5,095,860			
Mylan Laboratories, Inc.	63,450	1,602,747			
Pfizer, Inc.	95,050	3,358,117			
Watson Pharmaceuticals, Inc.*	15,700	722,200			
		15,918,475			
Industrials 9.4%					
Aerospace & Defense 1.2%					
Goodrich Corp.	33,000	979,770			
Lockheed Martin Corp.	41,800	2,148,520			
		3,128,290			
Air Freight & Logistics 1.8%					
FedEx Corp.	11,500	776,250			
J.B. Hunt Transport Services, Inc.*	59,900	1,617,899			
Ryder System, Inc.	65,700	2,243,655			
		4,637,804			
Airlines 0.2%					
Southwest Airlines Co.	37,300	602,022			
Commercial Services & Supplies 0.3%					
University of Phoenix Online	11,100	765,123			
Industrial Conglomerates 4.0%					
3M Co.	55,200	4,693,656			
Carlisle Companies, Inc.	22,500	1,369,350			
General Electric Co.	135,400	4,194,692			
		10,257,698			
Machinery 1.1%					
Caterpillar, Inc.	14,600	1,212,092			
Deere & Co.	11,300	735,065			
Eaton Corp.	9,500	1,025,810			
		2,972,967			
Road & Rail 0.8%					
Swift Transportation Co., Inc.*	94,700	1,990,594			
Information Technology 16.3%					
Communications Equipment 2.4%					
Avaya, Inc.*	83,300	1,077,902			
Cisco Systems, Inc.*	94,300	2,290,547			
QUALCOMM, Inc.	52,900	2,852,897			
		6,221,346			
Computers & Peripherals 3.4%					
EMC Corp.*	156,700	2,024,564			
International Business Machines Corp.	46,300	4,291,084			
Maxtor Corp.*	8,200	91,020			
SanDisk Corp.*	18,900	1,155,546			
Western Digital Corp.*	107,800	1,270,962			
		8,833,176			
Electronic Equipment & Instruments 0.4%					
Avnet, Inc.*	49,000	1,061,340			
Internet Software & Services 0.3%					
Yahoo!, Inc.*	15,200	686,584			
IT Consulting & Services 0.0%					
Axiom Corp.*	6,800	126,276			
Office Electronics 1.0%					
Xerox Corp.*	180,800	2,495,040			
Semiconductors & Semiconductor Equipment 5.5%					
Intel Corp.	218,100	7,022,820			
International Rectifier Corp.*	12,200	602,802			
MEMC Electronic Materials, Inc.*	82,900	797,498			
Silicon Laboratories, Inc.*	24,400	1,054,568			
Texas Instruments, Inc.	92,800	2,726,464			
Xilinx, Inc.*	49,900	1,933,126			
		14,137,278			
Software 3.3%					
Electronic Arts, Inc.*	55,900	2,670,902			
Microsoft Corp.	213,700	5,885,298			
		8,556,200			
Materials 4.0%					
Chemicals 1.5%					
Engelhard Corp.	37,600	1,126,120			
Monsanto Co.	97,800	2,814,684			
		3,940,804			
Metals & Mining 2.3%					
Alcoa, Inc.	108,400	4,119,200			
CONSOL Energy, Inc.	24,700	639,730			
United States Steel Corp.	34,200	1,197,684			
		5,956,614			

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

	Shares	Value (\$)
Paper & Forest Products 0.2%		
Rayonier, Inc.	8,200	340,382
Telecommunication Services 4.0%		
Diversified Telecommunication Services 3.1%		
AT&T Corp.	46,600	945,980
BellSouth Corp.	68,400	1,935,720
Sprint Corp. (FON Group)	134,900	2,215,058
Verizon Communications, Inc.	85,600	3,002,848
		8,099,606
Wireless Telecommunication Services 0.9%		
AT&T Wireless Services, Inc.*	283,900	2,268,361
Utilities 2.6%		
Electric Utilities 2.5%		
Edison International	32,500	712,725
Entergy Corp.	46,200	2,639,406
Exelon Corp.	46,800	3,105,648
		6,457,779
Multi-Utilities & Unregulated Power 0.1%		
AES Corp.*	24,300	229,392
Total Common Stocks (Cost \$216,216,726)		251,431,676

	Principal Amount (\$)	Value (\$)
US Government Backed 0.2%		
US Treasury Bill:		
0.83%** 1/29/2004 (c)	75,000	74,951
0.93%** 1/29/2004 (c)	375,000	374,729
Total US Government Backed (Cost \$449,680)		449,680
	Shares	Value (\$)
Cash Equivalents 2.6%		
Scudder Cash Management QP Trust, 1.11% (b) (Cost \$6,822,980)		
	6,822,980	6,822,980
Total Investment Portfolio — 100.0% (Cost \$223,489,386) (a)		258,704,336

Notes to Scudder Blue Chip Portfolio of Investments

* Non-income producing security.

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

(a) The cost for federal income tax purposes was \$225,611,449. At December 31, 2003, net unrealized appreciation for all securities based on tax cost was \$33,092,887. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$36,078,728 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$2,985,841.

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

(c) At December 31, 2003, this security, in part or in whole, has been segregated to cover initial margin requirements for open futures contracts.

At December 31, 2003, open futures contracts were as follows:

Futures	Expiration Date	Contracts	Aggregate Face Value (\$)	Value (\$)	Unrealized Appreciation/ (Depreciation) (\$)
S&P 500 Index Future	3/18/2004	6,000	6,502,644	6,663,600	160,956

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

Financial Statements

Statement of Assets and Liabilities as of December 31, 2003

Assets

Investments:	
Investments in securities, at value (cost \$216,666,406)	\$ 251,881,356
Investment in Scudder Cash Management QP Trust (cost \$6,822,980)	6,822,980
Total investments in securities, at value (cost \$223,489,386)	258,704,336
Cash	10,000
Dividends receivable	191,353
Interest receivable	5,735
Receivable for Portfolio shares sold	105,892
Receivable for daily variation margin on open futures contracts	17,400
Other assets	6,383
Total assets	259,041,099

Liabilities

Payable for Portfolio shares redeemed	143,358
Accrued management fee	140,424
Other accrued expenses and payables	77,370
Total liabilities	361,152
Net assets, at value	\$ 258,679,947

Net Assets

Net assets consist of:	
Undistributed net investment income	1,620,422
Net unrealized appreciation (depreciation) on:	
Investments	35,214,950
Futures	160,956
Accumulated net realized gain (loss)	(57,507,869)
Paid-in capital	279,191,488
Net assets, at value	\$ 258,679,947

Class A

Net Asset Value , offering and redemption price per share (\$241,837,540 ÷ 20,421,127 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 11.84
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Class B

Net Asset Value , offering and redemption price per share (\$16,842,407 ÷ 1,427,149 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 11.80
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Statement of Operations for the year ended December 31, 2003

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$762)	\$ 3,238,344
Interest — Scudder Cash Management QP Trust	67,004
Interest	3,096
Total Income	3,308,444
Expenses:	
Management fee	1,406,973
Custodian fees	21,123
Distribution service fees (Class B)	17,238
Record keeping fees (Class B)	9,721
Auditing	38,314
Legal	14,995
Trustees' fees and expenses	970
Reports to shareholders	36,371
Other	12,272
Total expenses, before expense reductions	1,557,977
Expense reductions	(21)
Total expenses, after expense reductions	1,557,956
Net investment income (loss)	1,750,488

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from:	
Investments	14,874,763
Futures	429,096
	15,303,859
Net unrealized appreciation (depreciation) during the period on:	
Investments	40,272,517
Futures	189,876
	40,462,393
Net gain (loss) on investment transactions	55,766,252
Net increase (decrease) in net assets resulting from operations	\$ 57,516,740

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2003	2002
Operations:		
Net investment income (loss)	\$ 1,750,488	\$ 1,369,121
Net realized gain (loss) on investment transactions	15,303,859	(31,737,958)
Net unrealized appreciation (depreciation) on investment transactions during the period	40,462,393	(23,730,543)
Net increase (decrease) in net assets resulting from operations	57,516,740	(54,099,380)
Distributions to shareholders from:		
Net investment income		
Class A	(1,353,726)	(811,699)
Class B	(7,619)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	48,054,210	30,297,497
Reinvestment of distributions	1,353,726	811,699
Cost of shares redeemed	(35,300,630)	(42,122,019)
Net increase (decrease) in net assets from Class A share transactions	14,107,306	(11,012,823)
Class B		
Proceeds from shares sold	14,291,287	390,999*
Reinvestment of distributions	7,619	—*
Cost of shares redeemed	(18,533)	(13)*
Net increase (decrease) in net assets from Class B share transactions	14,280,373	390,986
Increase (decrease) in net assets	84,543,074	(65,532,916)
Net assets at beginning of period	174,136,873	239,669,789
Net assets at end of period (including undistributed net investment income of \$1,620,422 and \$1,271,447, respectively)	\$ 258,679,947	\$ 174,136,873

Other Information

Class A		
Shares outstanding at beginning of period	18,535,421	19,851,259
Shares sold	5,312,621	2,729,968
Shares issued to shareholders in reinvestment of distributions	150,749	66,642
Shares redeemed	(3,577,664)	(4,112,448)
Net increase (decrease) in Portfolio shares	1,885,706	(1,315,838)
Shares outstanding at end of period	20,421,127	18,535,421
Class B		
Shares outstanding at beginning of period	40,975	—
Shares sold	1,387,142	40,976*
Shares issued to shareholders in reinvestment of distributions	849	—*
Shares redeemed	(1,817)	(1)*
Net increase (decrease) in Portfolio shares	1,386,174	40,975
Shares outstanding at end of period	1,427,149	40,975

* For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

Financial Highlights

Class A

Years Ended December 31,	2003	2002	2001	2000 ^a	1999 ^a
Selected Per Share Data					
Net asset value, beginning of period	\$ 9.37	\$ 12.07	\$ 14.41	\$ 15.69	\$ 12.60
<i>Income (loss) from investment operations:</i>					
Net investment income (loss) ^b	.08	.07	.05	.07	.09
Net realized and unrealized gain (loss) on investment transactions	2.45	(2.73)	(2.33)	(1.29)	3.08
Total from investment operations	2.53	(2.66)	(2.28)	(1.22)	3.17
<i>Less distributions from:</i>					
Net investment income	(.06)	(.04)	(.06)	(.06)	(.08)
Net asset value, end of period	\$ 11.84	\$ 9.37	\$ 12.07	\$ 14.41	\$ 15.69
Total Return (%)	27.25	(22.11)	(15.81)	(7.84)	25.24

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	242	174	240	228	185
Ratio of expenses before expense reductions (%)	.71	.69	.69	.71	.71
Ratio of expenses after expense reductions (%)	.71	.69	.69	.71	.70
Ratio of net investment income (loss) (%)	.82	.65	.42	.44	.67
Portfolio turnover rate (%)	182	195	118	86	64

^a On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly.

^b Based on average shares outstanding during the period.

Class B

Years Ended December 31,	2003	2002 ^a
Selected Per Share Data		
Net asset value, beginning of period	\$ 9.35	\$ 10.28
<i>Income (loss) from investment operations:</i>		
Net investment income (loss) ^b	.04	.03
Net realized and unrealized gain (loss) on investment transactions	2.45	(.96)
Total from investment operations	2.49	(.93)
<i>Less distributions from:</i>		
Net investment income	(.04)	—
Net asset value, end of period	\$ 11.80	\$ 9.35
Total Return (%)	26.76	(9.05)**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	17	.4
Ratio of expenses (%)	1.10	.94*
Ratio of net investment income (loss) (%)	.43	.61*
Portfolio turnover rate (%)	182	195

^a For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

^b Based on average shares outstanding during the period.

* Annualized ** Not annualized

Scudder Contrarian Value Portfolio

Stocks rebounded strongly in 2003, and Scudder Contrarian Value Portfolio posted strong gains. The portfolio posted a total return of 32.60% (Class A shares, unadjusted for contract charges), outperforming the 30.03% return by the Russell 1000 Value Index and the 28.68% return of the broad market as measured by the Standard & Poor's 500 (S&P 500) index. Stocks enjoyed a broad-based advance during the year, and value stocks outperformed growth stocks. This type of environment favors our active management style and low price-to-earnings (P/E) contrarian value discipline. Please see the following page for standardized performance as of December 31, 2003.

The portfolio was helped by its substantial underweight in telecommunications — one of the worst-performing sectors. Meanwhile, the portfolio's financial stocks logged substantial gains, particularly its regional bank stocks. An overweight position in technology also helped performance with semiconductor stocks posting the strongest returns. While technology is traditionally considered a growth sector, we found opportunities to add tech stocks that fit our low-P/E style.

The only material detractor from performance was the portfolio's overweight position in health care. While we are optimistic about the sector's long-term performance potential, in hindsight we were premature in building the portfolio's position. We were drawn particularly to the pharmaceutical stocks, which struggled on concerns of fierce competition and a lack of new products in development. We remain committed to the sector and have maintained portfolio's pharmaceuticals position.

In managing the portfolio we look for solid companies with projected earnings growth that is faster than that of the market, valuations that are lower than the market's and current dividend income that is materially higher. While the market rallied strongly in 2003, there remains a large pool of attractively valued, quality stocks that fit within our contrarian philosophy.

Thomas F. Sassi
Frederick L. Gaskin

Co-Managers

Deutsche Investment Management Americas Inc.

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

The portfolio is subject to stock market risk. It focuses its investments on certain economic sectors, thereby increasing its vulnerability to any single economic, political or regulatory development. This may result in greater share price volatility. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

Russell 1000 Value Index is an unmanaged index, which consists of those stocks in the Russell 1000 Index with lower price-to-book ratios and lower forecasted-growth values.

The Standard & Poor's (S&P) 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly in an index.

Portfolio management market commentary is as of December 31, 2003, and may not come to pass. This information is subject to change at any time based on market and other conditions.

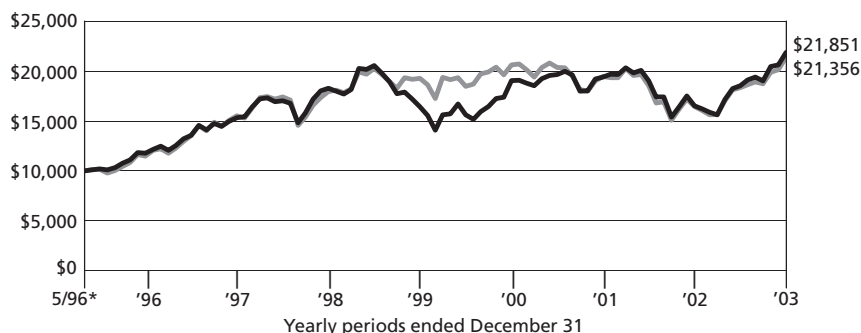
Scudder Contrarian Value Portfolio

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

The Portfolio is subject to stock market risk. It focuses its investments on certain economic sectors, thereby increasing its vulnerability to any single economic, political or regulatory development. This may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

Growth of an Assumed \$10,000 Investment in Scudder Contrarian Value Portfolio from 5/1/1996 to 12/31/2003

- Scudder Contrarian Value Portfolio — Class A
- Russell 1000 Value Index



Russell 1000 Value Index is an unmanaged index, which consists of those stocks in the Russell 1000 Index with lower price-to-book ratios and lower forecasted-growth values. Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

Scudder Contrarian Value Portfolio		1-Year	3-Year	5-Year	Life of Portfolio*
Class A	Growth of \$10,000	\$13,260	\$11,483	\$11,973	\$21,851
	Average annual total return	32.60%	4.72%	3.67%	10.73%
Russell 1000 Value Index					
	Growth of \$10,000	\$13,003	\$10,371	\$11,913	\$21,356
	Average annual total return	30.03%	1.22%	3.56%	10.40%
Scudder Contrarian Value Portfolio				1-Year	Life of Class**
Class B	Growth of \$10,000			\$13,219	\$11,625
	Average annual total return			32.19%	10.55%
Russell 1000 Value Index					
	Growth of \$10,000			\$13,003	\$11,535
	Average annual total return			30.03%	9.99%

The growth of \$10,000 is cumulative.

* The Portfolio commenced operations on May 1, 1996. Index returns begin April 30, 1996.

** The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.

Information concerning portfolio holdings of the Portfolio as of a month end is available upon request no earlier than 15 days after the month end. Please call 1-800-778-1482.

Scudder Contrarian Value Portfolio

	Shares	Value (\$)		Shares	Value (\$)
Common Stocks 94.3%					
Consumer Discretionary 5.8%					
Automobiles 0.3%					
General Motors Corp.	14,600	779,640			
Hotel Restaurants & Leisure 1.0%					
McDonald's Corp.	120,000	2,979,600			
Multiline Retail 1.3%					
Target Corp.	94,000	3,609,600			
Specialty Retail 3.2%					
Limited Brands	354,300	6,388,029			
Sherwin-Williams Co.	80,200	2,786,148			
		9,174,177			
Consumer Staples 4.8%					
Food Products 3.8%					
ConAgra Foods, Inc.	151,800	4,006,002			
General Mills, Inc.	46,000	2,083,800			
Sara Lee Corp.	214,200	4,650,282			
		10,740,084			
Household Products 1.0%					
Kimberly-Clark Corp.	46,800	2,765,412			
Energy 7.1%					
Oil & Gas					
BP PLC (ADR)	100,844	4,976,651			
ChevronTexaco Corp.	40,600	3,507,434			
ConocoPhillips	63,500	4,163,695			
ExxonMobil Corp.	184,000	7,544,000			
		20,191,780			
Financials 30.2%					
Banks 18.2%					
AmSouth Bancorp.	190,000	4,655,000			
Bank of America Corp.	58,906	4,737,810			
BB&T Corp.	82,000	3,168,480			
FleetBoston Financial Corp.	206,400	9,009,360			
KeyCorp.	37,000	1,084,840			
National City Corp.	121,200	4,113,528			
PNC Financial Services Group	144,200	7,892,066			
SunTrust Banks, Inc.	52,700	3,768,050			
US Bancorp.	222,000	6,611,160			
Wachovia Corp.	139,500	6,499,305			
		51,539,599			
Capital Markets 0.2%					
Merrill Lynch & Co., Inc.	10,700	627,555			
Diversified Financial Services 8.8%					
Bear Stearns Companies, Inc.	36,300	2,902,185			
Citigroup, Inc.	127,900	6,208,266			
Fannie Mae	44,000	3,302,640			
Freddie Mac	44,400	2,589,408			
J.P. Morgan Chase & Co.	264,700	9,722,431			
		24,724,930			
Insurance 3.0%					
Allstate Corp.	82,700	3,557,754			
American International Group, Inc.	42,500	2,816,900			
Jefferson-Pilot Corp.	40,100	2,031,065			
		8,405,719			
Health Care 13.3%					
Health Care Equipment & Supplies 2.4%					
Baxter International, Inc.	219,500	6,699,140			
Pharmaceuticals 10.9%					
Abbott Laboratories	93,600	4,361,760			
Bristol-Myers Squibb Co.	272,300	7,787,780			
Johnson & Johnson	88,300	4,561,578			
Merck & Co., Inc.	107,700	4,975,740			
Pfizer, Inc.	137,300	4,850,809			
Wyeth	100,300	4,257,735			
		30,795,402			
Industrials 10.8%					
Aerospace & Defense 3.0%					
Honeywell International, Inc.	165,100	5,519,293			
L-3 Communications Holdings, Inc.*	28,100	1,443,216			
United Technologies Corp.	15,300	1,449,981			
		8,412,490			
Commercial Services & Supplies 2.0%					
Avery Dennison Corp.	63,900	3,579,678			
Pitney Bowes, Inc.	50,400	2,047,248			
		5,626,926			
Electrical Equipment 2.2%					
Emerson Electric Co.	96,000	6,216,000			
Industrial Conglomerates 3.6%					
General Electric Co.	157,200	4,870,056			
Textron, Inc.	96,600	5,511,996			
		10,382,052			
Information Technology 11.6%					
Communications Equipment 0.5%					
Nokia Oyj (ADR)	81,700	1,388,900			
Computers & Peripherals 3.4%					
Diebold, Inc.	24,100	1,298,267			
Hewlett-Packard Co.	174,497	4,008,196			
International Business Machines Corp.	48,500	4,494,980			
		9,801,443			
Electronic Equipment & Instruments 1.9%					
Waters Corp.*	160,000	5,305,600			
IT Consulting & Services 1.7%					
Automatic Data Processing, Inc.	121,300	4,804,693			
Semiconductors & Semiconductor Equipment 4.1%					
Applied Materials, Inc.*	135,600	3,044,220			
Intel Corp.	188,800	6,079,360			
Texas Instruments, Inc.	83,600	2,456,168			
		11,579,748			

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

	Shares	Value (\$)
Materials 7.9%		
Chemicals 4.2%		
Air Products & Chemicals, Inc.	62,000	3,275,460
Dow Chemical Co.	172,300	7,162,511
E.I. du Pont de Nemours & Co.	31,000	1,422,590
		11,860,561
Containers & Packaging 2.3%		
Sonoco Products Co.	259,200	6,381,504
Metals & Mining 1.4%		
Alcoa, Inc.	106,400	4,043,200
Telecommunication Services 2.3%		
Diversified Telecommunication Services		
SBC Communications, Inc.	192,400	5,015,868
Verizon Communications, Inc.	40,000	1,403,200
		6,419,068

	Shares	Value (\$)
Utilities 0.5%		
Electric Utilities		
FPL Group, Inc.	20,000	1,308,400
Total Common Stocks (Cost \$226,129,480)		266,563,223

Cash Equivalents 5.7%

Scudder Cash Management QP Trust, 1.11% (b) (Cost \$15,997,658)	15,997,658	15,997,658
Total Investment Portfolio — 100.0% (Cost \$242,127,138) (a)		282,560,881

Notes to Scudder Contrarian Value Portfolio of Investments

* Non-income producing security.

(a) The cost for federal income tax purposes was \$244,172,230. At December 31, 2003, net realized appreciation for all securities based on tax cost was \$38,388,651. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$41,884,949 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$3,496,298.

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

Financial Statements

Statement of Assets and Liabilities as of December 31, 2003

Assets

Investments:	
Investments in securities, at value (cost \$226,129,480)	\$ 266,563,223
Investment in Scudder Cash Management QP Trust (cost \$15,997,658)	15,997,658
Total investments in securities, at value (cost \$242,127,138)	282,560,881
Cash	10,000
Dividends receivable	651,126
Interest receivable	15,627
Receivable for Portfolio shares sold	53,154
Total assets	283,290,788

Liabilities

Payable for investments purchased	2,103,676
Receivable for Portfolio shares redeemed	421,018
Accrued management fee	182,595
Other accrued expenses and payables	72,139
Total liabilities	2,779,428
Net assets, at value	\$ 280,511,360

Net Assets

Net assets consist of:	
Undistributed net investment income	\$ 4,287,513
Net unrealized appreciation (depreciation) on investments	40,433,743
Accumulated net realized gain (loss)	(40,183,060)
Paid-in capital	275,973,164
Net assets, at value	\$ 280,511,360

Class A

Net Asset Value , offering and redemption price per share (\$262,737,817 ÷ 18,033,776 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 14.57
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Class B

Net Asset Value , offering and redemption price per share (\$17,773,543 ÷ 1,221,656 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 14.55
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Statement of Operations for the year ended December 31, 2003

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$16,297)	\$ 6,175,388
Interest — Scudder Cash Management QP Trust	147,114
Total Income	6,322,502
Expenses:	
Management fee	1,728,833
Custodian fees	14,388
Distribution service fees (Class B)	15,999
Record keeping fees (Class B)	8,936
Auditing	44,707
Legal	14,039
Trustees' fees and expenses	1,377
Reports to shareholders	31,484
Other	13,047
Total expenses, before expense reductions	1,872,810
Expense reductions	(14)
Total expenses, after expense reductions	1,872,796
Net investment income (loss)	4,449,706

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from investments	(2,062,532)
Net unrealized appreciation (depreciation) during the period on investments	64,744,276
Net gain (loss) on investment transactions	62,681,744
Net increase (decrease) in net assets resulting from operations	\$ 67,131,450

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2003	2002
Operations:		
Net investment income (loss)	\$ 4,449,706	\$ 4,585,675
Net realized gain (loss) on investment transactions	(2,062,532)	(15,937,183)
Net unrealized appreciation (depreciation) on investment transactions during the period	64,744,276	(30,380,752)
Net increase (decrease) in net assets resulting from operations	67,131,450	(41,732,260)
Distributions to shareholders from:		
Net investment income		
Class A	(4,338,949)	(3,673,679)
Class B	(34,467)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	21,484,093	51,424,489
Reinvestment of distributions	4,338,949	3,673,679
Cost of shares redeemed	(38,394,030)	(51,711,686)
Net increase (decrease) in net assets from Class A share transactions	(12,570,988)	3,386,482
Class B		
Proceeds from shares sold	15,038,872	516,615*
Reinvestment of distributions	34,467	—*
Cost of shares redeemed	(130,010)	(28)*
Net increase (decrease) in net assets from Class B share transactions	14,943,329	516,587
Increase (decrease) in net assets	65,130,375	(41,502,870)
Net assets at beginning of period	215,380,985	256,883,855
Net assets at end of period (including undistributed net investment income of \$4,287,513 and \$4,275,027, respectively)	\$ 280,511,360	\$ 215,380,985

Other Information

Class A		
Shares outstanding at beginning of period	19,122,645	19,168,291
Shares sold	1,748,402	4,009,357
Shares issued to shareholders in reinvestment of distributions	417,608	265,248
Shares redeemed	(3,254,879)	(4,320,251)
Net increase (decrease) in Portfolio shares	(1,088,869)	(45,646)
Shares outstanding at end of period	18,033,776	19,122,645
Class B		
Shares outstanding at beginning of period	44,927	—
Shares sold	1,182,972	44,930*
Shares issued to shareholders in reinvestment of distributions	3,314	—*
Shares redeemed	(9,557)	(3)*
Net increase (decrease) in Portfolio shares	1,176,729	44,927
Shares outstanding at end of period	1,221,656	44,927

* For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

Financial Highlights

Class A

Years Ended December 31,	2003	2002	2001	2000 ^a	1999 ^a
Selected Per Share Data					
Net asset value, beginning of period	\$ 11.24	\$ 13.40	\$ 13.40	\$ 14.70	\$ 17.57
<i>Income (loss) from investment operations:</i>					
Net investment income (loss) ^b	.24	.23	.23	.30	.37
Net realized and unrealized gain (loss) on investment transactions	3.33	(2.20)	.01	1.40	(1.94)
Total from investment operations	3.57	(1.97)	.24	1.70	(1.57)
<i>Less distributions from:</i>					
Net investment income	(.24)	(.19)	(.24)	(.40)	(.30)
Net realized gains on investment transactions	—	—	—	(2.60)	(1.00)
Total distributions	(.24)	(.19)	(.24)	(3.00)	(1.30)
Net asset value, end of period	\$ 14.57	\$ 11.24	\$ 13.40	\$ 13.40	\$ 14.70
Total Return (%)	32.60	(14.98)	1.87	16.13	(10.21)
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period (\$ millions)	263	215	257	219	237
Ratio of expenses before expense reductions (%)	.80	.79	.79	.80	.81
Ratio of expenses after expense reductions (%)	.80	.79	.79	.80	.80
Ratio of net investment income (loss) (%)	1.94	1.84	1.75	2.55	2.14
Portfolio turnover rate (%)	58	84	72	56	88

^a On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly.

^b Based on average shares outstanding during the period.

Class B

Years Ended December 31,	2003	2002 ^a
Selected Per Share Data		
Net asset value, beginning of period	\$ 11.23	\$ 12.77
<i>Income (loss) from investment operations:</i>		
Net investment income (loss) ^b	.18	.15
Net realized and unrealized gain (loss) on investment transactions	3.35	(1.69)
Total from investment operations	3.53	(1.54)
<i>Less distributions from:</i>		
Net investment income	(.21)	—
Net asset value, end of period	\$ 14.55	\$ 11.23
Total Return (%)	32.19	(12.06)**
Ratios to Average Net Assets and Supplemental Data		
Net assets, end of period (\$ millions)	18	.5
Ratio of expenses (%)	1.19	1.04*
Ratio of net investment income (loss) (%)	1.55	2.74*
Portfolio turnover rate (%)	58	84**

^a For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

^b Based on average shares outstanding during the period.

* Annualized

** Not annualized

Scudder Fixed Income Portfolio

In the midst of signs of an improving US economy, the bond market gains in 2003 were led by corporate bonds. Among investment-grade corporate bonds, BBB-rated securities were the best-performing. In this environment, the portfolio posted strong positive results, gaining a total return of 5.13% (Class A shares, unadjusted for contract charges), which outpaced the 4.10% return of its benchmark, the Lehman Brothers Aggregate Bond Index. Please see the following page for standardized performance as of December 31, 2003.

The portfolio's performance was helped largely by our increased (but selective) use of lower-quality corporate bonds. An overweight to utilities and industrials also aided results. Although we maintained an overweight to asset-backed securities, we reduced that stake, specifically among manufactured housing bonds. The portfolio's results were helped further by our focus on high-quality, agency-backed multifamily issues in the commercial mortgage-backed bond sector, an area of the market that handily outperformed. After a tough third quarter, mortgage-backed bonds bounced back in the fourth quarter. The portfolio's blend of mortgage-backed bonds, including both pass-through securities and structured mortgages, provided solid returns throughout the period. Finally, the portfolio's position in Treasuries declined throughout the period, a fortuitous move given that Treasuries lagged so dramatically.

Gary W. Bartlett
Lead Manager

J. Christopher Gagnier Warren S. Davis
Daniel R. Taylor Thomas Flaherty
Andrew P. Cestone

Portfolio Managers
Deutsche Investment Management Americas Inc.

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

Investments by the portfolio in lower-rated bonds present greater risk to principal and income than investments in higher-quality securities. This portfolio invests in individual bonds whose yields and market values fluctuate so that your investment may be worth more or less than its original cost. Additionally, investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation and changes in political/economic conditions and market risks. All of these factors may result in greater share price volatility. Please see this portfolio's prospectus for specific details regarding its investments and risk profile.

A Treasury's guarantee relates only to the prompt payment of principal and interest and does not remove market risks if the investment is sold prior to maturity.

Credit quality ratings cited are the ratings of Moody's Investors Service, Inc. (Moody's) and Standard & Poor's Corporation (S&P), which represent these companies' opinions as to the quality of the securities they rate. Ratings are relative and subjective and are not absolute standards of quality. The portfolio's credit quality does not remove market risk.

The Lehman Brothers (LB) Aggregate Bond Index is an unmanaged, market-value-weighted measure of Treasury issues, agency issues, corporate issues and mortgage securities. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly in an index.

Portfolio management market commentary is as of December 31, 2003, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Scudder Fixed Income Portfolio

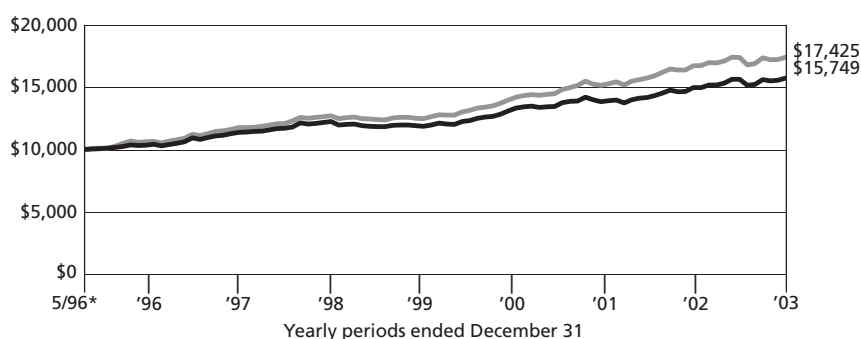
All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Investments by the Portfolio in lower-rated bonds present greater risk to principal and income than investments in higher-quality securities. This Portfolio invests in individual bonds whose yields and market values fluctuate so that your investment may be worth more or less than its original cost. Additionally, investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation and changes in political/economic conditions and market risks. All of these factors may result in greater share price volatility. Please see this Portfolio's prospectus for specific details regarding its investments and risk profile.

Growth of an Assumed \$10,000 Investment in Scudder Fixed Income Portfolio from 5/1/1996 to 12/31/2003

■ Scudder Fixed Income Portfolio — Class A

■ Lehman Brothers Aggregate Bond Index



The Lehman Brothers Aggregate Bond Index is an unmanaged market value-weighted measure of treasury issues, agency issues, corporate issues and mortgage securities. Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

Scudder Fixed Income Portfolio	1-Year	3-Year	5-Year	Life of Portfolio*
Class A				
Growth of \$10,000	\$10,513	\$12,004	\$12,921	\$15,749
Average annual total return	5.13%	6.28%	5.26%	6.10%
Lehman Brothers Aggregate Bond Index				
Growth of \$10,000	\$10,410	\$12,447	\$13,780	\$17,425
Average annual total return	4.10%	7.57%	6.62%	7.51%
Scudder Fixed Income Portfolio	1-Year	Life of Class**		
Class B				
Growth of \$10,000	\$10,476	\$11,029		
Average annual total return	4.76%	6.75%		
Lehman Brothers Aggregate Bond Index				
Growth of \$10,000	\$10,410	\$11,059		
Average annual total return	4.10%	6.94%		

The growth of \$10,000 is cumulative.

* The Portfolio commenced operations on May 1, 1996. Index returns begins April 30, 1996.

** The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.

Information concerning portfolio holdings of the Portfolio as of a month end is available upon request no earlier than 15 days after the month end. Please call 1-800-778-1482.

Scudder Fixed Income Portfolio

	Principal Amount (\$)	Value (\$)		Principal Amount (\$)	Value (\$)
Corporate Bonds 25.1%					
Consumer Discretionary 3.5%					
American Achieve Corp., 11.625%, 1/1/2007	50,000	55,000			
Boca Resorts, Inc., 9.875%, 4/15/2009	100,000	106,500			
Central Garden & Pet Co., 9.125%, 2/1/2013	50,000	55,500			
Choctaw Resort Development Enterprises, 9.25%, 4/1/2009	80,000	86,800			
Cinemark USA, Inc., 8.5%, 8/1/2008	105,000	109,331			
Circus & Eldorado, 10.125%, 3/1/2012	50,000	51,875			
Comcast Cable Communications: 6.375%, 1/30/2006	375,000	403,706			
6.875%, 6/15/2009	1,135,000	1,279,527			
8.375%, 5/1/2007	275,000	318,829			
Comcast Corp., 7.05%, 3/15/2033	295,000	320,905			
CSC Holdings, Inc., 7.875%, 12/15/2007	75,000	79,125			
Dex Media West LLC/Finance Co., 144A, 9.875%, 8/15/2013	105,000	122,062			
DIMON, Inc., Series B, 9.625%, 10/15/2011	265,000	295,475			
EchoStar DBS Corp., 144A, 6.375%, 10/1/2011	270,000	276,750			
Eldorado Resorts LLC, 10.5%, 8/15/2006	44,000	44,440			
Finlay Fine Jewelry Corp., 8.375%, 5/1/2008	135,000	139,725			
General Motors Corp., 8.25%, 7/15/2023	935,000	1,061,607			
Herbst Gaming, Inc., 10.75%, 9/1/2008	180,000	202,500			
International Game Technology, 8.375%, 5/15/2009	135,000	161,603			
Intrawest Corp., 10.5%, 2/1/2010	55,000	60,775			
J.C. Penney Co., Inc., 6.875%, 10/15/2015	50,000	52,563			
Jafrá Cosmetics International, Inc., 10.75%, 5/15/2011	50,000	54,875			
Krystal, Inc., 10.25%, 10/1/2007	50,000	50,250			
Laidlaw International, Inc., 144A, 10.75%, 6/15/2011	50,000	56,500			
Lin Television Corp., 144A, 6.5%, 5/15/2013	50,000	50,063			
Primedia, Inc., 8.875%, 5/15/2011	50,000	52,750			
Schuler Homes, Inc., 10.5%, 7/15/2011	115,000	133,400			
Six Flags, Inc., 8.875%, 2/1/2010	90,000	92,362			
Sonic Automotive, Inc., 8.625%, 8/15/2013	120,000	126,600			
Time Warner, Inc.: 7.57%, 2/1/2024	435,000	491,926			
8.11%, 8/15/2006	2,000,000	2,264,062			
Transwestern Publishing, Series F, 9.625%, 11/15/2007	160,000	165,600			
Wheeling Island Gaming, Inc., 10.125%, 12/15/2009	50,000	53,000			
		8,875,986			
Consumer Staples 0.1%					
Agrilink Foods, Inc., 11.875%, 11/1/2008			16,000	17,000	
Elizabeth Arden, Inc., Series B, 11.75%, 2/1/2011			71,000	84,490	
Michael Foods, Inc., 144A, 8.0%, 11/15/2013			50,000	52,125	
National Beef Pack, 144A, 10.5%, 8/1/2011			50,000	51,500	
Pinnacle Foods Holding Corp., 144A, 8.25%, 12/1/2013			50,000	51,750	
Stater Brothers Holdings, Inc., 10.75%, 8/15/2006			100,000	105,375	
				362,240	
Energy 4.1%					
Avista Corp., 9.75%, 6/1/2008			275,000	327,250	
Citgo Petroleum Corp., 11.375%, 2/1/2011			270,000	313,200	
Devon Energy Corp., 7.95%, 4/15/2032			825,000	994,754	
Devon Financing Corp., 7.875%, 9/30/2031			220,000	262,812	
Husky Oil Ltd., 8.9%, 8/15/2028			1,165,000	1,345,575	
National Fuel Gas Co., 5.25%, 3/1/2013			845,000	865,817	
Newpark Resources, Inc., 8.625%, 12/15/2007			50,000	51,750	
Pedernales Electric Cooperative, Series 02-A, 144A, 6.202%, 11/15/2032			1,715,000	1,763,792	
Pioneer National Resources Co.: 6.5%, 1/15/2008			1,150,000	1,244,786	
9.625%, 4/1/2010			375,000	466,658	
Southern Natural Gas, 8.875%, 3/15/2010			50,000	56,250	
Tri-State Generation & Trans Association: 144A, 6.04%, 1/31/2018			1,190,000	1,222,416	
144A, 7.144%, 7/31/2033			1,145,000	1,218,520	
Westport Resources Corp.: 8.25%, 11/1/2011			110,000	121,000	
144A, 8.25%, 11/1/2011			50,000	55,000	
Williams Holdings of Delaware, Inc., 6.5%, 12/1/2008			155,000	160,231	
				10,469,811	
Financials 7.7%					
Ahold Finance USA, Inc., 6.25%, 5/1/2009			115,000	115,287	
American International Group, Inc., 144A, 4.25%, 5/15/2013			1,015,000	962,738	
AmeriCredit Corp.: 9.25%, 5/1/2009			80,000	84,000	
9.875%, 4/15/2006			70,000	73,500	
ASIF Global Finance, 144A, 4.9%, 1/17/2013			1,125,000	1,118,106	
CBRE Escrow, Inc., 144A, 9.75%, 5/15/2010			50,000	55,500	
Citigroup, Inc., 6.0%, 10/31/2033			1,400,000	1,399,856	
Dollar Financial Group, Inc., 144A, 9.75%, 11/15/2011			50,000	51,750	

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

	Principal Amount (\$)	Value (\$)		Principal Amount (\$)	Value (\$)
Farmers Insurance Exchange, 144A, 8.625%, 5/1/2024	115,000	120,175	Overseas Shipholding Group, 8.75%, 12/1/2013	50,000	54,812
Ford Motor Credit Co.:			Seabulk International, Inc., 9.5%, 8/15/2013	60,000	62,400
5.8%, 1/12/2009	925,000	952,614	Ship Finance International Ltd., 144A, 8.5%, 12/15/2013	50,000	49,500
6.875%, 2/1/2006	1,398,000	1,492,097	Sociedad Concesionaria Autopista Contral, 144A, 6.223%, 12/15/2026	1,915,000	1,919,711
General Motors Acceptance Corp., 6.875%, 9/15/2011	400,000	430,851	Systems 2001 Asset Trust LLC, "G", Series 2001, 144A, 6.664%, 9/15/2013	813,630	899,223
IOS Capital LLC, 7.25%, 6/30/2008	75,000	79,875	Tech Olympic USA, Inc., 10.375%, 7/1/2012	50,000	56,000
Mantis Reef Ltd., 144A, 4.692%, 11/14/2008	2,720,000	2,733,567	Tyco International Group SA, 144A, 6.0%, 11/15/2013	1,605,000	1,653,150
Nationwide Building Society, 144A, 5.25%, 1/15/2014	1,675,000	1,690,182	Westlake Chemical Corp., 144A, 8.75%, 7/15/2011	110,000	120,450
NiSource Finance Corp., 7.875%, 11/15/2010	1,200,000	1,427,269			9,487,229
PEI Holding, Inc., 11.0%, 3/15/2010	50,000	58,000	Information Technology 0.0%		
PLC Trust, Series 2003-1, 2.709%, 3/31/2006	1,550,000	1,550,000	DigitalNet, Inc., 9.0%, 7/15/2010	32,000	34,640
PNC Funding Corp., 5.75%, 8/1/2006	870,000	934,040			
Prudential Financial, Inc., 5.75%, 7/15/2033	1,125,000	1,062,582	Materials 1.2%		
PXRE Capital Trust I, 8.85%, 2/1/2027	50,000	46,125	Cascades, Inc., 7.25%, 2/15/2013	105,000	110,775
R.H. Donnelly Finance Corp.:			Euramax International PLC, 144A, 8.5%, 8/15/2011	60,000	64,050
10.875%, 12/15/2012	10,000	11,863	Georgia-Pacific Corp., 144A, 8.0%, 1/15/2024	240,000	244,800
144A, 10.875%, 12/15/2012	50,000	59,312	Huntsman Advanced Materials LLC, 144A, 11.0%, 7/15/2010	50,000	55,250
Universal City Development, 144A, 11.75%, 4/1/2010	50,000	58,500	Inversiones CMPC SA, 144A, 4.875%, 6/18/2013	1,545,000	1,485,532
US West Communications, Inc., 7.25%, 10/15/2035	50,000	49,750	Owens-Brockway Glass Container, 8.25%, 5/15/2013	80,000	85,900
Verizon Global Funding Corp.:			Texas Industries, Inc., 144A, 10.25%, 6/15/2011	50,000	56,500
7.25%, 12/1/2010	1,840,000	2,118,552	TriMas Corp., 9.875%, 6/15/2012	50,000	52,125
7.75%, 12/1/2030	465,000	546,240	United States Steel LLC, 9.75%, 5/15/2010	95,000	106,875
Wachovia Corp., 7.5%, 7/15/2006	155,000	174,846	Weyerhaeuser Co., 7.375%, 3/15/2032	630,000	685,000
		19,457,177			2,946,807
Health Care 1.1%			Telecommunication Services 0.2%		
Health Care Service Corp., 144A, 7.75%, 6/15/2011	2,330,000	2,727,388	ACC Escrow Corp., 144A, 10.0%, 8/1/2011	155,000	172,825
Industrials 3.7%			Cincinnati Bell, Inc., 144A, 8.375%, 1/15/2014	50,000	53,750
Avondale Mills, Inc., 10.25%, 7/1/2013	70,000	44,100	Qwest Services Corp., 5.625%, 11/15/2008	335,000	331,650
BAE System 2001 Asset Trust, "B", Series B 2001, 144A, 7.156%, 12/15/2011	297,241	324,451	Shaw Communications, Inc., 8.25%, 4/11/2010	80,000	90,600
Browning-Ferris Industries, 7.4%, 9/15/2035	50,000	47,375			648,825
Collins & Aikman Floor Cover, Series B, 9.75%, 2/15/2010	50,000	53,500	Utilities 3.5%		
Corrections Corp. of America, 9.875%, 5/1/2009	75,000	83,719	AEP Texas Central Co., 5.5%, 2/15/2013	734,000	751,912
CP Ships Ltd., 10.375%, 7/15/2012	110,000	127,600	Alabama Power Co., 7.125%, 8/15/2004	1,000,000	1,035,258
Delta Air Lines, Inc.:			American Electric Power, 6.125%, 5/15/2006	860,000	926,725
Series 02-1, 6.417%, 7/2/2012	3,335,000	3,574,629	Centerior Energy Corp., Series B, 7.13%, 7/1/2007	1,490,000	1,674,399
7.7%, 12/15/2005	50,000	47,188	CMS Energy Corp., 144A, 7.75%, 8/1/2010	165,000	173,456
Eagle-Picher, Inc., 144A, 9.75%, 9/1/2013	50,000	54,000	Consumers Energy Co., 144A, 4.0%, 5/15/2010	1,655,000	1,601,388
Golden State Petroleum Transportation, 8.04%, 2/1/2019	50,000	48,646			
Hornbeck Offshore Services, Inc., 10.625%, 8/1/2008	65,000	71,825			
Kansas City Southern:					
7.5%, 6/15/2009	50,000	51,250			
9.5%, 10/1/2008	70,000	77,700			
Mobile Mini, Inc., 9.5%, 7/1/2013	60,000	66,000			

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

	Principal Amount (\$)	Value (\$)
NRG Energy, Inc., 144A, 8.0%, 12/15/2013	70,000	73,588
Progress Energy, Inc., 6.75%, 3/1/2006	1,000,000	1,084,147
TNP Enterprises, Inc., Series B, 10.25%, 4/1/2010	100,000	109,000
Xcel Energy, Inc., 7.0%, 12/1/2010	1,240,000	1,406,098
		8,835,971
Total Corporate Bonds (Cost \$61,894,423)		63,846,074

Foreign Bonds — US\$ Denominated 4.7%

Alcan, Inc., 6.125%, 12/15/2033	1,600,000	1,609,747
Arcel Finance Ltd., 144A, 7.048%, 9/1/2011	775,000	798,250
Brazilian Merchant Voucher, 144A, 5.911%, 6/15/2011	750,000	731,250
Crown Euro Holdings SA, 10.875%, 3/1/2013	140,000	164,675
Eircom Funding, 8.25%, 8/15/2013	75,000	83,062
Fage Dairy Industry SA, 9.0%, 2/1/2007	145,000	148,081
France Telecom, 1.0%, 3/1/2011	765,000	918,828
Gazprom OAO, 144A, 9.625%, 3/1/2013	120,000	132,300
Hutchinson Whamp International Ltd., 144A, 7.45%, 11/24/2033	245,000	255,173
Innova S. de R.L.:		
144A, 9.375%, 9/19/2013	80,000	82,100
12.875%, 4/1/2007	50,907	51,798
LeGrand SA, 8.5%, 2/15/2025	50,000	52,813
Luscar Coal Ltd., 9.75%, 10/15/2011	65,000	73,612
Millicom International Cellular SA, 144A, 10.0%, 12/1/2013	50,000	52,750
Mobile Telesystems Financial SA, 144A, 8.375%, 10/14/2010	50,000	51,000
Petroleos Mexicanos, 9.5%, 9/15/2027	965,000	1,148,350
PTC International Finance II SA, 11.25%, 12/1/2009	50,000	55,000
QBE Insurance Group Ltd., 144A, 5.647%, 7/1/2023	1,085,000	1,034,000
Royal Caribbean International, 7.5%, 10/15/2027	70,000	68,600
Sappi Papier Holding AG, 144A, 7.5%, 6/15/2032	950,000	1,068,099
Telecomunicaciones de Puerto Rico, 6.8%, 5/15/2009	625,000	698,711
TFM SA de CV:		
10.25%, 6/15/2007	150,000	156,750
Step-Up Coupon, 11.75%, 6/15/2009	160,000	164,400
12.5%, 6/15/2012	50,000	57,000
Tyco International Group SA:		
5.8%, 8/1/2006	1,275,000	1,348,312
6.375%, 2/15/2006	295,000	314,175
Ukraine Government, 144A, 7.65%, 6/11/2013	60,000	62,400
United Mexican States, 7.5%, 4/8/2033	133,000	137,655
Vicap SA, 11.375%, 5/15/2007	55,000	53,900

	Principal Amount (\$)	Value (\$)
Vivendi Universal SA:		
144A, 6.25%, 7/15/2008	165,000	174,694
144A, 9.25%, 4/15/2010	75,000	88,875
Total Foreign Bonds — US\$ Denominated (Cost \$11,437,965)		11,836,360

Asset Backed 11.5%

Automobile Receivables 7.6%

Americredit Automobile Receivables Trust:		
"A3", Series 2002-1, 4.23%, 10/6/2006	2,250,000	2,286,961
"A4", Series 2001-C, 5.01%, 7/14/2008	1,530,000	1,577,444
Bay View Auto Trust, "A4", Series 2003-LJ1, 3.44%, 4/25/2012	2,300,000	2,313,451
Capital One Auto Finance Trust, "A4", Series 2003-B, 3.18%, 9/15/2010	1,285,000	1,286,405
Household Automotive Trust, "A4", Series 2003-1, 2.22%, 11/17/2009	2,315,000	2,255,565
MMCA Automobile Trust:		
"A4", Series 2002-4, 3.05%, 11/16/2009	1,150,000	1,143,066
"A4", Series 2002-2, 4.3%, 3/15/2010	2,385,000	2,411,643
"B", Series 2002-2, 4.67%, 3/15/2010	1,014,835	878,308
WFS Financial Owner Trust:		
"A4", Series 2003-3, 3.25%, 5/20/2011	3,490,000	3,505,547
"A4", Series 2002-2, 4.5%, 2/20/2010	1,540,000	1,593,940
		19,252,330

Home Equity Loans 1.5%

Long Beach Mortgage Loan Trust, "N1", Series 2003-4, 144A, 6.535%, 8/25/2033	1,644,620	1,649,141
Residential Asset Securities Corp., "A16", Series 2000-KS1, 7.905%, 2/25/2031	1,994,416	2,122,727
		3,771,868

Manufactured Housing Receivables 0.8%

Conseco Finance Securitizations Corp., "A4", Series 2001-1, 6.21%, 7/1/2032	1,000,000	1,013,942
Green Tree Financial Corp., "A5", Series 1996-5, 7.05%, 1/15/2019	1,082,812	1,137,137
		2,151,079

Miscellaneous 1.6%

Federal Home Loan Mortgage Corp., "3A", Series T-41, 7.5%, 7/25/2032	499,227	546,654
PSE&G Transition Funding LLC, "A7", Series 2001-1, 6.89%, 12/15/2017	1,025,000	1,186,951
US Airways Aircraft Certificate Owner Trust, Series 2003-1A, 144A, 5.551%, 9/20/2022	2,245,000	2,320,926
		4,054,531

Total Asset Backed (Cost \$29,181,118) 29,229,808

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

	Shares	Value (\$)		Principal Amount (\$)	Value (\$)
Convertible Preferred Stocks 0.0%					
Materials 0.0%					
Hercules Trust II, 6.5% (Cost \$99,775)	160	124,800	"ME", Series 2691, 4.5%, 4/15/2032	1,911,000	1,817,710
Preferred Stock 0.3%					
Farm Credit Bank of Texas (Cost \$725,000)	725,000	727,001	"QH", Series 2694, 4.5%, 3/15/2032	2,500,000	2,359,556
			"1A2B", Series T-48, 4.688%, 7/25/2022	940,000	959,406
			"HG", Series 2543, 4.75%, 9/15/2028	2,421,038	2,460,023
			"CH", Series 2390, 5.5%, 12/15/2016	440,000	456,720
			"DB", Series 2483, 5.5%, 9/15/2012	510,813	512,009
			"PE", Series 2378, 5.5%, 11/15/2016	1,765,000	1,841,333
			"PE", Series 2512, 5.5%, 2/15/2022	45,000	46,391
			"PL", Series 2459, 5.5%, 6/15/2030	119,196	119,497
			"BD", Series 2453, 6.0%, 5/15/2017	1,050,000	1,115,995
			"GA", Series 2366, 6.0%, 3/15/2029	636,733	640,828
			"DA", Series 2444, 6.5%, 2/15/2030	101,339	101,950
			"PE", Series 2208, 7.0%, 12/15/2028	113,442	113,689
			"A5", Series T-42, 7.5%, 2/25/2042	628,046	687,711
			Federal National Mortgage Association:		
			"A2", Series 2003-63, 2.34%, 7/25/2044	330,000	327,335
			"PU", Series 2003-33, 4.5%, 5/25/2033	1,772,354	1,813,117
			"A2", Series 2002-W10, 4.7%, 8/25/2042	510,000	519,501
			"A2", Series 2002-W9, 4.7%, 8/25/2042	484,136	487,903
			"2A3", Series 2003-W15, 4.71%, 8/25/2043	2,330,000	2,403,402
			"1A3", Series 2003-W18, 4.732%, 8/25/2033	1,160,000	1,196,357
			"A2", Series 2002-60, 4.75%, 2/25/2044	500,000	510,752
			"KH", Series 2003-92, 5.0%, 3/25/2032	1,100,000	1,079,051
			"PE", Series 2003-58, 5.0%, 3/25/2032	1,160,000	1,124,143
			"A2", Series 2002-W3, 5.5%, 10/25/2021	1,645,948	1,669,649
			"PB", Series 2002-47, 5.5%, 9/25/2012	561,633	562,060
			"PG", Series 2002-3, 5.5%, 2/25/2017	500,000	509,888
			"QC", Series 2002-11, 5.5%, 3/25/2017	640,000	665,284
			"A", Series 2001-66, 6.0%, 6/25/2029	519,583	525,466
			"AN", Series 2000-27, 6.0%, 8/25/2030	307,843	318,168
			"B", Series 1999-32, 6.0%, 7/25/2029	550,245	570,753
			"QE", Series 2001-64, 6.0%, 4/25/2027	1,297,996	1,305,910
			"QN", Series 2001-51, 6.0%, 10/25/2016	1,550,000	1,633,793
			"VD", Series 2002-56, 6.0%, 4/25/2020	422,237	433,513
			6.31%, 6/1/2008	1,500,000	1,643,176
Convertible Bonds 0.1%					
DIMON, Inc., 6.25%, 3/31/2007	50,000	47,000			
Parker Drilling Co., 5.5%, 8/1/2004	85,000	84,894			
Total Convertible Bond (Cost \$129,606)		131,894			
US Government Agency Sponsored Pass-Thrus 18.2%					
Federal Home Loan Mortgage Corp.:					
2.875%, 12/15/2006	2,435,000	2,452,456			
3.5%, 9/15/2020	2,290,000	2,320,925			
5.0% with various maturities from 1/15/2023 until 1/1/2034	3,385,000	3,329,974			
6.0%, 10/1/2033	350,202	362,054			
6.5%, 10/1/2033	164,847	172,685			
Federal National Mortgage Association:					
1.0%, 12/1/2033	1,695,000	1,719,895			
4.0%, 12/15/2018	2,307,000	2,368,641			
4.5%, 10/25/2015	1,735,000	1,778,394			
5.0% with various maturities from 7/1/2023 until 1/1/2034 (d)	2,190,218	2,215,033			
5.5% with various maturities from 9/25/2017 until 1/1/2034 (d)	11,493,167	11,767,628			
5.78%, 10/1/2008	1,768,967	1,895,300			
6.0% with various maturities from 7/1/2017 until 1/1/2034 (d)	8,293,741	8,602,219			
6.292%, 12/1/2008	1,420,301	1,553,532			
6.303%, 4/1/2011	1,077,854	1,174,783			
6.5% with various maturities from 3/1/2017 until 11/1/2033	3,172,442	3,326,350			
6.715%, 12/1/2007	1,046,712	1,155,703			
8.0%, 9/1/2015	98,072	105,214			
Total US Government Agency Sponsored Pass-Thrus (Cost \$46,293,369)		46,300,786			
Collateralized Mortgage Obligations 19.2%					
ABN AMRO Mortgage Corp., Series 2002-3, 6.0%, 4/25/2017	239,851	241,322			
Countrywide Home Loans, Series 2002-12, 6.0%, 8/25/2017	864,993	882,621			
Federal Home Loan Mortgage Corp.:					
"LC", Series 2682, 4.5%, 7/15/2032	1,690,000	1,596,567			

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

	Principal Amount (\$)	Value (\$)
"A2", Series 1998-M6, 6.32%, 8/15/2008	1,218,026	1,326,105
"HM", Series 2002-36, 6.5%, 12/25/2029	216,930	223,163
"1A2", Series 2003-W3, 7.0%, 8/25/2042	997,378	1,076,233
"2A", Series 2002-W6, 7.5%, 6/25/2042	859,326	938,276
"A5", Series 2002-W4, 7.5%, 5/25/2042	496,800	542,444
Federal National Mortgage Association Grantor Trust, "A2", Series 2002-T19, 7.0%, 7/25/2042	1,233,445	1,330,965
Federal National Mortgage Association Whole Loan, "2A3", Series 2001-4, 4.16%, 6/25/2042	1,200,000	1,210,217
FHLMC Structured Pass Through Securities, "3A", Series T-58, 7.0%, 9/25/2043	1,167,777	1,253,688
GSMPs Mortgage Loan Trust, "A", Series 1998-4, 144A, 7.5%, 12/21/2026	972,100	1,048,605
Master Asset Securitization Trust, Series 2003-6, 5.5%, 7/25/2033	1,792,104	1,831,521
Residential Funding Mortgage Securities I, "A12", Series 2001-S29, 5.5%, 12/26/2031	779,643	784,662
Wells Fargo Mortgage Backed Securities Trust, "1A1", Series 2003-6, 5.0%, 6/25/2018	1,779,486	1,817,263
Total Collateralized Mortgage Obligations (Cost \$48,436,158)		48,635,691

Municipal Investments 4.5%

Brockton, MA, Core City GO, Economic Development, Series A, 6.45%, 5/1/2017 (c)	1,530,000	1,678,272
Illinois, Higher Education Revenue, 7.05%, 7/1/2009 (c)	1,410,000	1,620,146
Jicarilla, NM, Apache Nation Revenue, 5.2%, 12/1/2013 (c)	945,000	941,192
New York, GO, Environmental Facilities Corp., Series B, 4.95%, 1/1/2013	1,500,000	1,506,495

Notes to Scudder Fixed Income Portfolio of Investments

- (a) The cost for federal income tax purposes was \$251,816,876. At December 31, 2003, net unrealized appreciation for all securities based on tax cost was \$2,084,860. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$3,786,768 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$1,701,908.
- (b) Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.
- (c) Bond is insured by one of these companies:

Insurance Coverage		As a % of Total Investment Portfolio
AMBAC	AMBAC Assurance Corp.	1.5%
FGIC	Financial Guaranty Insurance Company	2.4%

- (d) Mortgage dollar roll included.

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

Included in the portfolio are investments in mortgage or asset-backed securities which are interests in separate pools of mortgages or assets. Effective maturities of these investments may be shorter than stated maturities due to prepayments. Some separate investments in the Federal National Mortgage Association and the Government National Mortgage Association issues which have similar coupon rates have been aggregated for presentation purposes in the investment portfolio.

	Principal Amount (\$)	Value (\$)
Oklahoma City Airport, Airport Revenue, 5.2%, 10/1/2012 (c)	1,430,000	1,456,040
Oregon, School District GO, School Board, Zero Coupon, 6/30/2017 (c)	3,830,000	1,760,766
Portland, OR, Industrial Development Revenue, 3.35%, 6/15/2010 (c)	1,550,000	1,479,289
Trenton, NJ, School District GO, 4.3%, 4/1/2011 (c)	1,040,000	1,022,778
Total Municipal Investments (Cost \$11,383,751)		11,464,978

Government National Mortgage Association 0.2%

Government National Mortgage Association, 6.0%, 10/15/2033 (Cost \$477,427)	461,630	480,182
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US Government Backed 10.4%

US Treasury Bond:		
5.375%, 2/15/2031	80,000	83,428
6.0%, 2/15/2026	7,841,000	8,695,238
US Treasury Note:		
1.625%, 4/30/2005	13,020,000	13,059,164
4.0%, 11/15/2012	10,000	9,904
5.0%, 8/15/2011	1,679,000	1,796,792
6.125%, 8/15/2007	2,456,000	2,748,706
Total US Government Backed (Cost \$26,977,381)		26,393,232

Shares Value (\$)

Cash Equivalents 5.8%

Scudder Cash Management QP Trust, 1.11% (b) (Cost \$14,730,930)	14,730,930	14,730,930
Total Investment Portfolio — 100.0% (Cost \$251,766,903) (a)		253,901,736

Financial Statements

Statement of Assets and Liabilities as of December 31, 2003

Assets

Investments:	
Investments in securities, at value (cost \$237,035,973)	\$ 239,170,806
Investment in Scudder Cash Management QP Trust (cost \$14,730,930)	14,730,930
Total investments in securities, at value (cost \$251,766,903)	253,901,736
Receivable for investments sold	78,490
Interest receivable	2,152,644
Receivable for Portfolio shares sold	537,472
Other assets	2,765
Total assets	256,673,107

Liabilities

Payable for investments purchased	2,773,377
Payable for investments purchased — mortgage dollar rolls	7,542,800
Deferred mortgage dollar roll income	11,495
Accrued management fee	122,973
Payable for Portfolio shares redeemed	216,584
Other accrued expenses and payables	100,636
Total liabilities	10,767,865
Net assets, at value	\$ 245,905,242

Net Assets

Net assets consist of:	
Undistributed net investment income	8,499,174
Net unrealized appreciation (depreciation) on investments	2,134,833
Accumulated net realized gain (loss)	4,219,982
Paid-in capital	231,051,253
Net assets, at value	\$ 245,905,242

Class A

Net Asset Value , offering and redemption price per share (\$200,626,994 ÷ 16,493,825 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 12.16
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Class B

Net Asset Value , offering and redemption price per share (\$45,278,248 ÷ 3,731,351 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 12.13
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Statement of Operations for the year ended December 31, 2003

Investment Income

Interest	\$ 10,533,400
Interest — Scudder Cash Management QP Trust	177,935
Total Income	10,711,335
Expenses:	
Management fee	1,453,086
Custodian fees	25,215
Distribution service fees (Class B)	63,474
Record keeping fees (Class B)	34,321
Auditing	44,223
Legal	16,647
Trustees' fees and expenses	6,157
Reports to shareholders	5,754
Other	57,559
Total expenses, before expense reductions	1,706,436
Expense reductions	(598)
Total expenses, after expense reductions	1,705,838
Net investment income	9,005,497

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from investments	5,632,277
Net unrealized appreciation (depreciation) during the period on investments	(3,106,535)
Net gain (loss) on investment transactions	2,525,742
Net increase (decrease) in net assets resulting from operations	\$ 11,531,239

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2003	2002
Operations:		
Net investment income (loss)	\$ 9,005,497	\$ 8,062,442
Net realized gain (loss) on investment transactions	5,632,277	226,395
Net unrealized appreciation (depreciation) on investment transactions during the period	(3,106,535)	5,822,638
Net increase (decrease) in net assets resulting from operations	11,531,239	14,111,475
Distributions to shareholders from:		
Net investment income		
Class A	(7,642,555)	(5,123,396)
Class B	(352,039)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	33,556,029	100,217,749
Reinvestment of distributions	7,642,555	5,123,396
Cost of shares redeemed	(59,678,316)	(31,852,501)
Net increase (decrease) in net assets from Class A share transactions	(18,479,732)	73,488,644
Class B		
Proceeds from shares sold	45,408,382	1,702,476*
Reinvestment of distributions	352,039	—*
Cost of shares redeemed	(2,824,214)	(637)*
Net increase (decrease) in net assets from Class B share transactions	42,936,207	1,701,839
Increase (decrease) in net assets	27,993,120	84,178,562
Net assets at beginning of period	217,912,122	133,733,560
Net assets at end of period (including undistributed net investment income of \$8,499,174 and \$7,795,796, respectively)	245,905,242	\$ 217,912,122

Other Information

Class A		
Shares outstanding at beginning of period	18,049,005	11,645,925
Shares sold	2,793,008	8,685,540
Shares issued to shareholders in reinvestment of distributions	650,984	465,763
Shares redeemed	(4,999,172)	(2,748,223)
Net increase (decrease) in Portfolio shares	(1,555,180)	6,403,080
Shares outstanding at end of period	16,493,825	18,049,005
Class B		
Shares outstanding at beginning of period	144,625	—
Shares sold	3,792,922	144,674*
Shares issued to shareholders in reinvestment of distributions	29,986	—*
Shares redeemed	(236,182)	(49)*
Net increase (decrease) in Portfolio shares	3,586,726	144,625
Shares outstanding at end of period	3,731,351	144,625

* For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

Financial Highlights

Class A

Years Ended December 31,	2003	2002	2001 ^a	2000 ^b	1999 ^b
Selected Per Share Data					
Net asset value, beginning of period	\$ 11.98	\$ 11.48	\$ 11.45	\$ 11.00	\$ 11.65
<i>Income from investment operations:</i>					
Net investment income ^c	.45	.53	.62	.69	.60
Net realized and unrealized gain (loss) on investment transactions	.14	.37	.01 ^d	.36	(.85)
Total from investment operations	.59	.90	.63	1.05	(.25)
<i>Less distributions from:</i>					
Net investment income	(.41)	(.40)	(.60)	(.60)	(.30)
Net realized gains on investment transactions	—	—	—	—	(.10)
Total distributions	(.41)	(.40)	(.60)	(.60)	(.40)
Net asset value, end of period	\$ 12.16	\$ 11.98	\$ 11.48	\$ 11.45	\$ 11.00
Total Return (%)	5.13	8.01	5.71	9.90	(2.06)

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	201	216	134	78	71
Ratio of expenses before expense reductions (%)	.66	.65	.64	.68	.65
Ratio of expenses after expense reductions (%)	.66	.65	.64	.67	.65
Ratio of net investment income (loss) (%)	3.75	4.57	5.46	6.36	5.42
Portfolio turnover rate (%)	229 ^e	267	176	311	131

^a As required, effective January 1, 2001, the Portfolio has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on debt securities. In addition, paydowns on mortgage-backed securities which were included in realized gain/loss on investment transactions prior to January 1, 2001 are included as interest income. The effect of this change for the year ended December 31, 2001 was to decrease net investment income per share by \$.01, increase net realized and unrealized gains and losses per share by \$.01 and decrease the ratio of net investment income to average net assets from 5.54% to 5.46%. Per share, ratios and supplemental data for periods prior to January 1, 2001 have not been restated to reflect this change in presentation.

^b On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly.

^c Based on average shares outstanding during the period.

^d The amount of net realized and unrealized gain shown for a share outstanding for the period ending December 31, 2001 does not correspond with the aggregate net loss on investments for the period due to the timing of sales and repurchases of Portfolio shares in relation to fluctuating market values of the investments of the Portfolio.

^e The portfolio turnover rate including mortgage dollar roll transactions was 265% for the year ended December 31, 2003.

Class B

Years Ended December 31,	2003	2002 ^a
Selected Per Share Data		
Net asset value, beginning of period	\$ 11.96	\$ 11.36
<i>Income from investment operations:</i>		
Net investment income ^b	.40	.27
Net realized and unrealized gain (loss) on investment transactions	.15	.33
Total from investment operations	.55	.60
<i>Less distributions from:</i>		
Net investment income	(.38)	—
Total distributions	(.38)	—
Net asset value, end of period	\$ 12.13	\$ 11.96
Total Return (%)	4.76	5.28**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	45	2
Ratio of expenses (%)	1.05	.92*
Ratio of net investment income (loss) (%)	3.36	4.69*
Portfolio turnover rate (%)	229 ^c	267

^a For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

^b Based on average shares outstanding during the period.

^c The portfolio turnover rate including mortgage dollar roll transactions was 265% for the year ended December 31, 2003.

* Annualized ** Not annualized

Scudder Global Blue Chip Portfolio

After three consecutive years of declines, global equities rebounded sharply in 2003. Initial uncertainty over the US-led war in Iraq weighed on stock prices in the first part of the year, but a swift victory paved the way for an impressive worldwide economic rebound. Amidst a very positive environment, the portfolio's total return was 29.13% (Class A shares, unadjusted for contract charges), compared with the 33.11% return of the MSCI World Index. Please see the following page for standardized performance as of December 31, 2003.

We continue to manage the portfolio by identifying the important long-term themes in the global economy and investing in companies that we believe will benefit as these themes unfold. For instance, we believe the largest companies in commoditized industries will emerge as the long-term winners, and the portfolio therefore owns a number of energy and basic materials stocks. These holdings performed very well during 2003. We also believe the continued risks in the global economy dictate holdings such as gold stocks though these more conservative holdings detracted from relative performance. We have reduced the portfolio's sizeable weighting in this area. While all themes yielded positive returns for the year, the portfolio's holdings in pharmaceuticals detracted the most from relative performance.

Other notable thematic shifts included our decision to take profits among the portfolio's most conservative securities and trim "Japan Restructuring." We reduced exposure to this theme based on declining risk/return prospects and a less favorable view toward exporters given the yen's appreciation versus the dollar. We continue to find value in Asia outside of Japan, primarily in companies with exposure to China's powerful economic growth.

Important: portfolio manager change

Please note that as of August 22, 2003, Oliver Kratz joined Steve Wreford in the management of the portfolio. William Holzer left the firm to pursue other opportunities.

Steve M. Wreford

Oliver Kratz

Co-Managers

Deutsche Investment Management Americas Inc.

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

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

The Morgan Stanley Capital International (MSCI) World Index is an unmanaged, capitalization-weighted measure of stock markets around the world, including North America, Europe, Australia and Asia. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of December 31, 2003, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Scudder Global Blue Chip Portfolio

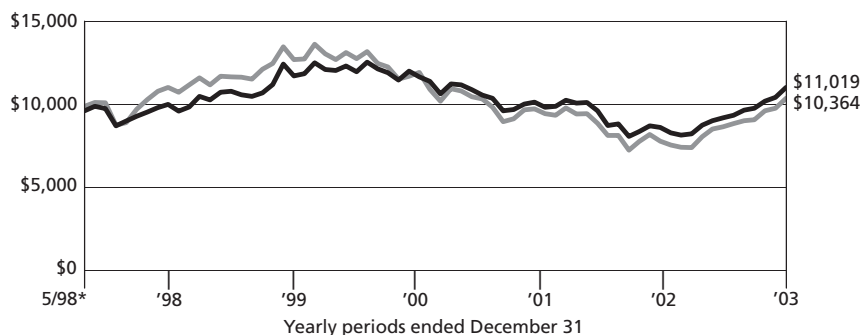
All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

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

The 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 Portfolio would be lower.

Growth of an Assumed \$10,000 Investment in Scudder Global Blue Chip Portfolio from 5/5/1998 to 12/31/2003

- Scudder Global Blue Chip Portfolio — Class A
- MSCI World Index



MSCI World Index is an unmanaged, capitalization-weighted measure of stock markets around the world, including North America, Europe, Australia and Asia. Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

Scudder Global Blue Chip Portfolio		1-Year	3-Year	5-Year	Life of Portfolio*
Class A	Growth of \$10,000	\$12,913	\$9,194	\$11,257	\$11,020
	Average annual total return	29.13%	-2.76%	2.40%	1.73%
MSCI World Index	Growth of \$10,000	\$13,311	\$8,870	\$9,621	\$10,364
	Average annual total return	33.11%	-3.92%	-0.77%	.63%
Scudder Global Blue Chip Portfolio		1-Year	Life of Class**		
Class B	Growth of \$10,000	\$12,896	\$11,575		
	Average annual total return	28.96%	10.24%		
MSCI World Index	Growth of \$10,000	\$13,311	\$11,695		
	Average annual total return	33.11%	11.00%		

The growth of \$10,000 is cumulative.

* The Portfolio commenced operations on May 5, 1998. Index returns begin April 30, 1998.

** The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.

Information concerning portfolio holdings of the Portfolio as of a month end is available upon request no earlier than 15 days after the month end. Please call 1-800-778-1482.

Scudder Global Blue Chip Portfolio

	Shares	Value (\$)		Shares	Value (\$)
Common Stocks 97.1%					
Australia 3.0%					
BHP Billiton Ltd.	101,805	933,420			
Foster's Group Ltd.	95,100	321,883			
WMC Resources Ltd.	116,600	576,193			
(Cost \$1,149,022)		1,831,496			
Brazil 3.5%					
Aracruz Celulose SA (Preferred) (ADR)	22,000	770,880			
Companhia de Bebidas das Americas (Preferred) (ADR)	26,400	673,464			
Companhia Vale do Rio Doce	12,200	713,700			
(Cost \$1,625,030)		2,158,044			
Canada 4.8%					
Canadian National Railway Co.*	12,600	797,653			
Encana Corp.*	23,699	933,103			
Goldcorp, Inc.*	31,100	495,084			
Inco Ltd.	8,300	330,962			
Meridian Gold, Inc.	24,600	359,514			
(Cost \$1,786,275)		2,916,316			
China 0.6%					
China Mobile Ltd. (Cost \$503,666)	129,600	397,287			
France 3.8%					
Aventis SA	7,076	466,482			
Compagnie de Saint-Gobain	6,872	335,538			
Suez SA	30,043	602,108			
Total SA	5,000	927,220			
(Cost \$2,004,633)		2,331,348			
Germany 7.8%					
BASF AG	17,512	982,180			
Deutsche Boerse AG	19,002	1,036,344			
Deutsche Telekom AG (Registered)*	67,850	1,238,604			
E.ON AG	16,648	1,083,687			
Schering AG	9,500	479,871			
(Cost \$4,343,283)		4,820,686			
Hong Kong 5.0%					
Bank of East Asia Ltd.	156,000	478,216			
CLP Holdings Ltd.	102,500	487,162			
Fountain Set (Holdings) Ltd.	652,000	445,088			
Hang Seng Bank Ltd.	27,400	359,976			
Hutchison Whampoa Ltd.	97,000	712,147			
Sun Hung Kai Properties Ltd. (REIT)	68,000	560,547			
(Cost \$2,498,611)		3,043,136			
Japan 9.3%					
Canon, Inc.	19,000	882,775			
Daiwa Securities Group, Inc.	54,000	366,536			
FANUC Ltd.	16,500	986,313			
Japan Retail Fund Investment Corp. (REIT)*	15	96,229			
Komatsu	120,000	759,777			
Mitsubishi Estate Co., Ltd.	91,000	860,857			
Mitsui Fudosan Co., Ltd.	84,000	757,095			
			Nomura Holdings, Inc.	59,000	1,002,560
			(Cost \$5,271,987)		5,712,142
			Korea 3.6%		
			Kookmin Bank (ADR)	2,300	87,032
			Kookmin Bank	12,700	475,518
			LG Electronics, Inc.	3,100	152,335
			Samsung Electronics Co., Ltd.	2,450	926,583
			SK Telecom Co., Ltd.*	3,300	550,692
			(Cost \$2,249,791)		2,192,160
			Mexico 1.2%		
			Grupo Televisa SA de CV (ADR)	3,800	151,468
			Telefonos de Mexico SA de CV (ADR)	17,400	574,722
			(Cost \$698,801)		726,190
			Netherlands 1.5%		
			STMicroelectronics NV	15,735	425,619
			TPG NV	22,300	520,993
			(Cost \$934,155)		946,612
			Peru 0.8%		
			Compania de Minas Buenaventura SA (ADR) (Cost \$231,474)	18,400	520,352
			Russia 3.6%		
			Gazprom (ADR)	37,000	958,300
			GMK Norilsk Nickel (ADR)*	9,600	638,400
			LUKOIL (ADR)	6,800	633,080
			(Cost \$1,608,492)		2,229,780
			Singapore 0.7%		
			DBS Group Holdings Ltd. (Cost \$311,878)	46,000	398,210
			South Africa 1.8%		
			Gold Fields Ltd.	39,100	559,828
			Impala Platinum Holdings Ltd. (ADR)	12,700	551,760
			(Cost \$788,378)		1,111,588
			Switzerland 2.5%		
			Novartis AG (Registered)	9,498	429,987
			Swiss Re (Registered)	7,544	507,880
			Syngenta AG	9,182	616,674
			(Cost \$1,436,121)		1,554,541
			United Kingdom 10.0%		
			BOC Group PLC	44,440	677,232
			British Sky Broadcasting Group PLC*	59,443	746,133
			Cable and Wireless PLC	134,357	320,259
			National Grid Transco PLC	79,860	570,717
			Pearson PLC	50,768	563,820
			Reed Elsevier PLC	64,704	539,809
			Rio Tinto PLC	23,854	657,184
			RT Group PLC*	54,206	10,646
			Shell Transport & Trading Co., PLC	96,645	716,986
			Vodafone Group PLC	542,526	1,341,623
			(Cost \$5,773,682)		6,144,409

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

	Shares	Value (\$)		Shares	Value (\$)
United States 33.6%					
AFLAC, Inc.	17,800	644,004	Medicines Co.*	10,600	312,276
Amgen, Inc.*	9,676	597,977	Microsoft Corp.	35,800	985,932
Anadarko Petroleum Corp.	23,100	1,178,331	Monsanto Co.	21,900	630,282
AutoZone, Inc.*	6,800	579,428	Newmont Mining Corp.	24,100	1,171,501
Caremark Rx, Inc.*	34,700	878,951	Pfizer, Inc.	11,700	413,361
Comcast Corp. "A"*	16,300	509,864	ProLogis (REIT)	14,200	455,678
ConocoPhillips	12,900	845,853	St. Jude Medical, Inc.*	10,200	625,770
eBay, Inc.*	5,200	335,868	Unocal Corp.	20,000	736,600
Entergy Corp.	14,200	811,246	VERITAS Software Corp.*	16,600	616,856
Equity Residential (REIT)	20,200	596,102	Viacom, Inc. "B"	30,500	1,353,590
ExxonMobil Corp.	30,700	1,258,700	Wyeth	6,000	254,701
Genentech, Inc.*	6,600	617,562	(Cost \$17,286,806)		20,643,072
Goldman Sachs Group, Inc.	6,200	612,126	Total Common Stocks (Cost \$50,502,085)		59,677,369
Intel Corp.	27,800	895,160			
International Business Machines Corp.	7,400	685,832	Cash Equivalents 2.9%		
Interpublic Group of Companies, Inc.*	24,200	377,520	Scudder Cash Management QP Trust, 1.11% (b) (Cost \$1,793,049)	1,793,049	1,793,049
Intuit, Inc.*	9,500	502,645	Total Investment Portfolio — 100.0%		61,470,418
Lehman Brothers Holdings, Inc.	7,900	610,038	(Cost \$52,295,134) (a)		
Liberty Media Corp. "A"*	46,200	549,318			

At December 31, 2003, the Scudder Global Blue Chip Portfolio had the following industry diversification:

Industry	Value	Percent
Materials	\$ 11,185,146	18.2%
Financials	9,904,949	16.1%
Energy	8,188,174	13.3%
Consumer Discretionary	6,304,241	10.3%
Information Technology	5,921,402	9.6%
Health Care	5,076,937	8.3%
Telecommunication Services	4,423,187	7.2%
Industrials	4,123,066	6.7%
Utilities	3,554,920	5.8%
Consumer Staples	995,347	1.6%
Total Common Stocks	59,677,369	97.1%
Cash Equivalents	1,793,049	2.9%
Total Investment Portfolio	\$ 61,470,418	100.0%

Notes to Scudder Global Blue Chip Portfolio of Investments

* Non-income producing security.

(a) The cost for federal income tax purposes was \$52,517,786. At December 31, 2003, net unrealized appreciation for all securities based on tax cost was \$8,952,632. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$10,234,398 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$1,281,766.

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

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

Financial Statements

Statement of Assets and Liabilities as of December 31, 2003

Assets

Investments:	
Investments in securities, at value (cost \$50,502,085)	\$ 59,677,369
Investment in Scudder Cash Management QP Trust (cost \$1,793,049)	1,793,049
Total investments in securities, at value (cost \$52,295,134)	61,470,418
Receivable for investments sold	234,480
Dividends receivable	41,667
Interest receivable	2,741
Receivable for Portfolio shares sold	35,008
Foreign taxes recoverable	32,559
Total assets	61,816,873

Liabilities

Payable for investments purchased	631,594
Payable for Portfolio shares redeemed	232,405
Accrued management fee	51,307
Other accrued expenses and payables	104,988
Total liabilities	1,020,294
Net assets, at value	\$ 60,796,579

Net Assets

Net assets consist of:	
Undistributed net investment income	671,339
Net unrealized appreciation (depreciation) on:	
Investments	9,175,284
Foreign currency related transactions	6,549
Accumulated net realized gain (loss)	(10,083,000)
Paid-in capital	61,026,407
Net assets, at value	\$ 60,796,579

Class A

Net Asset Value , offering and redemption price per share (\$54,681,989 ÷ 5,262,148 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 10.39
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Class B

Net Asset Value , offering and redemption price per share (\$6,114,590 ÷ 588,861 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 10.38
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Statement of Operations for the year ended December 31, 2003

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$67,151)	\$ 894,695
Interest	130,097
Interest — Scudder Cash Management QP Trust	17,238
Total Income	1,042,030
Expenses:	
Management fee	476,692
Custodian and accounting fees	130,231
Distribution service fees (Class B)	6,508
Record keeping fees (Class B)	3,593
Auditing	55,791
Legal	17,967
Trustees' fees and expenses	2,456
Reports to shareholders	7,566
Registration fees	53
Other	14,277
Total expenses, before expense reductions	715,134
Expense reductions	(142,979)
Total expenses, after expense reductions	572,155
Net investment income (loss)	469,875

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from:	
Investments	(758,760)
Foreign currency related transactions	(143,801)
	(902,561)
Net unrealized appreciation (depreciation) during the period on:	
Investments	13,472,676
Foreign currency related transactions	42,466
	13,515,142
Net gain (loss) on investment transactions	12,612,581
Net increase (decrease) in net assets resulting from operations	\$ 13,082,456

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2003	2002
Operations:		
Net investment income (loss)	\$ 469,875	\$ 359,985
Net realized gain (loss) on investment transactions	(902,561)	(5,433,666)
Net unrealized appreciation (depreciation) on investment transactions during the period	13,515,142	(2,788,015)
Net increase (decrease) in net assets resulting from operations	13,082,456	(7,861,696)
Distributions to shareholders from:		
Net investment income		
Class A	(164,671)	(282,572)
Class B	(1,208)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	14,111,779	40,590,022
Reinvestment of distributions	164,671	282,572
Cost of shares redeemed	(14,079,045)	(34,633,900)
Net increase (decrease) in net assets from Class A share transactions	197,405	6,238,694
Class B		
Proceeds from shares sold	5,128,199	231,749*
Reinvestment of distributions	1,208	—*
Cost of shares redeemed	(196,055)	(34,683)*
Net increase (decrease) in net assets from Class B share transactions	4,933,352	197,066
Increase (decrease) in net assets	18,047,334	(1,708,508)
Net assets at beginning of period	42,749,245	44,457,753
Net assets at end of period (including undistributed net investment income of \$671,339 and \$177,943, respectively)	\$ 60,796,579	\$ 42,749,245

Other Information

Class A		
Shares outstanding at beginning of period	5,267,978	4,612,725
Shares sold	1,644,533	4,422,044
Shares issued to shareholders in reinvestment of distributions	21,782	29,191
Shares redeemed	(1,672,145)	(3,795,982)
Net increase (decrease) in Portfolio shares	(5,830)	655,253
Shares outstanding at end of period	5,262,148	5,267,978
Class B		
Shares outstanding at beginning of period	24,654	—
Shares sold	585,383	29,051*
Shares issued to shareholders in reinvestment of distributions	160	—*
Shares redeemed	(21,336)	(4,397)*
Net increase (decrease) in Portfolio shares	564,207	24,654
Shares outstanding at end of period	588,861	24,654

* For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

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

Financial Highlights

Class A

Years Ended December 31,	2003	2002	2001	2000 ^a	1999 ^a
Selected Per Share Data					
Net asset value, beginning of period	\$ 8.08	\$ 9.64	\$ 11.81	\$ 12.37	\$ 9.79
<i>Income (loss) from investment operations:</i>					
Net investment income (loss) ^b	.09	.07	.08	.03	.04
Net realized and unrealized gain (loss) on investment transactions	2.25	(1.57)	(1.90)	(.44)	2.57
Total from investment operations	2.34	(1.50)	(1.82)	(.41)	2.61
<i>Less distributions from:</i>					
Net investment income	(.03)	(.06)	—	—	(.03)
Net realized gains on investment transactions	—	—	(.35)	(.15)	—
Total distributions	(.03)	(.06)	(.35)	(.15)	(.03)
Net asset value, end of period	\$ 10.39	\$ 8.08	\$ 9.64	\$ 11.81	\$ 12.37
Total Return (%)	29.13 ^c	(15.77)	(15.48)	(3.36) ^c	26.70 ^c
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period (\$ millions)	55	43	44	33	17
Ratio of expenses before expense reductions (%)	1.48	1.32	1.24	1.78	3.47
Ratio of expenses after expense reductions (%)	1.17	1.32	1.24	1.50	1.56
Ratio of net investment income (loss) (%)	1.02	.79	.76	.28	.39
Portfolio turnover rate (%)	65	41	52	54	65

^a On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly.

^b Based on average shares outstanding during the period.

^c Total returns would have been lower had certain expenses not been reduced.

Class B

Years Ended December 31,	2003	2002 ^a
Selected Per Share Data		
Net asset value, beginning of period	\$ 8.06	\$ 8.98
<i>Income (loss) from investment operations:</i>		
Net investment income (loss) ^b	.04	.02
Net realized and unrealized gain (loss) on investment transactions	2.29	(.94)
Total from investment operations	2.33	(.92)
<i>Less distributions from:</i>		
Net investment income	(.01)	—
Net asset value, end of period	\$ 10.38	\$ 8.06
Total Return (%)	28.96 ^c	(10.24)**
Ratios to Average Net Assets and Supplemental Data		
Net assets, end of period (\$ millions)	6	.2
Ratio of expenses before expense reductions (%)	1.87	1.60*
Ratio of expenses after expense reductions (%)	1.64	1.60*
Ratio of net investment income (loss) (%)	.55	.49*
Portfolio turnover rate (%)	65	41

^a For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

^b Based on average shares outstanding during the period.

^c Total returns would have been lower had certain expenses not been reduced.

* Annualized ** Not annualized

Scudder Government Securities Portfolio

Uncertainties associated with the war in Iraq, combined with conflicting economic signals, weighed on the bond market during the first half of 2003. As 2003 progressed, convincing signs of a pickup in the US economy began to emerge, as well as economic data that indicated inflation would remain quiet. As fixed-income yields crept upward in late fall, investor inflows into mortgage-related securities increased substantially. This situation can mainly be attributed to the fact that the percentage of mortgage holders with a financial incentive to refinance their mortgages declined dramatically, from 70% in June to 30% by year-end.

For the year ended December 31, 2003, the portfolio posted a total return of 2.26% (Class A shares, unadjusted for contract charges) compared with the 2.85% return of its benchmark, the Lehman Brothers GNMA Index. Early in the year, our strategy was to reduce the portfolio's prepayment exposure by purchasing lower-coupon mortgage-backed securities on a rolling forward basis, as well as mortgage pools with specific characteristics that afforded additional prepayment protection. Please see the following page for standardized performance as of December 31, 2003.

Following the interest rate increases of summer and early fall, we felt that the ensuing slowdown in prepayments by mortgage holders would make higher-coupon mortgage securities very attractive. For this reason, the portfolio sold positions in 5% and 5.5% coupon GNMA's during the fourth quarter and purchased 6%, 6.5% and 8% coupon GNMA's. These issues performed very well, as supply was limited, the market was more heavily focused on shorter-duration instruments and investors flocked to the perceived yield advantage. The fund's result were held back primarily because of prepayments by mortgage holders and difficulties associated with timing our move into higher-yielding instruments.

Sean McCaffrey
William Chepolis

Co-Managers
Deutsche Investment Management Americas Inc.

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

The government guarantee relates only to the prompt payment of principal and interest and does not remove market risks. Additionally, yields will fluctuate in response to changing interest rates and may be affected by the prepayment of mortgage-backed securities. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

The Lehman Brothers GNMA Index is an unmanaged, market-value-weighted measure of all fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA). Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly in an index.

Portfolio management market commentary is as of December 31, 2003, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Scudder Government Securities Portfolio

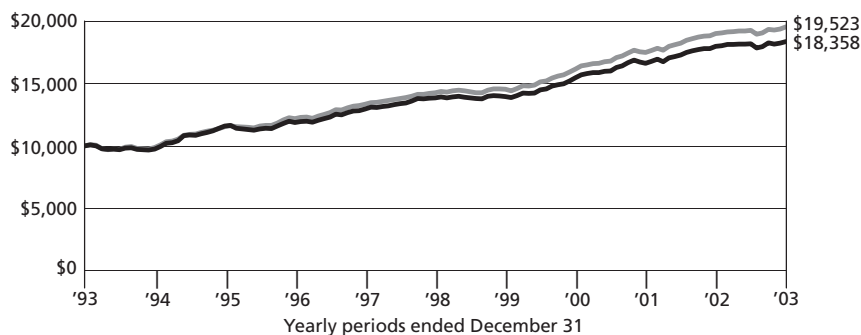
All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

The guarantee relates only to the prompt payment of principal and interest and does not remove market risks. Additionally, yields will fluctuate in response to changing interest rates and may be affected by the prepayment of mortgage-backed securities. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

Growth of an Assumed \$10,000 Investment in Scudder Government Securities Portfolio from 12/31/1993 to 12/31/2003

■ Scudder Government Securities Portfolio — Class A

■ Lehman Brothers GNMA Index



The unmanaged Lehman Brothers GNMA Index is a market-value-weighted measure of all fixed-rate securities backed by mortgage pools of the Government National Mortgage Association. Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

Scudder Government Securities Portfolio		1-Year	3-Year	5-Year	10-Year
Class A	Growth of \$10,000	\$10,226	\$11,876	\$13,264	\$18,358
	Average annual total return	2.26%	5.90%	5.81%	6.26%
Lehman Brothers GNMA Index	Growth of \$10,000	\$10,285	\$12,098	\$13,701	\$19,523
	Average annual total return	2.85%	6.55%	6.50%	6.92%
Scudder Government Securities Portfolio		1-Year	Life of Class*		
Class B	Growth of \$10,000	\$10,183	\$10,562		
	Average annual total return	1.83%	3.71%		
Lehman Brothers GNMA Index	Growth of \$10,000	\$10,285	\$10,713		
	Average annual total return	2.85%	4.77%		

The growth of \$10,000 is cumulative.

* The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.

Information concerning portfolio holdings of the Portfolio as of a month end is available upon request no earlier than 15 days after the month end. Please call 1-800-778-1482.

Scudder Government Securities Portfolio

	Principal Amount (\$)	Value (\$)		Principal Amount (\$)	Value (\$)
US Government Agency Sponsored Pass-Thrus 24.3%					
Federal Home Loan Mortgage Corp.:					
3.375%, 6/12/2008	18,000,000	17,989,920			
5.0% with various maturities from 9/1/2033 until 12/1/2033	3,994,549	3,944,984	8.0% with various maturities from 12/15/2026 until 12/1/2033	5,428,881	5,906,925
5.125%, 11/7/2013	1,000,000	996,137	8.5% with various maturities from 5/15/2016 until 3/15/2031	405,645	443,747
5.5%, 2/1/2017	144,785	150,132	9.0%, 8/15/2027	78,948	88,790
6.0% with various maturities from 3/1/2017 until 12/1/2033 (c)	13,171,804	13,636,889	9.5% with various maturities from 6/15/2013 until 12/15/2022	90,793	101,562
6.5%, 9/1/2032	8,037,855	8,419,763	10.0% with various maturities from 2/15/2016 until 3/15/2016	48,135	53,898
7.0% with various maturities from 1/1/2024 until 9/1/2032	12,033,586	12,768,755	Total Government National Mortgage Association (Cost \$254,304,964)		256,685,324
7.5% with various maturities from 1/1/2017 until 12/1/2033 (c)	4,778,637	5,132,094	US Government Sponsored Agencies 6.8%		
8.0%, 11/1/2030	24,892	26,849	Federal Home Loan Banks, 2.25%, 12/15/2005	17,610,000	17,720,045
8.5% , 7/1/2030	12,614	13,604	Federal Housing Authority, 8.5%, 3/15/2026	7,076	7,739
Federal National Mortgage Association:			Student Loan Marketing Association, 5.25%, 3/15/2006	10,000,000	10,664,655
5.0% with various maturities from 10/1/2033 until 12/1/2033	996,808	986,931	Total US Government Sponsored Agencies (Cost \$28,363,307)		28,392,439
6.0% with various maturities from 7/1/2016 until 9/1/2033	4,795,776	4,993,834	US Government Backed 1.2%		
6.5% with various maturities from 9/1/2016 until 9/1/2033	17,718,912	18,533,520	US Treasury Bond, 6.875%, 8/15/2025	1,650,000	2,018,478
7.0% with various maturities from 9/1/2013 until 10/1/2033	3,076,841	3,257,994	US Treasury Note, 4.25%, 11/15/2013 (e)	3,000,000	2,996,718
7.25%, 1/15/2010	2,100,000	2,475,976	Total US Government Backed (Cost \$5,021,789)		5,015,196
7.5% with various maturities from 6/1/2015 until 3/1/2032	6,957,627	7,436,375	Repurchase Agreements 3.1%		
8.0%, 12/1/2024	44,995	49,162	State Street Bank and Trust Co., 0.78%, dated 12/31/2003, to be repurchased at \$13,000,563 on 1/2/2004 (d) (Cost \$13,000,000)	13,000,000	13,000,000
Total US Government Agency Sponsored Pass-Thrus (Cost \$100,104,836)		100,812,919		Shares	Value (\$)
Government National Mortgage Association 61.8%					
Government National Mortgage Association:			Cash Equivalents 2.8%		
4.5%, 8/15/2018	3,486,461	3,504,858	Scudder Cash Management QP Trust, 1.11% (b) (Cost \$11,757,268)	11,757,268	11,757,268
5.0% with various maturities from 7/15/2018 until 11/15/2033	26,648,530	26,591,911	Total Investment Portfolio — 100.0% (Cost \$412,552,164) (a)		415,663,146
5.5% with various maturities from 1/20/2029 until 12/1/2033 (c)	78,408,346	79,751,169			
6.0% with various maturities from 5/15/2016 until 12/1/2033 (c)	65,960,848	68,483,335			
6.5% with various maturities from 5/15/2013 until 12/1/2033	30,542,968	32,249,119			
7.0% with various maturities from 1/15/2011 until 12/1/2033 (d)	21,416,981	22,754,858			
7.5% with various maturities from 12/15/2013 until 12/1/2033	15,613,264	16,755,152			

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

Notes to Scudder Government Securities Portfolio of Investments

- (a) The cost for federal income tax purposes was \$412,553,205. At December 31, 2003, net unrealized appreciation for all securities based on tax cost was \$3,109,941. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$3,725,278 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$615,337.
- (b) Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.
- (c) Mortgage dollar roll included.
- (d) Collateralized by a \$13,115,000 US Treasury Note, 2.125%, maturing on 10/31/2004 with a value of \$13,262,544.
- (e) At December 31, 2003, these securities have been segregated, in part or in whole, to cover initial margin requirements for open futures contracts. At December 31, 2003, open futures contracts purchased were as follows:

Futures	Expiration	Contracts	Aggregate Face Value (\$)	Market Value (\$)	Net Unrealized Appreciation/ (Depreciation) (\$)
10 year US Treasury Note	3/22/2004	5	542,325	561,328	19,003

Included in the portfolio are investments in mortgage or asset-backed securities which are interests in separate pools of mortgages or assets. Effective maturities of these investments may be shorter than stated maturities due to prepayments. Some separate investments in the Federal National Mortgage Association and the Government National Mortgage Association issues which have similar coupon rates have been aggregated for presentation purposes in the investment portfolio.

Financial Statements

Statement of Assets and Liabilities as of December 31, 2003

Assets

Investments:	
Investments in securities, at value (cost \$400,794,896)	\$ 403,905,878
Investment in Scudder Cash Management QP Trust (cost \$11,757,268)	11,757,268
Total investments in securities, at value (cost \$412,552,164)	415,663,146
Receivable for investments sold	64,680,602
Interest receivable	2,095,017
Receivable for Portfolio shares sold	597,919
Receivable for daily variation margin on open futures contracts	781
Other assets	9,836
Total assets	483,047,301

Liabilities

Due to custodian bank	181,495
Payable for investments purchased	54,552,433
Payable for when-issued and forward delivery securities	9,948,683
Payable for investments purchased — mortgage dollar rolls	32,723,433
Deferred mortgage dollar roll income	70,563
Payable for Portfolio shares redeemed	470,886
Accrued management fee	181,945
Other accrued expenses and payables	125,681
Total liabilities	98,255,119
Net assets, at value	\$ 384,792,182

Net Assets

Net assets consist of:	
Undistributed net investment income	9,445,556
Net unrealized appreciation (depreciation) on:	
Investments	3,110,982
Futures	19,003
Accumulated net realized gain (loss)	2,538,213
Paid-in capital	369,678,428
Net assets, at value	\$ 384,792,182

Class A

Net Asset Value , offering and redemption price per share (\$346,569,026 ÷ 27,631,433 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 12.54
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Class B

Net Asset Value , offering and redemption price per share (\$38,223,156 ÷ 3,055,787 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 12.51
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Statement of Operations for the year ended December 31, 2003

Investment Income

Income:	
Interest	\$ 11,406,158
Interest — Scudder Cash Management QP Trust	1,525,604
Mortgage dollar roll income	2,316,861
Total Income	15,248,623
Expenses:	
Management fee	2,701,849
Custodian fees	28,388
Distribution service fees (Class B)	86,751
Record keeping fees (Class B)	41,176
Auditing	61,875
Legal	23,835
Trustees' fees and expenses	10,709
Reports to shareholders	88,161
Other	67,262
Total expenses, before expense reductions	3,110,006
Expense reductions	(3,421)
Total expenses, after expense reductions	3,106,585
Net investment income	12,142,038

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from:	
Investments	87,725
Futures	381,315
	469,040
Net unrealized appreciation (depreciation) during the period on:	
Investments	(3,716,994)
Futures	357,535
	(3,359,459)
Net gain (loss) on investment transactions	(2,890,419)
Net increase (decrease) in net assets resulting from operations	\$ 9,251,619

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2003	2002
Operations:		
Net investment income (loss)	\$ 12,142,038	\$ 21,027,204
Net realized gain (loss) on investment transactions	469,040	5,132,459
Net unrealized appreciation (depreciation) on investment transactions during the period	(3,359,459)	5,993,567
Net increase (decrease) in net assets resulting from operations	9,251,619	32,153,230
Distributions to shareholders from:		
Net investment income		
Class A	(14,733,066)	(11,715,627)
Class B	(755,455)	—
Net Realized Gains		
Class A	(9,005,857)	—
Class B	(509,269)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	45,404,708	298,429,792
Reinvestment of distributions	23,738,923	11,715,627
Cost of shares redeemed	(259,047,177)	(84,769,500)
Net increase (decrease) in net assets from Class A share transactions	(189,903,546)	225,375,919
Class B		
Proceeds from shares sold	71,406,944	2,771,516*
Reinvestment of distributions	1,264,724	—*
Cost of shares redeemed	(36,011,827)	(20,523)*
Net increase (decrease) in net assets from Class B share transactions	36,659,841	2,750,993
Increase (decrease) in net assets	(168,995,733)	248,564,515
Net assets at beginning of period	553,787,915	305,223,400
Net assets at end of period (including undistributed net investment income of \$9,445,556 and \$15,075,238, respectively)	\$ 384,792,182	\$ 553,787,915

Other Information

Class A		
Shares outstanding at beginning of period	42,918,597	24,768,244
Shares sold	3,576,998	23,909,004
Shares issued to shareholders in reinvestment of distributions	1,917,523	978,749
Shares redeemed	(20,781,685)	(6,737,400)
Net increase (decrease) in Portfolio shares	(15,287,164)	18,150,353
Shares outstanding at end of period	27,631,433	42,918,597
Class B		
Shares outstanding at beginning of period	216,015	—
Shares sold	5,681,579	217,485*
Shares issued to shareholders in reinvestment of distributions	102,159	—*
Shares redeemed	(2,943,966)	(1,470)*
Net increase (decrease) in Portfolio shares	2,839,772	216,015
Shares outstanding at end of period	3,055,787	216,015

* For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

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

Financial Highlights

Class A

Years Ended December 31,	2003	2002	2001 ^a	2000 ^b	1999 ^b
Selected Per Share Data					
Net asset value, beginning of period	\$ 12.84	\$ 12.32	\$ 11.96	\$ 11.56	\$ 12.08
<i>Income from investment operations:</i>					
Net investment income ^c	.31	.62	.61	.75	.72
Net realized and unrealized gain (loss) on investment transactions	(.04)	.35	.25	.45	(.64)
Total from investment operations	.27	.97	.86	1.20	.08
<i>Less distributions from:</i>					
Net investment income	(.35)	(.45)	(.50)	(.80)	(.60)
Net realized gain on investment transactions	(.22)	—	—	—	—
Total distributions	(.57)	(.45)	(.50)	(.80)	(.60)
Net asset value, end of period	\$ 12.54	\$ 12.84	\$ 12.32	\$ 11.96	\$ 11.56
Total Return (%)	2.26	8.05	7.48	10.93	.68

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	347	551	305	152	146
Ratio of expenses before expense reductions (%)	.61	.59	.60	.61	.63
Ratio of expenses after expense reductions (%)	.61	.59	.60	.60	.63
Ratio of net investment income (loss) (%)	2.50	4.96	5.06	6.60	6.13
Portfolio turnover rate (%)	511 ^d	534 ^d	334	173	150

^a As required, effective January 1, 2001, the Portfolio has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on debt securities. In addition, paydowns on mortgage-backed securities which were included in realized gain/loss on investment transactions prior to January 1, 2001 are included as interest income. The effect of this change for the year ended December 31, 2001 was to decrease net investment income per share by \$.08, increase net realized and unrealized gains and losses per share by \$.08 and decrease the ratio of net investment income to average net assets from 5.67% to 5.06%. Per share, ratios and supplemental data for periods prior to January 1, 2001 have not been restated to reflect this change in presentation.

^b On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly.

^c Based on average shares outstanding during the period.

^d The portfolio turnover rate including mortgage dollar roll transactions was 536% and 651% for the years ended December 31, 2003 and December 31, 2002, respectively.

Class B

Years Ended December 31,	2003	2002 ^a
Selected Per Share Data		
Net asset value, beginning of period	\$ 12.82	\$ 12.36
<i>Income from investment operations:</i>		
Net investment income ^b	.27	.31
Net realized and unrealized gain (loss) on investment transactions	(.04)	.15
Total from investment operations	.23	.46
<i>Less distributions from:</i>		
Net investment income	(.32)	—
Net realized gains on investment transactions	(.22)	—
Total distributions	(.54)	—
Net asset value, end of period	\$ 12.51	\$ 12.82
Total Return (%)	1.83	3.72 ^{**}

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	38	3
Ratio of expenses (%)	.98	.84*
Ratio of net investment income (loss) (%)	2.13	4.95*
Portfolio turnover rate (%)	511 ^c	534 ^c

^a For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

^b Based on average shares outstanding during the period.

^c The portfolio turnover rate including mortgage dollar roll transactions was 536% and 651% for the years ended December 31, 2003 and December 31, 2002, respectively.

* Annualized ** Not annualized

Scudder Growth Portfolio

Positive economic news, better-than-expected corporate earnings, accommodative monetary policy and significant fiscal stimulus combined to create a vastly improved environment in 2003 which sent equity markets sharply higher. Scudder Growth Portfolio posted a strong positive total return of 24.71% (Class A shares, unadjusted for contract charges). However, during a period in which smaller and lower-quality companies generally produced the best returns, our focus on larger, higher-quality companies caused the portfolio to trail the 29.75% return of its benchmark, the Russell 1000 Growth Index. The unmanaged index measures the performance of large companies with greater-than-average growth orientation compared with the overall market. The majority of last year's relative underperformance was a result of disappointing stock selection, though sector allocation had a marginally negative impact as well. Please see the following page for standardized performance as of December 31, 2003.

Positioning within the information technology sector added to the year's performance from both a sector allocation and security selection perspective. In fact, the five largest contributors to the portfolio's 2003 return were all technology stocks. As with most highly cyclical sectors, technology companies made a strong showing last year. Therefore, the portfolio's overweight position within the sector was rewarded. Particular strength was visible in the semiconductor and computer/peripherals industries, as holdings Analog Devices, Inc. and EMC Corp. gained 91% and 110%, respectively.

The retail side of the consumer discretionary sector, however, proved to be a drag on performance. Longtime holding Kohl's Corp. declined nearly 20% last year after reporting disappointing same-store sales and earnings.

Finally, the portfolio's overweight position in energy detracted from annual performance. However, we are comfortable with this allocation, as we believe long-term growth opportunities exist in the sector, specifically in the energy equipment and services industry.

Julie M. Van Cleave
Jack A. Zehner
Thomas J. Schmid

Co-Managers

Deutsche Investment Management Americas Inc.

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

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

The Russell 1000 Growth Index is an unmanaged index that measures the performance of large companies with greater-than-average growth orientation compared with the overall market. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of December 31, 2003, and may not come to pass. This information is subject to change at any time based on market and other conditions.

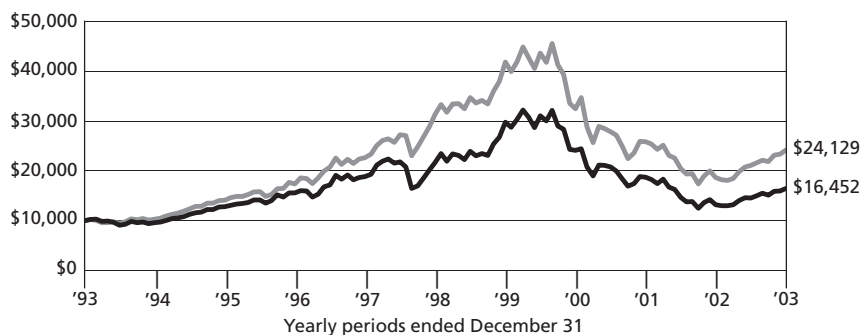
Scudder Growth Portfolio

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

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

Growth of an Assumed \$10,000 Investment in Scudder Growth Portfolio from 12/31/1993 to 12/31/2003

- Scudder Growth Portfolio — Class A
- Russell 1000 Growth Index



The Russell 1000 Growth Index is an unmanaged index composed of common stock of larger US companies with higher price-to-book ratios and higher forecasted growth values. Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

Scudder Growth Portfolio		1-Year	3-Year	5-Year	10-Year
Class A	Growth of \$10,000	\$12,471	\$6,837	\$7,588	\$16,452
	Average annual total return	24.71%	-11.90%	-5.37%	5.10%
Russell 1000 Growth Index					
	Growth of \$10,000	\$12,975	\$7,446	\$7,692	\$24,129
	Average annual total return	29.75%	-9.36%	-5.11%	9.21%
Scudder Growth Portfolio		1-Year	Life of Class*		
Class B	Growth of \$10,000	\$12,428	\$11,490		
	Average annual total return	24.28%	9.70%		
Russell 1000 Growth Index					
	Growth of \$10,000	\$12,975	\$11,811		
	Average annual total return	29.75%	11.73%		

The growth of \$10,000 is cumulative.

* The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.

Information concerning portfolio holdings of the Portfolio as of a month end is available upon request no earlier than 15 days after the month end. Please call 1-800-778-1482.

Scudder Growth Portfolio

	Shares	Value (\$)		Shares	Value (\$)
Common Stocks 98.8%					
Consumer Discretionary 15.4%					
Automobiles 1.5%					
Harley-Davidson, Inc.	99,700	4,738,741			
Hotel Restaurants & Leisure 2.3%					
Brinker International, Inc.*	61,800	2,049,288			
International Game Technology	152,700	5,451,390			
		7,500,678			
Media 6.4%					
Clear Channel Communications, Inc.	76,850	3,598,886			
Comcast Corp. "A"*	128,100	4,006,968			
New York Times Co. "A"	59,200	2,829,168			
Omnicom Group, Inc.	60,640	5,295,691			
Viacom, Inc. "B"	111,030	4,927,511			
		20,658,224			
Multiline Retail 2.4%					
Kohl's Corp.*	61,400	2,759,316			
Target Corp.	129,000	4,953,600			
		7,712,916			
Specialty Retail 2.8%					
Bed Bath & Beyond, Inc.*	50,900	2,206,515			
Home Depot, Inc.	44,200	1,568,658			
Lowe's Companies, Inc.	30,100	1,667,239			
Staples, Inc.*	123,500	3,371,550			
		8,813,962			
Consumer Staples 11.8%					
Beverages 2.9%					
Anheuser-Busch Companies, Inc.	55,900	2,944,812			
PepsiCo, Inc.	134,650	6,277,383			
		9,222,195			
Food & Drug Retailing 4.4%					
Wal-Mart Stores, Inc.	179,290	9,511,335			
Walgreen Co.	126,500	4,602,070			
		14,113,405			
Food Products 0.8%					
General Mills, Inc.	59,600	2,699,880			
Household Products 3.7%					
Colgate-Palmolive Co.	101,640	5,087,082			
Procter & Gamble Co.	66,400	6,632,032			
		11,719,114			
Energy 5.2%					
Energy Equipment & Services 2.9%					
Baker Hughes, Inc.	88,600	2,849,376			
Nabors Industries Ltd.*	67,900	2,817,850			
Noble Corp.*	49,600	1,774,688			
Schlumberger Ltd.	31,100	1,701,792			
		9,143,706			
Oil & Gas 2.3%					
Devon Energy Corp.	77,100	4,414,746			
EOG Resources, Inc.	67,200	3,102,624			
		7,517,370			
Financials 8.1%					
Banks 1.0%					
Fifth Third Bancorp.	52,900	3,126,390			
Consumer Finance 0.8%					
American Express Co.	51,800	2,498,314			
Diversified Financial Services 5.0%					
Citigroup, Inc.	96,200	4,669,548			
Fannie Mae	35,600	2,672,136			
Goldman Sachs Group, Inc.	8,100	799,713			
Lehman Brothers Holdings, Inc.	49,900	3,853,278			
Morgan Stanley	71,100	4,114,557			
		16,109,232			
Insurance 1.3%					
AFLAC, Inc.	22,400	810,432			
American International Group, Inc.	48,410	3,208,615			
		4,019,047			
Health Care 19.7%					
Biotechnology 2.8%					
Amgen, Inc.*	116,600	7,205,880			
Biogen Idec, Inc.*	44,900	1,651,422			
		8,857,302			
Health Care Equipment & Supplies 5.4%					
Baxter International, Inc.	99,900	3,048,948			
Boston Scientific Corp.*	48,600	1,786,536			
Medtronic, Inc.	154,700	7,519,967			
Zimmer Holdings, Inc.*	69,000	4,857,600			
		17,213,051			
Health Care Providers & Services 0.8%					
UnitedHealth Group, Inc.	46,400	2,699,552			
Pharmaceuticals 10.7%					
Johnson & Johnson	207,986	10,744,557			
Merck & Co., Inc.	54,400	2,513,280			
Pfizer, Inc.	472,102	16,679,363			
Teva Pharmaceutical Industries Ltd. (ADR)	73,800	4,185,198			
		34,122,398			
Industrials 7.7%					
Aerospace & Defense 2.3%					
United Technologies Corp.	79,600	7,543,692			
Air Freight & Logistics 0.9%					
FedEx Corp.	43,700	2,949,750			
Industrial Conglomerates 4.5%					
3M Co.	39,100	3,324,673			
General Electric Co.	353,840	10,961,963			
		14,286,636			
Information Technology 30.1%					
Communications Equipment 3.9%					
Cisco Systems, Inc.*	513,920	12,483,117			
Computers & Peripherals 4.3%					
Dell, Inc.*	63,800	2,166,648			
EMC Corp.*	517,500	6,686,100			

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

	Shares	Value (\$)		Shares	Value (\$)
International Business Machines Corp.	52,800	4,893,504	Symantec Corp.*	46,800	1,621,620
		<u>13,746,252</u>	VERITAS Software Corp.*	121,700	4,522,372
IT Consulting & Services 1.9%					<u>30,454,969</u>
Fiserv, Inc.*	90,900	3,591,459	Materials 0.8%		
Paychex, Inc.	68,700	2,555,640	Chemicals 0.8%		
		<u>6,147,099</u>	Ecolab, Inc.	89,900	2,460,563
Semiconductors & Semiconductor Equipment 10.5%			Total Common Stocks (Cost \$261,109,817)		316,195,477
Analog Devices, Inc.	123,200	5,624,080			
Applied Materials, Inc.*	285,560	6,410,822	Other 0.4%		
Intel Corp.	346,940	11,171,468	IShares Nasdaq Biotechnology Index* (Cost \$1,553,737)	19,500	1,403,025
Linear Technology Corp.	96,230	4,048,396			
Texas Instruments, Inc.	118,500	3,481,530	Cash Equivalents 0.8%		
Xilinx, Inc.*	74,900	2,901,626	Scudder Cash Management QP Trust, 1.11% (b) (Cost \$2,622,981)	2,622,981	2,622,981
		<u>33,637,922</u>	Total Investment Portfolio — 100.0% (Cost \$265,286,535) (a)		320,221,483
Software 9.5%					
BEA Systems, Inc.*	122,400	1,505,520			
Electronic Arts, Inc.*	89,500	4,276,310			
Microsoft Corp.	579,680	15,964,387			
Oracle Corp.*	194,300	2,564,760			

Notes to Scudder Growth Portfolio of Investments

* Non-income producing security.

- (a) The cost for federal income tax purposes was \$266,982,287. At December 31, 2003, net unrealized appreciation for all securities based on tax cost was \$53,239,196. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$58,475,989 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$5,236,793.
- (b) Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.

Financial Statements

Statement of Assets and Liabilities as of December 31, 2003

Assets

Investments:	
Investments in securities, at value (cost \$262,663,554)	\$ 317,598,502
Investment in Scudder Cash Management QP Trust (cost \$2,622,981)	2,622,981
Total investments in securities, at value (cost \$265,286,535)	320,221,483
Dividends receivable	259,827
Interest receivable	3,003
Receivable for Portfolio shares sold	126,840
Other assets	8,397
Total assets	320,619,550

Liabilities

Payable for Portfolio shares redeemed	182,215
Accrued management fee	160,625
Other accrued expenses and payables	65,350
Total liabilities	408,190
Net assets, at value	\$ 320,211,360

Net Assets

Net assets consist of:	
Undistributed net investment income	702,179
Net unrealized appreciation (depreciation) on investments	54,934,948
Accumulated net realized gain (loss)	(160,256,586)
Paid-in capital	424,830,819
Net assets, at value	\$ 320,211,360

Class A

Net Asset Value , offering and redemption price per share (\$313,308,283 ÷ 16,929,119 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 18.51
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Class B

Net Asset Value , offering and redemption price per share (\$6,903,077 ÷ 374,544 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 18.43
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Statement of Operations for the year ended December 31, 2003

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$3,955)	\$ 2,623,725
Interest — Scudder Cash Management QP Trust	68,112
Total Income	2,691,837
Expenses:	
Management fee	1,735,405
Custodian fees	17,237
Distribution service fees (Class B)	7,373
Record keeping fees (Class B)	4,133
Auditing	39,784
Legal	18,615
Trustees' fees and expenses	2,557
Reports to shareholders	16,764
Other	19,586
Total expenses, before expense reductions	1,861,454
Expense reductions	(43)
Total expenses, after expense reductions	1,861,411
Net investment income (loss)	830,426

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from investments	(12,111,531)
Net unrealized appreciation (depreciation) during the period on investments	78,050,590
Net gain (loss) on investment transactions	65,939,059
Net increase (decrease) in net assets resulting from operations	\$ 66,769,485

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2003	2002
Operations:		
Net investment income (loss)	\$ 830,426	\$ 252,479
Net realized gain (loss) on investment transactions	(12,111,531)	(51,145,776)
Net unrealized appreciation (depreciation) on investment transactions during the period	78,050,590	(66,147,811)
Net increase (decrease) in net assets resulting from operations	66,769,485	(117,041,108)
Distributions to shareholders from:		
Net investment income		
Class A	(328,128)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	46,556,451	17,458,661
Reinvestment of distributions	328,128	—
Cost of shares redeemed	(45,206,144)	(74,105,054)
Net increase (decrease) in net assets from Class A share transactions	1,678,435	(56,646,393)
Class B		
Proceeds from shares sold	6,505,025	135,924*
Cost of shares redeemed	(422,693)	(55)*
Net increase (decrease) in net assets from Class B share transactions	6,082,332	135,869
Increase (decrease) in net assets	74,202,124	(173,551,632)
Net assets at beginning of period	246,009,236	419,560,868
Net assets at end of period (including undistributed net investment income of \$702,179 and \$199,881, respectively)	\$ 320,211,360	\$ 246,009,236
Other Information		
Class A		
Shares outstanding at beginning of period	16,549,770	19,928,329
Shares sold	3,153,740	934,108
Shares issued to shareholders in reinvestment of distributions	22,156	—
Shares redeemed	(2,796,547)	(4,312,667)
Net increase (decrease) in Portfolio shares	379,349	(3,378,559)
Shares outstanding at end of period	16,929,119	16,549,770
Class B		
Shares outstanding at beginning of period	8,811	—
Shares sold	390,729	8,814*
Shares redeemed	(24,996)	(3)*
Net increase (decrease) in Portfolio shares	365,733	8,811
Shares outstanding at end of period	374,544	8,811

* For the period from July 1, 2002 (commencement of operations Class B shares) to December 31, 2002.

Financial Highlights

Class A

Years Ended December 31,	2003	2002	2001	2000 ^a	1999 ^a
Selected Per Share Data					
Net asset value, beginning of period	\$ 14.86	\$ 21.05	\$ 30.12	\$ 40.54	\$ 29.57
<i>Income (loss) from investment operations:</i>					
Net investment income (loss) ^b	.05	.01	.03	(.01)	(.01)
Net realized and unrealized gain (loss) on investment transactions	3.62	(6.20)	(6.75)	(6.81)	10.98
Total from investment operations	3.67	(6.19)	(6.72)	(6.82)	10.97
<i>Less distributions from:</i>					
Net investment income	(.02)	—	(.03)	—	—
Net realized gains on investment transactions	—	—	(2.31)	(3.60)	—
Return of capital	—	—	(.01)	—	—
Total distributions	(.02)	—	(2.35)	(3.60)	—
Net asset value, end of period	\$ 18.51	\$ 14.86	\$ 21.05	\$ 30.12	\$ 40.54
Total Return (%)	24.71	(29.41)	(22.34)	(19.06)	37.12

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	313	246	420	583	738
Ratio of expenses (%)	.64	.64	.63	.65	.66
Ratio of net investment income (loss) (%)	.29	.07	.13	(.03)	(.04)
Portfolio turnover rate (%)	26	38	73	65	87

^a On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly.

^b Based on average shares outstanding during the period.

Class B

Years Ended December 31,	2003	2002 ^a
Selected Per Share Data		
Net asset value, beginning of period	\$ 14.83	\$ 16.04
<i>Income (loss) from investment operations:</i>		
Net investment income (loss) ^b	(.03)	.06
Net realized and unrealized gain (loss) on investment transactions	3.63	(1.27)
Total from investment operations	3.60	(1.21)
Net asset value, end of period	\$ 18.43	\$ 14.83
Total Return (%)	24.28	(7.54)**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	7	.1
Ratio of expenses (%)	1.03	.88*
Ratio of net investment income (loss) (%)	(.10)	.80*
Portfolio turnover rate (%)	26	38

^a For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

^b Based on average shares outstanding during the period.

* Annualized

** Not annualized

Scudder High Income Portfolio

High-yield bonds delivered strong gains in 2003, capping the best year for the asset class since 1991. Returns were buoyed from more robust economic activity, improving fundamentals in the asset class and strong technical factors. In addition, high-yield companies showed improved financial positions as a result of cost-cutting and deleveraging. Lower-quality, higher-risk market segments generally provided the best performance. The portfolio produced a strong total return of 24.62% (Class A shares, unadjusted for contract charges), but trailed the 27.94% return of its unmanaged benchmark, the CSFB High Yield Index. Please see the following page for standardized performance as of December 31, 2003.

Early in the period, the portfolio had been positioned more conservatively due to our concerns regarding weak economic fundamentals, uncertainty around the war with Iraq (and a potential oil price shock), and the potential for retaliatory terrorist attacks. As a result, the portfolio remained underweight in lower-tier securities early in the year, and on average, throughout the period, which was a performance detractor. Most notably, the portfolio was initially underweight in securities rated CCC/split CCC and below — one of the top-performing credit-quality segments. However, as the year progressed our bottom-up analysis led us to take a larger position in the B-rated and CCC/split CCC-rated credit quality segments, which benefited performance in the later half of the year. On a sector basis, results were held back by an underweight position in some of the higher-beta industries that performed well during the year, including airline, utilities and cable/wireless video sectors. Among individual securities, positions in Tyco International, Ltd., Qwest Services Corp. and Georgia-Pacific Corp. aided returns. (Tyco International, Ltd. was no longer in the portfolio as of 12/31/03.)

Andrew P. Cestone

Manager

Deutsche Investment Management Americas Inc.

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

Investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation, political and economic changes and market risks. Additionally, the portfolio may invest in lower-quality and nonrated securities which present greater risk of loss of principal and interest than higher-quality securities. All of these factors may result in greater share price volatility. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

Credit quality ratings cited are the ratings of Moody's Investors Service, Inc. (Moody's) and Standard & Poor's Corporation (S&P), which represent these companies' opinions as to the quality of the securities they rate. Ratings are relative and subjective and are not absolute standards of quality. The portfolio's credit quality does not remove market risk.

CSFB High Yield Index is an unmanaged trader-priced portfolio constructed to mirror the global high-yield debt market. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of December 31, 2003, and may not come to pass. This information is subject to change at any time based on market and other conditions.

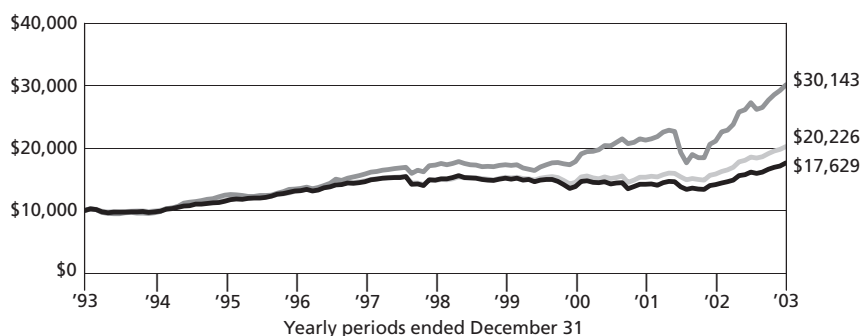
Scudder High Income Portfolio

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Investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation, political and economic changes and market risks. Additionally, the Portfolio may invest in lower-quality and nonrated securities which present greater risk of loss of principal and interest than higher-quality securities. All of these factors may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

Growth of an Assumed \$10,000 Investment in Scudder High Income Portfolio from 12/31/1993 to 12/31/2003

- Scudder High Income Portfolio — Class A
- Citigroup Long-Term High Yield Bond Index
- CSFB High Yield Index



The Citigroup Long-Term High Yield Bond Index (formerly known as Salomon Smith Barney 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 CSFB High Yield Index is an unmanaged index that is market-weighted, including publicly traded bonds having a rating below BBB by Standard & Poor's and Moody's.

Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

Scudder High Income Portfolio		1-Year	3-Year	5-Year	10-Year
Class A	Growth of \$10,000	\$12,462	\$12,751	\$11,895	\$17,629
	Average annual total return	24.62%	8.44%	3.53%	5.83%
Citigroup Long-Term High Yield Bond Index	Growth of \$10,000	\$14,298	\$16,928	\$17,459	\$30,143
	Average annual total return	42.98%	19.18%	11.79%	11.67%
CSFB High Yield Index	Growth of \$10,000	\$12,794	\$13,956	\$13,663	\$20,226
	Average annual total return	27.94%	11.75%	6.44%	7.30%
Scudder High Income Portfolio		1-Year	Life of Class*		
Class B	Growth of \$10,000	\$12,414	\$12,724		
	Average annual total return	24.14%	17.42%		
Citigroup Long-Term High Yield Bond Index	Growth of \$10,000	\$14,298	\$15,636		
	Average annual total return	42.98%	35.27%		
CSFB High Yield Index	Growth of \$10,000	\$12,794	\$13,170		
	Average annual total return	27.94%	20.46%		

The growth of \$10,000 is cumulative.

* The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.

Effective 10/7/2002 the Portfolio changed its investment objective.

Information concerning portfolio holdings of the Portfolio as of a month end is available upon request no earlier than 15 days after the month end. Please call 1-800-778-1482.

Scudder High Income Portfolio

	Principal Amount (\$)(c)	Value (\$)		Principal Amount (\$)(c)	Value (\$)
Corporate Bonds 83.7%					
Consumer Discretionary 22.8%					
Adelphia Communications Corp.:			Herbst Gaming, Inc., 10.75%, 9/1/2008	2,868,000	3,226,500
8.125%, 7/15/2003*	190,000	176,700	Imperial Home Decor Group, Inc., Series B, 11.0%, 3/15/2008*	1,050,000	0
Series A, 10.25%, 6/15/2011*	275,000	259,875	Inn of the Mountain Gods, 144A, 12.0%, 11/15/2010	960,000	1,020,000
Advantica Restaurant Co.:			Interep National Radio Sales, Inc., 10.0%, 7/1/2008	1,575,000	1,393,875
11.25%, 1/15/2008	784,706	541,447	International Game Technology, 8.375%, 5/15/2009	1,220,000	1,460,411
12.75%, 9/30/2007	705,000	726,150	Intrawest Corp., 10.5%, 2/1/2010	1,340,000	1,480,700
American Achieve Corp., 11.625%, 1/1/2007	1,285,000	1,413,500	J.C. Penney Co., Inc., 6.875%, 10/15/2015	545,000	572,931
American Lawyer Media, Inc., Series B, 9.75%, 12/15/2007	1,710,000	1,624,500	Jacobs Entertainment Co., 11.875%, 2/1/2009	895,000	1,002,400
Bally Total Fitness Holdings, 144A, 10.5%, 7/15/2011	1,100,000	1,105,500	Jefra Cosmetics International, Inc., 10.75%, 5/15/2011	1,660,000	1,821,850
Boca Resorts, Inc., 9.875%, 4/15/2009	1,965,000	2,092,725	Kellwood Co., 7.625%, 10/15/2017	595,000	626,238
Buffets, Inc., 11.25%, 7/15/2010	1,555,000	1,667,737	Keystone Automotive Operation, 144A, 9.75%, 11/1/2013	570,000	612,750
Carrols Corp., 9.5%, 12/1/2008	580,000	588,700	Krystal, Inc., 10.25%, 10/1/2007	830,000	834,150
Central Garden & Pet Co., 9.125%, 2/1/2013	515,000	571,650	Laidlaw International, Inc., 144A, 10.75%, 6/15/2011	1,200,000	1,356,000
Charter Communications Holdings LLC:			Lin Television Corp., 144A, 6.5%, 5/15/2013	485,000	485,606
9.625%, 11/15/2009	3,070,000	2,701,600	Mediacom LLC, 7.875%, 2/15/2011	840,000	840,000
144A, 10.25%, 9/15/2010	2,395,000	2,514,750	Meritage Corp., 9.75%, 6/1/2011	355,000	396,713
Step-up Coupon, 0% to 1/15/2006, 13.5% to 1/15/2011	1,200,000	894,000	Mortons Restaurant Group, 144A, 7.5%, 7/1/2010	385,000	361,900
Choctaw Resort Development Enterprises, 9.25%, 4/1/2009	1,335,000	1,448,475	Norcraft Co./Finance, 144A, 9.0%, 11/1/2011	505,000	545,400
Cinemark USA, Inc., 8.5%, 8/1/2008	910,000	947,538	Old Evangeline Downs, 13.0%, 3/1/2010	510,000	548,250
Circus & Eldorado, 10.125%, 3/1/2012	1,360,000	1,411,000	Penn National Gaming, Inc.:		
CKE Restaurants, Inc., 9.125%, 5/1/2009	495,000	507,375	144A, 6.875%, 12/1/2011	150,000	148,500
Collins & Aikman Corp., 11.5%, 4/15/2006	100,000	92,000	8.875%, 3/15/2010	355,000	385,175
CSC Holdings, Inc.:			Petro Stopping Centers, 10.5%, 2/1/2007	3,480,000	3,532,200
7.25%, 7/15/2008	580,000	603,200	PRIMEDIA, Inc.:		
7.875%, 12/15/2007	1,095,000	1,155,225	7.625%, 4/1/2008	855,000	863,550
Dex Media East LLC/Financial, 12.125%, 11/15/2012	4,425,000	5,442,750	8.875%, 5/15/2011	795,000	838,725
Dex Media West LLC/Finance Co., 144A, 9.875%, 8/15/2013	1,145,000	1,331,062	Remington Arms Co., 10.5%, 2/1/2011	1,705,000	1,815,825
Dex Media, Inc., 144A, 8.0%, 11/15/2013	305,000	320,250	Renaissance Media Group, 10.0% to 4/15/2008	1,640,000	1,695,350
DIMON, Inc.:			Rent-Way, Inc., 144A, 11.875%, 6/15/2010	480,000	535,200
144A, 7.75%, 6/1/2013	650,000	669,500	Restaurant Co., 11.25%, 5/15/2008	1,163,933	1,175,572
Series B, 9.625%, 10/15/2011	2,440,000	2,720,600	Rite Aid Corp.:		
Dyersburg Corp., Series B, 9.75%, 9/1/2007*	1,260,000	126	144A, 6.125%, 12/15/2008	890,000	845,500
EchoStar DBS Corp., 144A, 6.375%, 10/1/2011	90,000	92,250	7.3%, 3/10/2019	1,324,181	1,198,384
El Pollo Loco, Inc., 144A, 9.25%, 12/15/2009	530,000	536,625	River Rock Entertainment, 144A, 9.75%, 11/1/2011	1,220,000	1,311,500
Eldorado Resorts LLC, 10.5%, 8/15/2006	1,714,000	1,731,140	Samsonite Corp., 10.75%, 6/15/2008	2,565,000	2,654,775
Finlay Fine Jewelry Corp., 8.375%, 5/1/2008	945,000	978,075	Schuler Homes, Inc., 10.5%, 7/15/2011	1,600,000	1,856,000
General Motors Corp., 8.25%, 7/15/2023	1,015,000	1,152,440	Scientific Games Corp., 12.5%, 8/15/2010	609,000	720,143
Group 1 Automotive, Inc., 144A, 8.25%, 8/15/2013	940,000	1,005,800	Sealy Mattress Co., Series B, 9.875%, 12/15/2007	845,000	874,575
			Simmons Co., 144A, 7.875%, 1/15/2014	1,375,000	1,381,875

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

	Principal Amount \$(c)	Value (\$)		Principal Amount \$(c)	Value (\$)
Sinclair Broadcast Group, Inc.:			Coastal Corp., 6.5%, 6/1/2008	1,240,000	1,126,850
8.0%, 3/15/2012	2,405,000	2,597,400	Continental Resources, Inc., 10.25%, 8/1/2008	2,035,000	2,045,175
8.75%, 12/15/2011	1,160,000	1,287,600	Dynegey Holdings, Inc., 144A, 9.875%, 7/15/2010	390,000	438,750
Six Flags, Inc.:			Edison Mission Energy:		
8.875%, 2/1/2010	2,285,000	2,344,981	Series B, 3.14%, 12/15/2004	238,000	233,240
9.5%, 2/1/2009	635,000	665,163	Series C, 3.14%, 12/15/2004	100,000	98,000
Sonic Automotive, Inc.:			Series A, 3.39%, 12/15/2003	238,000	233,240
8.625%, 8/15/2013	1,550,000	1,635,250	7.73%, 6/15/2009	4,500,000	4,286,250
144A, 8.625%, 8/15/2013	415,000	437,825	El Paso Corp., 7.375%, 12/15/2012	990,000	910,800
Telenet Group Holding NV, 144A, Step-Up Coupon, 0% to 12/15/2008, 11.50% to 6/15/2014	3,015,000	1,899,450	Gulfterra Energy Partner, 144A, 6.25%, 6/1/2010	315,000	327,600
Transwestern Publishing, Series F, 9.625%, 11/15/2007	2,595,000	2,685,825	Hanover Compressor Co., 8.625%, 12/15/2010*	1,085,000	1,128,400
Trump Holdings & Funding, 11.625%, 3/15/2010	1,505,000	1,441,037	Hanover Equipment Trust, Zero Coupon, 3/31/2007	565,000	415,275
Venetian Casino Resort LLC, 144A, 11.0%, 6/15/2010	695,000	806,200	Lone Star Technologies, Inc., Series B, 9.0%, 6/1/2011	1,485,000	1,470,150
Wheeling Island Gaming, Inc., 10.125%, 12/15/2009	1,540,000	1,632,400	Mission Energy Holding, 13.5%, 7/15/2008	910,000	891,800
Williams Scotsman, Inc., 9.875%, 6/1/2007	1,345,000	1,361,812	Newpark Resources, Inc., 8.625%, 12/15/2007	1,150,000	1,190,250
Worldspan LP/ WS Finance Corp., 144A, 9.625%, 6/15/2011	1,090,000	1,122,700	On Semiconductor Corp., 13.0%, 5/15/2008	1,450,000	1,685,625
XM Satellite Radio, Inc., Step-up Coupon, 0% to 12/31/2005, 14% to 12/31/2009	1,110,000	992,063	Parker Drilling Co.:		
Young Broadcasting, Inc., 144A, 8.75%, 1/15/2014	310,000	313,875	144A, 9.625%, 10/1/2013	740,000	769,600
		100,666,369	Series B, 10.125%, 11/15/2009	2,075,000	2,199,500
Consumer Staples 2.7%			Pioneer Natural Resources Co., 9.625%, 4/1/2010	2,285,000	2,843,500
Agrilink Foods, Inc., 11.875%, 11/1/2008	573,000	608,813	Southern Natural Gas, 8.875%, 3/15/2010	915,000	1,029,375
Aurora Foods, Inc.:			Stone Energy Corp., 8.25%, 12/15/2011	1,805,000	1,967,450
8.75%, 7/1/2008*	170,000	132,600	Trico Marine Services, Inc., 8.875%, 5/15/2012	1,200,000	876,000
9.875%, 2/15/2007*	290,000	229,100	Westport Resources Corp., 8.25%, 11/1/2011	1,165,000	1,281,500
Elizabeth Arden, Inc., Series B, 11.75%, 2/1/2011	1,484,000	1,765,960	Williams Cos., Inc.:		
General Nutrition Center, 144A, 8.5%, 12/1/2010	580,000	594,500	1.0%, 3/15/2012	195,000	216,450
Jostens Holding Corp., 144A, Step-Up Coupon, 0% to 12/1/2008, 10.25% to 12/1/2013	1,110,000	696,525	8.75%, 3/15/2032	615,000	694,950
Michael Foods, Inc., Series B, 144A, 8.0%, 11/15/2013	825,000	860,062	Williams Holdings of Delaware, Inc., 6.5%, 12/1/2008	835,000	863,181
National Beef Pack, 144A, 10.5%, 8/1/2011	580,000	597,400	Wiser Oil Co., 9.5%, 5/15/2007	1,185,000	1,173,150
Pilgrim's Pride Corp., 9.625%, 9/15/2011	780,000	858,000			38,327,111
Pinnacle Foods Holding Corp., 8.25%, 12/1/2013	950,000	983,250	Financials 8.2%		
PPC Escrow Corp., 144A, 9.25%, 11/15/2013	390,000	403,650	Ahold Finance USA, Inc., 6.25%, 5/1/2009	2,115,000	2,120,287
Salton, Inc., 10.75%, 12/15/2005	585,000	596,700	Alamosa Delaware, Inc., Step-Up Coupon, 0% to 7/31/2005, 12.0% to 7/31/2009	115,000	103,500
Stater Brothers Holdings, Inc., 10.75%, 8/15/2006	2,500,000	2,634,375	AmeriCredit Corp.:		
United Agri Products, 144A, 8.25%, 12/15/2011	695,000	714,113	9.25%, 5/1/2009	2,250,000	2,362,500
		11,675,048	9.875%, 4/15/2006	1,700,000	1,785,000
Energy 8.7%			CBRE Escrow, Inc., 144A, 9.75%, 5/15/2010	1,040,000	1,154,400
Avista Corp., 9.75%, 6/1/2008	3,175,000	3,778,250	Couche-Tard US/ Finance, 144A, 7.5%, 12/15/2013	515,000	539,463
Citgo Petroleum Corp., 11.375%, 2/1/2011	3,580,000	4,152,800	Dollar Financial Group, Inc., 144A, 9.75%, 11/15/2011	1,205,000	1,247,175
			Farmers Insurance Exchange, 144A, 8.625%, 5/1/2024	1,595,000	1,666,775
			Ford Motor Credit Co., 7.0%, 10/1/2013	285,000	300,584

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

	Principal Amount (\$)(c)	Value (\$)		Principal Amount (\$)(c)	Value (\$)
FRD Acquisition Co., Series B, 12.5%, 7/15/2004*	210,000	0	Argo-Tech Corp., 8.625%, 10/1/2007	1,225,000	1,194,375
General Motors Acceptance Corp., 6.875%, 9/15/2011	175,000	188,497	Atrium Companies, Inc.:		
Global Exchange Services, Inc., LIBOR plus 9.0%***, 12.0%, 7/15/2008	1,170,000	1,111,500	10.5%, 5/1/2009	145,000	155,150
IOS Capital LLC, 7.25%, 6/30/2008	1,225,000	1,304,625	144A, 10.5%, 5/1/2009	470,000	502,900
iStar Financial, Inc.:			AutoNation, Inc., 9.0%, 8/1/2008	685,000	786,038
6.0%, 12/15/2010	680,000	693,600	Avondale Mills, Inc., 144A, 10.25%, 7/1/2013	1,730,000	1,089,900
6.5%, 12/15/2013	385,000	392,700	Browning-Ferris Industries:		
Kraton Polymers LLC, 144A, 8.125%, 1/15/2014	295,000	306,800	7.4%, 9/15/2035	765,000	724,837
LaBranche & Co., Inc., 12.0%, 3/2/2007	610,000	616,100	9.25%, 5/1/2021	280,000	309,750
PEI Holding, Inc., 11.0%, 3/15/2010	970,000	1,125,200	Collins & Aikman Floor Cover, Series B, 9.75%, 2/15/2010	1,365,000	1,460,550
Poster Financial Group, 144A, 8.75%, 12/1/2011	390,000	412,425	Collins & Aikman Products, 10.75%, 12/31/2011	2,045,000	2,009,212
Pxre Capital Trust I, 8.85%, 2/1/2027	820,000	756,450	Congoleum Corp., 8.625%, 8/1/2008*	520,000	317,200
Qwest Capital Funding, Inc.:			Continental Airlines, Inc., 8.0%, 12/15/2005	655,000	636,988
6.5%, 11/15/2018	310,000	272,800	Corrections Corp. of America, 9.875%, 5/1/2009	1,500,000	1,674,375
7.75%, 2/15/2031	730,000	671,600	CP Ships Ltd., 10.375%, 7/15/2012	1,610,000	1,867,600
R.H. Donnelly Finance Corp.:			Dana Corp., 7.0%, 3/1/2029	1,750,000	1,739,062
10.875%, 12/15/2012	715,000	848,169	DeCrane Aircraft Holdings, Inc., Series B, 12.0%, 9/30/2008	1,160,000	591,600
144A, 10.875%, 12/15/2012	970,000	1,150,662	Delta Air Lines, Inc.:		
Thornburg Mortgage, Inc., 8.0%, 5/15/2013	575,000	603,750	7.7%, 12/15/2005	1,180,000	1,113,625
Trac-X North America, 144A, 6.05%, 3/25/2009	12,000,000	12,285,000	7.9%, 12/15/2009	505,000	408,419
Universal City Development, 11.75%, 4/1/2010	895,000	1,047,150	Eagle-Picher, Inc., 144A, 9.75%, 9/1/2013	775,000	837,000
US West Communications, Inc., 7.25%, 10/15/2035	445,000	442,775	Equistar Chemicals LP, 144A, 10.625%, 5/1/2011	115,000	127,075
WMC Finance Co., 144A, 11.75%, 12/15/2008	765,000	763,087	Evergreen International Aviation, 144A, 12.0%, 5/15/2010	1,015,000	843,719
		36,272,574	Golden State Petroleum Transportation, 8.04%, 2/1/2019	770,000	749,148
Health Care 2.7%			GS Technologies, 12.0%, 9/1/2004*	315,268	1,576
AmerisourceBergen Corp., 7.25%, 11/15/2012	1,430,000	1,540,825	Hercules, Inc., 11.125%, 11/15/2007	2,589,000	3,100,327
Biovail Corp., 7.875%, 4/1/2010	1,275,000	1,300,500	Hornbeck Offshore Services, Inc., 10.625%, 8/1/2008	1,020,000	1,127,100
Genesis Healthcare Corp., 144A, 8.0%, 10/15/2013	435,000	453,488	ISP Chemco, Inc., Series B, 10.25%, 7/1/2011	1,055,000	1,186,875
HEALTHSOUTH Corp., 7.625%, 6/1/2012*	1,330,000	1,243,550	ISP Holdings, Inc., Series B, 10.625%, 12/15/2009	550,000	605,000
HMP Equity Holdings Corp., 144A, Zero Coupon, 5/15/2008	1,120,000	683,200	Kansas City Southern:		
Neighbore, Inc., 144A, 6.875%, 11/15/2013	485,000	493,487	7.5%, 6/15/2009	360,000	369,000
Norcross Safety Products, 144A, 9.875%, 8/15/2011	720,000	790,200	9.5%, 10/1/2008	1,300,000	1,443,000
Tenet Healthcare Corp.:			Metaldyne Corp., 144A, 10.0%, 11/1/2013	1,125,000	1,136,250
6.375%, 12/1/2011	3,425,000	3,288,000	Millennium America, Inc.:		
7.375%, 2/1/2013	2,190,000	2,200,950	7.625%, 11/15/2026	1,315,000	1,222,950
		11,994,200	9.25%, 6/15/2008	3,920,000	4,272,800
Industrials 12.2%			144A, 9.25%, 6/15/2008	965,000	1,051,850
Aavid Thermal Technologies, Inc., 12.75%, 2/1/2007	760,000	760,000	Mobile Mini, Inc., 144A, 9.5%, 7/1/2013	1,045,000	1,149,500
Allied Waste North America, Inc.:			Motors and Gears, Inc., 10.75%, 11/15/2006	1,030,000	875,500
Series B, 8.5%, 12/1/2008	780,000	867,750	Nortek Holdings, Inc., 144A, Step-Up Coupon, 0% to 11/15/2007, 10% to 5/15/2011	205,000	148,113
Series B, 8.875%, 4/1/2008	1,235,000	1,383,200	Overseas Shipholding Group, 8.75%, 12/1/2013	495,000	542,644
AMI Semiconductor, Inc., 10.75%, 2/1/2013	523,000	623,678	Plainwell, Inc., Series B, 11.0%, 3/1/2008*	4,445,000	266,700
Amsted Industries, Inc., 144A, 10.25%, 10/15/2011	1,005,000	1,110,525	Quintiles Transnational Corp., 144A, 10.0%, 10/1/2013	1,000,000	1,080,000

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

	Principal Amount (\$)(c)	Value (\$)		Principal Amount (\$)(c)	Value (\$)
Republic Engineered Products LLC, 10.0%, 8/16/2009*	530,823	217,637	Hexcel Corp., 144A, 9.75%, 1/15/2009	600,000	628,500
Resolution Performance Products LLC, 13.5%, 11/15/2010	1,875,000	1,631,250	Huntsman Advanced Materials LLC, 144A, 11.0%, 7/15/2010	1,220,000	1,348,100
Seabulk International, Inc., 144A, 9.5%, 8/15/2013	1,330,000	1,383,200	Huntsman ICI Chemical, 10.125%, 7/1/2009	1,110,000	1,361,579
Ship Finance International Ltd., 144A, 8.5%, 12/15/2013	1,535,000	1,519,650	Huntsman International LLC, 144A, 11.625%, 10/15/2010	620,000	632,400
Tech Olympic USA, Inc., 10.375%, 7/1/2012	1,055,000	1,181,600	Huntsman Packaging Corp., 13.0%, 6/1/2010	85,000	77,775
Tenneco Automotive, Inc., 11.625%, 10/15/2009	1,260,000	1,360,800	IMC Global, Inc., 144A, 10.875%, 8/1/2013	2,225,000	2,436,375
The Brickman Group, Ltd., Series B, 11.75%, 12/15/2009	695,000	809,675	Neenah Corp.:		
Westlake Chemical Corp., 144A, 8.75%, 7/15/2011	1,795,000	1,965,525	144A, 11.0%, 9/30/2010	657,000	723,521
		53,532,198	144A, 13.0%, 9/30/2013	947,461	956,936
Information Technology 1.4%			Omnova Solutions, Inc., 144A, 11.25%, 6/1/2010	465,000	516,150
Activant Solutions, Inc., 10.5%, 6/15/2011	455,000	489,694	Owens-Brockway Glass Container, 8.25%, 5/15/2013	1,605,000	1,723,369
DigitalNet, Inc., 144A, 9.0%, 7/15/2010	592,000	640,840	Pliant Corp.:		
Lucent Technologies, Inc.:			11.125%, 9/1/2009	1,120,000	1,209,600
6.45%, 3/15/2029	1,815,000	1,427,044	13.0%, 6/1/2010	215,000	196,725
7.25%, 7/15/2006	1,190,000	1,207,850	Resolution Performance Products LLC, 144A, 8.0%, 12/15/2009	405,000	419,175
Mediacom Broadband LLC, 11.0%, 7/15/2013	685,000	768,912	Rockwood Specialties Corp., 144A, 10.625%, 5/15/2011	790,000	880,850
Stratus Technologies, Inc., 144A, 10.375%, 12/1/2008	405,000	429,806	Sweetheart Cup Co., Inc., 144A, 9.5%, 1/15/2007	510,000	512,550
Telex Communications, Inc., 144A, 11.5%, 10/15/2008	610,000	648,125	Tekni-Plex, Inc., 144A, 8.75%, 11/15/2013	820,000	854,850
ViaSystems, Inc., 144A, 10.5%, 1/15/2011	710,000	757,925	Texas Industries, Inc., 144A, 10.25%, 6/15/2011	695,000	785,350
		6,370,196	TriMas Corp., 9.875%, 6/15/2012	1,225,000	1,277,062
Materials 10.4%			United States Steel LLC, 9.75%, 5/15/2010	1,590,000	1,788,750
Aqua Chemical, Inc., 11.25%, 7/1/2008	760,000	608,000	US Can Corp., Series B, 12.375%, 10/1/2010	745,000	679,813
ARCO Chemical Co., 9.8%, 2/1/2020	4,235,000	4,256,175			45,707,568
Buckeye Technologies, Inc., 144A, 8.5%, 10/1/2013	145,000	155,150	Telecommunication Services 9.3%		
Caraustar Industries, Inc., 9.875%, 4/1/2011	1,625,000	1,755,000	ACC Escrow Corp., 144A, 10.0%, 8/1/2011	3,035,000	3,384,025
Cascades, Inc., 7.25%, 2/15/2013	960,000	1,012,800	Alamosa Delaware, Inc., 11.0%, 7/31/2010	120,000	130,200
Dan River, Inc., 144A, 12.75%, 4/15/2009	410,000	147,600	American Tower Corp.:		
Dayton Superior Corp.:			144A, 7.25%, 12/1/2011	305,000	310,337
144A, 10.75%, 9/15/2008	845,000	866,125	9.375%, 2/1/2009	2,205,000	2,348,325
13.0%, 6/15/2009	915,000	796,050	American Tower Escrow Corp., Zero Coupon, 8/1/2008	1,650,000	1,138,500
DIMAC Corp., 144A, 12.5%, 10/1/2008*	1,540,000	0	Cincinnati Bell, Inc., 144A, 8.375%, 1/15/2014	2,855,000	3,069,125
Equistar Chemicals LP, 8.75%, 2/15/2009	5,335,000	5,575,075	Crown Castle International Corp.:		
Euramax International PLC, 144A, 8.5%, 8/15/2011	870,000	928,725	144A, 7.5%, 12/1/2013	1,060,000	1,065,300
Fibermark, Inc., 10.75%, 4/15/2011	1,480,000	917,600	9.375%, 8/1/2011	1,405,000	1,559,550
Foamex LP, 10.75%, 4/1/2009	1,340,000	1,276,350	Dobson Communications Corp., 144A, 8.875%, 10/1/2013	1,830,000	1,852,875
Fonda Group, 9.5%, 3/1/2007	635,000	630,238	General Cable Corp., 144A, 9.5%, 11/15/2010	290,000	310,300
Georgia-Pacific Corp.:			Insight Midwest:		
7.375%, 12/1/2025	560,000	543,900	9.75%, 10/1/2009	1,005,000	1,062,787
7.7%, 6/15/2015	1,765,000	1,835,600	10.5%, 11/1/2010	770,000	837,375
144A, 8.0%, 1/15/2024	3,305,000	3,371,100	Insight Midwest LP, 144A, 10.5%, 11/1/2010	460,000	500,250
8.875%, 2/1/2010	135,000	153,900	LCI International, Inc., 7.25%, 6/15/2007	1,870,000	1,795,200
9.375%, 2/1/2013	1,625,000	1,868,750			

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

	Principal Amount (\$)(c)	Value (\$)
Level 3 Communications, Inc.:		
10.50%, 12/01/2008	685,000	645,613
11.0%, 3/15/2008	815,000	798,700
Level 3 Financing, Inc., 144A, 10.75%, 10/15/2011	1,005,000	1,062,788
Nextel Communications, Inc., 6.875%, 10/31/2013	200,000	211,500
Nextel Partners, Inc.:		
8.125%, 7/1/2011	1,795,000	1,911,675
11.0%, 3/15/2010	665,000	734,825
12.5%, 11/15/2009	106,000	122,960
Nortel Networks Corp.:		
6.125%, 2/15/2006	1,625,000	1,645,312
7.4%, 6/15/2006	705,000	731,438
Northern Telecom Capital, 7.875%, 6/15/2026	580,000	580,000
Qwest Services Corp.:		
5.625%, 11/15/2008	1,480,000	1,465,200
6.95%, 6/30/2010	1,000,000	1,028,250
144A, 13.5%, 12/15/2010	1,840,000	2,235,600
144A, 14.0%, 12/15/2014	2,353,000	2,994,192
Rural Cellular Corp., 144A, 9.875%, 2/1/2010	800,000	852,000
SBA Communications Corp., 144A, Step-Up Coupon, 0% to 12/15/2007, 9.75% to 12/15/2011	1,345,000	948,225
Shaw Communications, Inc., 8.25%, 4/11/2010	340,000	385,050
Tele Norte Leste Participacoes SA, 144A, 8.0%, 12/18/2013	200,000	196,500
Triton PCS, Inc., 8.5%, 6/1/2013	290,000	311,750
US West Communication, Inc., 7.25%, 9/15/2025	1,490,000	1,490,000
Western Wireless Corp., 9.25%, 7/15/2013	1,210,000	1,276,550
		40,992,277
Utilities 5.3%		
AES Corp., 144A, 9.0%, 5/15/2015	615,000	694,950
Calpine Corp.:		
8.5%, 2/15/2011	860,000	680,475
144A, 8.5%, 7/15/2010	5,000,000	4,875,000
CMS Energy Corp.:		
7.5%, 1/15/2009	1,935,000	1,993,050
144A, 7.75%, 8/1/2010	905,000	951,381
8.5%, 4/15/2011	2,450,000	2,646,000
El Paso Production Holding Corp., 144A, 7.75%, 6/1/2013	2,895,000	2,851,575
Illinova Corp., 11.5%, 12/15/2010	1,005,000	1,206,000
MSW Energy Holdings/Finance, 144A, 8.5%, 9/1/2010	390,000	425,100
NRG Energy, Inc., 144A, 8.0%, 12/15/2013	2,880,000	3,027,600
PG&E Corp., 144A, 6.875%, 7/15/2008	555,000	600,788
Sensus Metering Systems, 144A, 8.625%, 12/15/2013	715,000	733,769
Sonat, Inc., 7.625%, 7/15/2011	1,120,000	1,037,400
TNP Enterprises, Inc., Series B, 10.25%, 4/1/2010	1,595,000	1,738,550
		23,461,638
Total Corporate Bonds (Cost \$360,899,211)		368,999,179

Asset Backed 0.5%

Golden Tree High Yield Opportunities LP, "D1", Series 1, 144A, 13.054%, 10/31/2007 (Cost \$2,500,000)	2,500,000	2,296,000
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Foreign Bonds — US\$ Denominated 10.8%

Alestra SA de RL de CV, 8.0%, 6/30/2010	505,000	424,200
Antenna TV SA, 9.0%, 8/1/2007	810,000	811,013
Avecia Group PLC, 11.0%, 7/1/2009	1,410,000	1,269,000
Axtel SA, 144A, 11.0%, 12/15/2013	1,460,000	1,489,200
Burns, Philp & Co., Ltd.:		
144A, 9.75%, 7/15/2012	1,360,000	1,455,200
144A, 10.75%, 2/15/2011	115,000	125,350
Conproca SA de CV, 12.0%, 6/16/2010	920,000	1,182,200
Corp Durango SA, 144A, 13.75%, 7/15/2009*	695,000	417,000
Crown Euro Holdings SA, 10.875%, 3/1/2013	1,700,000	1,999,625
Dolphin Telecom PLC, Series B, Step-Up Coupon, 0% to 5/15/2004, 14.0% to 5/15/2009*	1,236,515	124
Eircom Funding, 8.25%, 8/15/2013	1,070,000	1,185,025
Embratel Participacoes SA, 144A, 11.0%, 12/15/2008	795,000	816,863
Esprit Telecom Group PLC:		
10.875%, 6/15/2008*	800,000	80
11.5%, 12/15/2007*	1,625,000	163
Fage Dairy Industry SA, 9.0%, 2/1/2007	2,118,000	2,163,007
Federal Republic of Brazil, C Bond, 8.0%, 4/15/2014	3,768,115	3,692,752
Gazprom OAO, 144A, 9.625%, 3/1/2013	1,475,000	1,626,187
Gerdau Ameristeel Corp., 144A, 10.375%, 7/15/2011	640,000	707,200
Grupo Iusacell SA de CV, Series B, 10.0%, 7/15/2004*	240,000	130,800
Innova S. de R.L.:		
144A, 9.375%, 9/19/2013	1,385,000	1,421,356
12.875%, 4/1/2007	228,144	232,137
LeGrand SA, 8.5%, 2/15/2025	910,000	961,187
Luscar Coal Ltd., 9.75%, 10/15/2011	890,000	1,007,925
Millicom International Cellular SA, 144A, 10.0%, 12/1/2013	1,930,000	2,036,150
Mobifon Holdings BV, 12.5%, 7/31/2010	1,545,000	1,784,475
Mobile Telesystems Financial SA, 144A, 8.375%, 10/14/2010	1,005,000	1,025,100
PTC International Finance II SA, 11.25%, 12/1/2009	665,000	731,500
Republic of Argentina:		
Series BGL4, 11.0%, 10/9/2006*	90,000	24,300
11.375%, 3/15/2010*	2,085,000	573,375
11.75%, 4/7/2009*	605,000	169,400
Series 2031, 12.0%, 6/19/2031*	376,300	93,134
12.375%, 2/21/2012*	820,000	221,400
Republic of Turkey, 11.0%, 1/14/2013	50,000	62,625
Republic of Uruguay, 7.875%, 1/15/2033	6,252	4,267

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

	Principal Amount (\$)(c)	Value (\$)
Republic of Venezuela, 9.25%, 9/15/2027	835,000	759,850
Royal Caribbean International, 7.5%, 10/15/2027	935,000	916,300
Stena AB:		
144A, 7.5%, 11/1/2013	735,000	757,050
9.625%, 12/1/2012	290,000	326,975
Tembec Industries, Inc., 8.5%, 2/1/2011	3,275,000	3,389,625
TFM SA de CV:		
10.25%, 6/15/2007	1,995,000	2,084,775
11.75%, 6/15/2009	2,170,000	2,229,675
12.5%, 6/15/2012	1,270,000	1,447,800
Ukraine Government, 144A, 7.65%, 6/11/2013	565,000	587,600
Vicap SA, 11.375%, 5/15/2007	1,305,000	1,278,900
Vitro SA de CV, Series A, 144A, 11.75%, 11/1/2013	1,000,000	970,000
Vivendi Universal SA:		
144A, 6.25%, 7/15/2008	605,000	640,544
144A, 9.25%, 4/15/2010	1,795,000	2,127,075
Yell Finance BV, Step-up Coupon, 0% to 8/1/2006, 13.5% to 8/1/2011	413,000	379,960
Total Foreign Bonds — US\$ Denominated (Cost \$48,567,572)		47,739,449

Foreign Bonds — Non US\$ Denominated 0.7%

Ispat Europe Group SA, 11.875%, 2/1/2011	EUR	2,135,000	2,565,173
Republic of Argentina:			
8.75%, 2/4/2049*	EUR	956,116	270,650
10.5%, 11/14/2049*	EUR	465,276	131,707
11.25%, 4/10/2006*	EUR	46,016	14,473
12.0%, 9/19/2016*	EUR	35,790	10,807
Total Foreign Bonds — Non US\$ Denominated (Cost \$2,623,961)			2,992,810

Convertible Bonds 1.2%

Aether Systems, 6.0%, 3/22/2005	375,000	368,437
Aristocrat Leisure Ltd., 144A, 5.0%, 5/31/2006	1,585,000	1,497,825
Aspen Technology, Inc., 5.25%, 6/15/2005	380,000	372,400
DIMON, Inc., 6.25%, 3/31/2007	905,000	850,700
Parker Drilling Co., 5.5%, 8/1/2004	2,425,000	2,421,969
Total Convertible Bonds (Cost \$5,434,503)		5,511,331

US Government Backed 0.5%

US Treasury Bond, 5.375%, 2/15/2031 (Cost \$2,480,879)	2,295,000	2,393,346
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	Shares	Value (\$)
Common Stocks 0.1%		
ACP Holding Co.*	108,475	54,238
Catalina Restaurant Group, Inc.	3,870	6,192
ICG Communications, Inc.*	7,320	235
IMPSAT Fiber Networks, Inc., 144A*	31,334	239,705
MEDIQ, Inc.*	736	2,716
XO Communications, Inc.*	2,847	16,370
Total Common Stocks (Cost \$5,603,435)		319,456

Warrants 0.0%

ACP Holding Co., 144A*	97,896	47,969
DeCrane Aircraft Holdings, Inc., 144A*	1,350	14
Destia Communications, Inc., 144A*	1,260	0
Hayes Lemmerz International, Inc.*	1,690	2,450
Empire Gas Corp.*	2,070	0
Mariner Health Care, Inc.*	0	0
UIH Australia Pacific, Inc., 144A*	750	0
Waxman Industries, Inc.*	52,274	0
XO Communications, Inc.*	5,695	11,105
XO Communications, Inc., "B"*	4,271	7,261
XO Communications, Inc., "C"*	4,271	4,698
Total Warrants (Cost \$104,730)		73,497

Preferred Stocks 0.7%

Alamosa Holdings, Inc.*	330	105,600
CSC Holdings, Inc.	5,875	616,875
Paxson Communications Corp.	213	1,959,600
TNP Enterprises, Inc.	4,803	521,159
Total Preferred Stocks (Cost \$3,124,295)		3,203,234

Convertible Preferred Stocks 0.5%

Hercules Trust II	2,545	1,985,100
World Access, Inc., "D"*	933	0
Total Convertible Preferred Stocks (Cost \$2,977,255)		1,985,100

Units Value (\$)

Other 0.1%

SpinCycle, Inc.*	39,810	223,732
SpinCycle, Inc., "F"*	279	1,568
Total Other (Cost \$103,208)		225,300

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

	Shares	Value (\$)
Cash Equivalents 1.2%		
Scudder Cash Management QP Trust, 1.11% (b) (Cost \$5,212,433)	5,212,433	5,212,433
Total Investment Portfolio — 100.0% (Cost \$439,631,482) (a)		440,951,135

Notes to Scudder High Income Portfolio of Investments

- * *Non-income producing security. In the case of a bond, generally denotes that the issuer has defaulted on the payment of principal or interest or has filed for bankruptcy.*
- ** *Floating rate notes are securities whose yields vary with a designated market index or market rate, such as the coupon-equivalent of the US Treasury bill rate. These securities are shown at their current rate as of December 31, 2003.*
- (a) *The cost for federal income tax purposes was \$439,749,733. At December 31, 2003, net unrealized appreciation for all securities based on tax cost was \$1,201,402. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$23,589,329 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$22,387,927.*
- (b) *Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*
- (c) *Principal amount stated in US dollars unless otherwise noted.*
- 144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.*

Currency Abbreviation

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

Financial Statements

Statement of Assets and Liabilities as of December 31, 2003

Assets

Investments:	
Investments in securities, at value (cost \$434,419,049)	\$ 435,738,702
Investment in Scudder Cash Management QP Trust (cost \$5,212,433)	5,212,433
Total investments in securities, at value (cost \$439,631,482)	440,951,135
Cash	959,822
Foreign currency, at value (cost \$53,191)	54,012
Receivable for investments sold	1,238,585
Dividends receivable	16,340
Interest receivable	8,775,427
Receivable for Portfolio shares sold	123,343
Other assets	13,963
Total assets	452,132,627

Liabilities

Payable for investments purchased	1,654,179
Payable for Portfolio shares redeemed	32,475
Unrealized depreciation on forward foreign currency exchange contracts	162,323
Accrued management fee	230,561
Other accrued expenses and payables	131,907
Total liabilities	2,211,445
Net assets, at value	\$ 449,921,182

Net Assets

Net assets consist of:	
Undistributed net investment income	32,285,235
Net unrealized appreciation (depreciation) on:	
Investments	1,319,653
Foreign currency related transactions	(147,938)
Accumulated net realized gain (loss)	(122,239,755)
Paid-in capital	538,703,987
Net assets, at value	\$ 449,921,182

Class A

Net Asset Value , offering and redemption price per share (\$412,720,441 ÷ 48,977,744 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 8.43
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Class B

Net Asset Value , offering and redemption price per share (\$37,200,741 ÷ 4,421,727 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 8.41
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Statement of Operations for the year ended December 31, 2003

Investment Income

Income:	
Dividends	\$ 327,850
Interest (net of foreign tax withheld of \$1,415)	35,199,277
Interest — Scudder Cash Management QP Trust	131,380
Total Income	35,658,507
Expenses:	
Management fee	2,301,804
Custodian fees	46,474
Distribution service fees (Class B)	42,154
Record keeping fees (Class B)	23,418
Auditing	54,480
Legal	30,956
Trustees' fees and expenses	1,818
Reports to shareholders	64,785
Other	48,928
Total expenses, before expense reductions	2,614,817
Expense reductions	(1,930)
Total expenses, after expense reductions	2,612,887
Net investment income	33,045,620

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from:	
Investments	(2,641,091)
Foreign currency related transactions	(540,911)
	(3,182,002)
Net unrealized appreciation (depreciation) during the period on:	
Investments	53,534,585
Foreign currency related transactions	(34,408)
	53,500,177
Net gain (loss) on investment transactions	50,318,175
Net increase (decrease) in net assets resulting from operations	\$ 83,363,795

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2003	2002
Operations:		
Net investment income	\$ 33,045,620	\$ 31,996,848
Net realized gain (loss) on investment transactions	(3,182,002)	(61,356,630)
Net unrealized appreciation (depreciation) on investment transactions during the period	53,500,177	30,737,286
Net increase (decrease) in net assets resulting from operations	83,363,795	1,377,504
Distributions to shareholders from:		
Net investment income		
Class A	(29,871,076)	(31,372,534)
Class B	(462,410)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	120,856,182	148,152,496
Reinvestment of distributions	29,871,076	31,369,433
Cost of shares redeemed	(117,016,053)	(155,069,342)
Net increase (decrease) in net assets from Class A share transactions	33,711,205	24,452,587
Class B		
Proceeds from shares sold	36,410,776	998,401*
Reinvestment of distributions	462,410	—*
Cost of shares redeemed	(3,751,439)	(8,370)*
Net increase (decrease) in net assets from Class B share transactions	33,121,747	990,031
Increase (decrease) in net assets	119,863,261	(4,552,412)
Net assets at beginning of period	330,057,921	334,610,333
Net assets at end of period (including undistributed net investment income of \$32,285,235 and \$29,929,829, respectively)	\$ 449,921,182	\$ 330,057,921

Other Information

Class A		
Shares outstanding at beginning of period	44,487,776	41,133,893
Shares sold	15,606,467	19,652,874
Shares issued to shareholders in reinvestment of distributions	4,207,191	4,154,891
Shares redeemed	(15,323,690)	(20,453,882)
Net increase (decrease) in Portfolio shares	4,489,968	3,353,883
Shares outstanding at end of period	48,977,744	44,487,776
Class B		
Shares outstanding at beginning of period	136,396	—
Shares sold	4,693,294	137,574*
Shares issued to shareholders in reinvestment of distributions	65,037	—*
Shares redeemed	(473,000)	(1,178)*
Net increase (decrease) in Portfolio shares	4,285,331	136,396
Shares outstanding at end of period	4,421,727	136,396

* For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

Financial Highlights

Class A

Years Ended December 31,	2003	2002	2001 ^a	2000 ^b	1999 ^b
Selected Per Share Data					
Net asset value, beginning of period	\$ 7.40	\$ 8.13	\$ 9.16	\$ 11.46	\$ 12.27
<i>Income (loss) from investment operations:</i>					
Net investment income ^c	.67	.75	.84	1.14	1.22
Net realized and unrealized gain (loss) on investment transactions	1.03	(.74)	(.59)	(2.04)	(.93)
Total from investment operations	1.70	.01	.25	(.90)	.29
<i>Less distributions from:</i>					
Net investment income	(.67)	(.74)	(1.28)	(1.40)	(1.10)
Net asset value, end of period	\$ 8.43	\$ 7.40	\$ 8.13	\$ 9.16	\$ 11.46
Total Return (%)	24.62	(.30)	2.63	(8.68)	2.15
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period (\$ millions)	413	329	335	309	396
Ratio of expenses (%)	.67	.66	.70	.68	.67
Ratio of net investment income (%)	8.62	10.07	9.89	11.23	10.40
Portfolio turnover rate (%)	165	138	77	54	42

^a As required, effective January 1, 2001, the Portfolio has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on debt securities. The effect of this change for the year ended December 31, 2001 was to decrease net investment income per share by \$.08, increase net realized and unrealized gains and losses per share by \$.08 and decrease the ratio of net investment income to average net assets from 10.74% to 9.89%. Per share, ratios and supplemental data for periods prior to January 1, 2001 have not been restated to reflect this change in presentation.

^b On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly. (see Notes to Financial Statements).

^c Based on average shares outstanding during the period.

Class B

Years Ended December 31,	2003	2002 ^a
Selected Per Share Data		
Net asset value, beginning of period	\$ 7.39	\$ 7.21
<i>Income (loss) from investment operations:</i>		
Net investment income ^b	.64	.31
Net realized and unrealized gain (loss) on investment transactions	1.03	(.13)
Total from investment operations	1.67	.18
<i>Less distributions from:</i>		
Net investment income	(.65)	—
Net asset value, end of period	\$ 8.41	\$ 7.39
Total Return (%)	24.14	2.50**
Ratios to Average Net Assets and Supplemental Data		
Net assets, end of period (\$ millions)	37	1
Ratio of expenses (%)	1.06	.92*
Ratio of net investment income (%)	8.23	8.78*
Portfolio turnover rate (%)	165	138

^a For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

^b Based on average shares outstanding during the period.

* Annualized

** Not annualized

Scudder International Select Equity Portfolio

Global stock markets rallied during 2003 on the strength of a recovery in the global economy. The favorable environment helped the portfolio produce a positive total return of 29.83% (Class A shares, unadjusted for contract charges). However, the portfolio lagged the 40.71% return of its benchmark, the MSCI EAFE[®] + EMF Index. The most important factor in the portfolio's underperformance was the fact that lower-quality companies — those with substantial debt and unsustainable business models — performed exceptionally well as the improving environment prompted investors to take on more risk. The second reason for the portfolio's underperformance was its large-cap bias at a time when small-cap stocks led the way. The sector which presented the biggest challenge to us was financials. There, our focus on higher-quality banks was a negative at a time when more heavily indebted banks performed very well. Although our disciplined investment style did not work in this unusual environment, we continue to believe that an emphasis on quality will prove beneficial over the long term. Please see the following page for standardized performance as of December 31, 2003.

On the positive side, performance was helped by the fact that the portfolio was underweight in consumer staples, which lagged as investors rotated into more aggressive names. The portfolio's position in the telecommunications sector, where many companies exhibited improving fundamentals, also helped performance.

From a positioning standpoint, we are positive on Asia, which we believe will benefit from stronger global growth. We are more cautious on Europe, where we feel the Euro's rise may hinder economic growth.

Alex Tedder

Lead Portfolio Manager

Clare Gray

Marc Slendebroek

Co-Managers

Deutsche Asset Management Services Ltd., Subadvisor to the Portfolio

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

This portfolio is subject to stock market risk, meaning stocks in the portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Additionally, investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation, political and economic changes and market risks. This may result in greater share price volatility. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

The MSCI EAFE + EMF Index (Morgan Stanley Capital International Europe, Australasia, Far East + Emerging Markets Free Index) is an unmanaged index generally accepted as a benchmark for major overseas markets plus emerging markets. Index returns assume reinvestment of all distributions and do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of December 31, 2003, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Scudder International Select Equity Portfolio

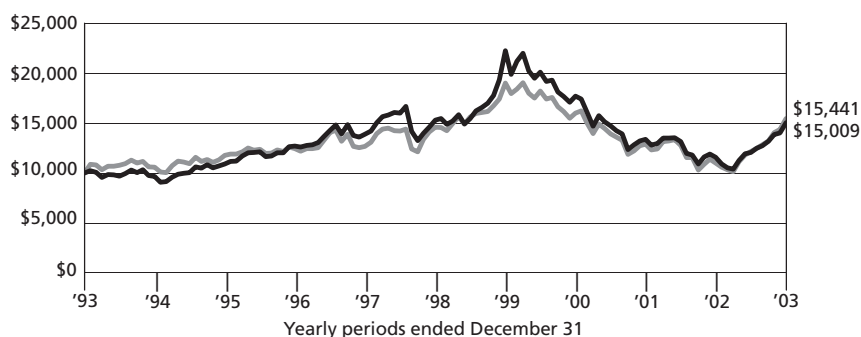
All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

This Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Additionally, investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation, political and economic changes and market risks. This may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

Growth of an Assumed \$10,000 Investment in Scudder International Select Equity Portfolio from 12/31/1993 to 12/31/2003

■ Scudder International Select Equity Portfolio — Class A

■ MSCI EAFE + EMF Index



The MSCI EAFE + EMF Index (Morgan Stanley Capital International Europe, Australasia, Far East + Emerging Markets Free Index) is an unmanaged index generally accepted as a benchmark for major overseas markets plus emerging markets. Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

Scudder International Select Equity Portfolio		1-Year	3-Year	5-Year	10-Year
Class A	Growth of \$10,000	\$12,983	\$8,489	\$9,835	\$15,009
	Average annual total return	29.83%	-5.31%	-0.33%	4.14%
MSCI EAFE + EMF Index	Growth of \$10,000	\$14,071	\$9,659	\$10,590	\$15,441
	Average annual total return	40.71%	-1.15%	1.15%	4.44%
Scudder International Select Equity Portfolio		1-Year	Life of Class*		
Class B	Growth of \$10,000	\$12,942	\$11,443		
	Average annual total return	29.42%	9.40%		
MSCI EAFE + EMF Index	Growth of \$10,000	\$14,071	\$12,112		
	Average annual total return	40.71%	13.62%		

The growth of \$10,000 is cumulative.

* The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.

Information concerning portfolio holdings of the Portfolio as of a month end is available upon request no earlier than 15 days after the month end. Please call 1-800-778-1482.

Scudder International Select Equity Portfolio

	Shares	Value (\$)		Shares	Value (\$)
Common Stocks 96.3%					
Denmark 1.9%					
A P Moller — Maersk A/S "B" (Cost \$3,101,701)	427	3,073,058			
Finland 2.8%					
Nokia Oyj	131,000	2,259,561			
Stora Enso Oyj "R" (Cost \$4,603,399)	169,100	2,272,115			
		4,531,676			
France 7.9%					
Credit Agricole SA	147,209	3,505,907			
Total SA	33,461	6,205,142			
Vivendi Universal SA* (Cost \$10,240,139)	134,700	3,265,613			
		12,976,662			
Germany 10.6%					
Allianz AG (Registered)	35,810	4,508,862			
Deutsche Boerse AG	14,400	785,357			
E.ON AG	63,000	4,100,930			
Metro AG	50,563	2,223,286			
SAP AG	5,600	938,090			
Siemens AG (Cost \$12,375,621)	59,100	4,721,463			
		17,277,988			
Hong Kong 4.9%					
BOC Hong Kong (Holdings) Ltd.	1,713,500	3,222,254			
Hong Kong Electric Holdings Ltd.	384,500	1,520,399			
Hutchison Whampoa Ltd.	206,900	1,519,002			
Wharf Holdings Ltd. (Cost \$7,384,798)	604,421	1,673,790			
		7,935,445			
Ireland 2.6%					
Bank of Ireland	121,100	1,645,445			
CRH PLC (Cost \$3,118,178)	128,758	2,637,205			
		4,282,650			
Italy 2.6%					
Eni SpA (Cost \$3,169,355)	226,760	4,267,892			
Japan 22.2%					
Canon, Inc.	72,000	3,345,252			
Daito Trust Construction Co., Ltd.	106,500	3,153,352			
Kirin Brewery Co., Ltd.	397,000	3,378,566			
Konica Minolta Holdings, Inc.	239,200	3,209,378			
Mitsubishi Corp.	332,000	3,511,657			
Mizuho Financial Group, Inc.*	1,275	3,858,240			
Nomura Holdings, Inc.	226,300	3,845,414			
NTT DoCoMo, Inc.	1,500	3,393,855			
Sony Corp.	107,500	3,713,454			
Toyota Motor Corp. (Cost \$29,065,778)	143,200	4,826,667			
		36,235,835			
Netherlands 1.9%					
TPG NV (Cost \$2,369,961)	136,100	3,179,695			
Spain 3.1%					
Antena 3 Television SA*	1	31			
Banco Popular Espanol SA	28,600	1,701,933			
Telefonica SA (Cost \$3,697,389)	234,330	3,431,597			
		5,133,561			
Switzerland 12.8%					
Credit Suisse Group	111,600	4,071,515			
Nestle SA (Registered)	18,596	4,632,883			
Novartis AG (Registered)	58,727	2,658,648			
Roche Holding AG	34,880	3,508,248			
Swiss Re (Registered)	46,310	3,117,701			
Syngenta AG (Cost \$17,661,044)	44,500	2,988,672			
		20,977,667			
United Kingdom 23.0%					
AstraZeneca PLC	84,551	4,045,885			
BHP Billiton PLC	415,450	3,619,917			
British Sky Broadcasting Group PLC*	282,500	3,545,960			
HSBC Holdings PLC	281,997	4,420,781			
Kingfisher PLC	657,100	3,267,508			
Reuters Group PLC	668,900	2,806,655			
Royal Bank of Scotland Group PLC	132,507	3,894,293			
Smith & Nephew PLC	375,676	3,147,587			
Trinity Mirror PLC	266,393	2,687,394			
Vodafone Group PLC (Cost \$29,305,002)	2,516,121	6,222,162			
		37,658,142			
Total Common Stocks (Cost \$126,092,365)					157,530,271
Preferred Stock 2.0%					
Germany 2.0%					
Henkel KGaA (Cost \$2,791,119)	42,291	3,298,793			
Cash Equivalents 1.7%					
Scudder Cash Management QP Trust, 1.11% (b) (Cost \$2,689,277)	2,689,277	2,689,277			
Total Investment Portfolio — 100.0% (Cost \$131,572,761) (a)					163,518,341

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

At December 31, 2003, the Scudder International Select Equity Portfolio had the following industry diversification:

Industry	Value	Percent
Financials	\$ 40,251,493	24.6%
Consumer Discretionary	29,489,920	18.0%
Industrials	16,004,875	9.8%
Health Care	13,360,368	8.2%
Telecommunication Services	13,047,614	8.0%
Materials	11,517,909	7.0%
Consumer Staples	11,310,242	6.9%
Energy	10,473,034	6.4%
Information Technology	9,752,280	6.0%
Utilities	5,621,329	3.4%
Total Common and Preferred Stocks	160,829,064	98.3%
Cash Equivalents	2,689,277	1.7%
Total Investment Portfolio	\$ 163,518,341	100.0%

Notes to Scudder International Select Equity Portfolio of Investments

* Non-income producing security.

- (a) The cost for federal income tax purposes was \$132,762,448. At December 31, 2003, net unrealized appreciation for all securities based on tax cost was \$30,755,893. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$32,026,034 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$1,270,141.
- (b) Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.

Financial Statements

Statement of Assets and Liabilities as of December 31, 2003

Assets

Investments:	
Investments in securities, at value (cost \$128,883,484)	\$ 160,829,064
Investment in Scudder Cash Management QP Trust (cost \$2,689,277)	2,689,277
Total investments in securities, at value (cost \$131,572,761)	163,518,341
Foreign currency, at value (cost \$786,522)	797,420
Dividends receivable	165,446
Interest receivable	1,439
Receivable for Portfolio shares sold	61,528
Foreign taxes recoverable	487,676
Total assets	165,031,850

Liabilities

Payable for investments purchased	191,458
Payable for Portfolio shares redeemed	108,094
Accrued management fee	12,238
Other accrued expenses and payables	214,347
Total liabilities	526,137
Net assets, at value	\$ 164,505,713

Net Assets

Net assets consist of:	
Undistributed net investment income	1,698,928
Net unrealized appreciation (depreciation) on:	
Investments	31,945,580
Foreign currency related transactions	104,736
Accumulated net realized gain (loss)	(60,479,361)
Paid-in capital	191,235,830
Net assets, at value	\$ 164,505,713

Class A

Net Asset Value , offering and redemption price per share (\$146,640,755 ÷ 14,404,846 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 10.18
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Class B

Net Asset Value , offering and redemption price per share (\$17,864,958 ÷ 1,760,419 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 10.15
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Statement of Operations for the year ended December 31, 2003

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$331,366)	\$ 2,700,146
Interest — Scudder Cash Management QP Trust	8,996
Total Income	2,709,142
Expenses:	
Management fee	962,216
Custodian fees	167,342
Distribution service fees (Class B)	19,174
Record keeping fees (Class B)	10,703
Auditing	41,715
Legal	10,084
Trustees' fees and expenses	2,778
Reports to shareholders	14,798
Other	10,196
Total expenses	1,239,006
Net investment income (loss)	1,470,136

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from:	
Investments	(2,607,666)
Foreign currency related transactions	330,186
	(2,277,480)
Net unrealized appreciation (depreciation) during the period on:	
Investments	36,945,506
Foreign currency related transactions	53,834
	36,999,340
Net gain (loss) on investment transactions	34,721,860
Net increase (decrease) in net assets resulting from operations	\$ 36,191,996

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2003	2002
Operations:		
Net investment income (loss)	\$ 1,470,136	\$ 1,615,013
Net realized gain (loss) on investment transactions	(2,277,480)	(19,097,740)
Net unrealized appreciation (depreciation) on investment transactions during the period	36,999,340	2,425,296
Net increase (decrease) in net assets resulting from operations	36,191,996	(15,057,431)
Distributions to shareholders from:		
Net investment income		
Class A	(1,518,587)	(514,449)
Class B	(31,424)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	34,706,923	56,382,103
Reinvestment of distributions	1,518,587	514,449
Cost of shares redeemed	(40,601,242)	(70,184,555)
Net assets acquired in tax-free reorganization	—	27,341,143
Net increase (decrease) in net assets from Class A share transactions	(4,375,732)	14,053,140
Class B		
Proceeds from shares sold	16,228,216	385,924*
Reinvestment of distributions	31,424	—*
Cost of shares redeemed	(2,025,107)	(288)*
Net increase (decrease) in net assets from Class B share transactions	14,234,533	385,636
Increase (decrease) in net assets	44,500,786	(1,133,104)
Net assets at beginning of period	120,004,927	121,138,031
Net assets at end of period (including undistributed net investment income of \$1,698,928 and \$1,448,616, respectively)	\$ 164,505,713	\$ 120,004,927
Other Information		
Class A		
Shares outstanding at beginning of period	15,029,877	13,109,975
Shares sold	4,153,733	6,521,261
Shares issued to shareholders in reinvestment of distributions	216,015	55,496
Shares redeemed	(4,994,779)	(8,099,173)
Shares issued in tax-free reorganization	—	3,442,318
Net increase (decrease) in Portfolio shares	(625,031)	1,919,902
Shares outstanding at end of period	14,404,846	15,029,877
Class B		
Shares outstanding at beginning of period	48,435	—
Shares sold	1,925,484	48,471*
Shares issued to shareholders in reinvestment of distributions	4,470	—*
Shares redeemed	(217,970)	(36)*
Net increase (decrease) in Portfolio shares	1,711,984	48,435
Shares outstanding at end of period	1,760,419	48,435

* For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

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

Financial Highlights

Class A

Years Ended December 31,	2003	2002	2001	2000 ^a	1999 ^a
Selected Per Share Data					
Net asset value, beginning of period	\$ 7.96	\$ 9.24	\$ 14.73	\$ 21.45	\$ 17.00
<i>Income (loss) from investment operations:</i>					
Net investment income (loss) ^b	.10	.12	.05	.08	.07
Net realized and unrealized gain (loss) on investment transactions	2.23	(1.36)	(3.46)	(3.90)	6.73
Total from investment operations	2.33	(1.24)	(3.41)	(3.82)	6.80
<i>Less distributions from:</i>					
Net investment income	(.11)	(.04)	(.10)	—	(.20)
Net realized gains on investment transactions	—	—	(1.98)	(2.90)	(2.15)
Total distributions	(.11)	(.04)	(2.08)	(2.90)	(2.35)
Net asset value, end of period	\$ 10.18	\$ 7.96	\$ 9.24	\$ 14.73	\$ 21.45
Total Return (%)	29.83	(13.48)	(24.43)	(20.49)	45.71
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period (\$ millions)	147	120	121	179	252
Ratio of expenses (%)	.94	.85	.92	.84	.94
Ratio of net investment income (loss) (%)	1.17	1.46	.44	.47	.40
Portfolio turnover rate (%)	139	190	145	87	136

^a On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly.

^b Based on average shares outstanding during the period.

Class B

Years Ended December 31,	2003	2002 ^a
Selected Per Share Data		
Net asset value, beginning of period	\$ 7.94	\$ 8.98
<i>Income (loss) from investment operations:</i>		
Net investment income (loss) ^b	.06	.02
Net realized and unrealized gain (loss) on investment transactions	2.24	(1.06)
Total from investment operations	2.30	(1.04)
<i>Less distributions from:</i>		
Net investment income	(.09)	—
Net realized gains on investment transactions	—	—
Total distributions	(.09)	—
Net asset value, end of period	\$ 10.15	\$ 7.94
Total Return (%)	29.42	(11.58)**
Ratios to Average Net Assets and Supplemental Data		
Net assets, end of period (\$ millions)	18	.4
Ratio of expenses (%)	1.33	1.11*
Ratio of net investment income (loss) (%)	.78	.54*
Portfolio turnover rate (%)	139	190

^a For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

^b Based on average shares outstanding during the period.

* Annualized

** Not annualized

Scudder Money Market Portfolio

From the events of September 11, 2001 to the corporate scandals that unfolded in 2002 and through the conclusion of major hostilities in Iraq, there had not been a long period of calm in which the US economy had a chance to recover from a series of shocks. Finally, last summer, following the Federal Reserve Board's 0.25 percentage point cut of the fed funds rate, the economy began to show signs of renewal. In the first half of 2003, our strategy of keeping the portfolio's purchases very short along the yield curve gave us the flexibility to make longer-term purchases at higher yields as the US economy began to gather steam and the yield curve began to steepen in subsequent months.

For the 12-month period ended December 31, 2003, the portfolio provided a total return of 0.72% (Class A shares, unadjusted for contract charges) compared with the 0.44% average return for funds in the Lipper Money Market Funds category for the same period, according to Lipper Inc. Please see the following page for standardized performance as of December 31, 2003.

As the economy continued to show signs of a pickup — and the yield curve continued to steepen in reaction to such news — the portfolio was purchasing higher-yielding four- to 12-month securities. In addition, it is currently employing a “ladder” approach, buying securities at different points of the yield curve to take advantage of steepness and diversify its holdings. Over the coming months, we will continue our insistence on the highest credit quality for the portfolio and will maintain our conservative investment strategies and standards.

A group of investment professionals is responsible for the day-to-day management of the portfolio. These investment professionals have a broad range of experience managing money market funds.

Deutsche Investment Management Americas Inc.

Performance is historical and does not guarantee future results. Current performance may be higher or lower than the performance quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees (“contract charges”) associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns. The yield quotation more closely reflects the current earnings of the fund than the total return quotation.

Risk Considerations

An investment in this portfolio is not insured or guaranteed by the Federal Deposit Insurance Corporation or by any other government agency. Although the portfolio seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the portfolio. Please read this portfolio's prospectus for specific details regarding its risk profile.

The Lipper Money Market Funds category includes funds that invest in high-quality financial instruments rated in the top two grades with dollar-weighted average maturities of less than 90 days and that intend to keep a constant net asset value. It is not possible to invest directly in a Lipper category.

Portfolio management market commentary is as of December 31, 2003, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Scudder Money Market Portfolio

Performance is historical and does not guarantee future results. Current performance may be higher or lower than the performance quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. The yield quotation more closely reflects the current earnings of the Portfolio than the total return quotation.

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 Portfolio would be lower.

Portfolio's Class A Shares Yield

	7-day yield	7-day compounded effective yield
December 31, 2003	.76%	.77%
December 31, 2002	1.14%	1.15%

Portfolio's Class B Shares Yield

	7-day yield	7-day compounded effective yield
December 31, 2003	.35%	.35%
December 31, 2002	1.01%	1.01%

Yields will fluctuate and are not guaranteed.

Information concerning portfolio holdings of the Portfolio as of a month end is available upon request no earlier than 15 days after the month end. Please call 1-800-778-1482.

Scudder Money Market Portfolio

	Principal Amount (\$)	Value (\$)		Principal Amount (\$)	Value (\$)
Certificates of Deposit and Bank Notes 13.0%					
Credit Agricole Indosuez, 1.11%, 2/11/2004	10,000,000	10,000,000	Canadian Imperial Bank, 1.09%*, 5/28/2004	10,000,000	9,999,993
Credit Agricole Indosuez, 1.29%, 4/14/2004	15,000,000	14,999,359	Canadian Imperial Bank, 1.11%*, 8/25/2004	10,000,000	10,000,979
HBOS Treasury Services, 1.11%, 1/20/2004	10,000,000	10,000,000	CC (USA), Inc., 1.1%*, 10/20/2004	10,000,000	9,999,203
Toronto Dominion Bank, 1.32%, 4/15/2004	5,000,000	4,999,892	Dorada Finance Inc., 1.1%*, 10/20/2004	10,000,000	9,999,253
Toronto Dominion Bank, 1.33%, 3/22/2004	6,000,000	5,999,933	GE Capital International Funding Corp., 1.32%*, 9/15/2004	5,600,000	5,607,572
Westpac Banking Corp., 1.41%, 9/3/2004	5,000,000	5,000,337	Goldman Sachs Group, Inc., 1.12%*, 4/6/2004	10,000,000	10,000,000
Total Certificates of Deposit and Bank Notes (Cost \$50,999,521)		50,999,521	Goldman Sachs Group, Inc., 1.12%*, 9/3/2004	5,000,000	5,000,000
Commercial Paper 29.2%					
Apreco, LLC, 1.11%***, 1/9/2004	10,000,000	9,997,533	IBM Corp., 1.3%*, 9/10/2004	6,000,000	6,007,165
Archer Daniels Midland Co., 1.18%***, 3/23/2004	4,681,000	4,668,419	Morgan Stanley, 1.04%*, 7/23/2004	5,000,000	5,000,000
Beta Finance, Inc., 1.13%***, 3/15/2004	10,000,000	9,976,772	Morgan Stanley, 1.04%*, 8/27/2004	5,000,000	5,000,000
CIT Group Inc., 1.13%***, 4/12/2004	14,000,000	13,955,177	Norddeutsche Landesbank, 1.08%*, 7/26/2004	10,000,000	9,999,154
CIT Group Inc., 1.16%***, 2/23/2004	5,000,000	4,991,461	Sheffield Receivables, 1.11%*, 2/25/2004	22,000,000	22,000,000
Dorada Finance Inc., 1.05%***, 1/15/2004	10,000,000	9,995,917	Total Floating Rate Notes (Cost \$146,123,047)		146,123,047
Giro Funding US Corp., 1.12%***, 2/5/2004	10,881,000	10,869,152	US Government Sponsored Agencies 14.0%		
Goldman Sachs Group, Inc., 1.43%***, 9/3/2004	5,000,000	5,000,000	Federal Home Loan Mortgage Corporation, 1.11%*, 10/7/2005	10,000,000	10,000,000
Irish Life & Permanent, 0.0%***, 1/28/2004	20,000,000	19,983,200	Federal Home Loan Mortgage Corporation, 1.13%*, 11/7/2005	5,000,000	5,000,000
Perry Global Funding LLC, 1.09%***, 1/23/2004	15,000,000	14,990,008	Federal Home Loan Mortgage Corporation, 1.23%, 7/6/2004	10,000,000	10,000,000
Scaldis Capital LLC, 1.15%***, 4/15/2004	10,000,000	9,966,458	Federal Home Loan Mortgage Corporation, Zero Coupon, 4/1/2004	10,000,000	9,971,942
Total Commercial Paper (Cost \$114,394,097)		114,394,097	Federal National Mortgage Association, 1.08%, 7/23/2004	10,000,000	9,994,092
Short-Term Corporate Notes 1.3%					
Citigroup Inc., 5.7%, 2/6/2004 (Cost \$5,021,144)	5,000,000	5,021,144	Federal National Mortgage Association, 1.45%, 9/14/2004	10,000,000	10,000,000
Floating Rate Notes 37.3%					
American Honda Finance Corp., 1.3%*, 10/7/2004	5,000,000	5,007,321	Total US Government Sponsored Agencies (Cost \$54,966,034)		54,966,034
Associates Corp. of North America, 1.27%*, 6/15/2004	5,000,000	5,000,000	Asset Backed 0.4%		
Bank of Scotland PLC, 1.14%*, 5/28/2004	5,000,000	5,002,446	Nissan Auto Receivables Owner Trust, 1.15%, 11/15/2004 (Cost \$1,802,259)	1,802,822	1,802,259
Bayerische Landesbank NY, 1.10%*, 8/25/2004	10,000,000	9,999,998	Repurchase Agreements 4.8%		
Beta Finance, Inc., 1.11%*, 2/6/2004	7,500,000	7,499,963	JP Morgan Securities, 1.03%, dated 12/31/2003, to be repurchased at \$16,000,903 on 1/2/2004 (b)	16,000,000	16,000,000
Blue Heron Funding Ltd., 1.18%*, 5/19/2004	5,000,000	5,000,000	State Street Bank and Trust Co., 0.89%, dated 12/31/2003, to be repurchased at \$2,738,135 on 1/2/2004 (c)	2,738,000	2,738,000
Total Repurchase Agreements (Cost \$18,738,000) 18,738,000					
Total Investment Portfolio — 100.0% (Cost \$392,044,102) (a) 392,044,102					

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

Notes to Scudder Money Market Portfolio of Investments

* Floating rate notes are securities whose yields vary with a designated market index or market rate, such as the coupon-equivalent of the US Treasury bill rate. These securities are shown at their current rate as of December 31, 2003.

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

(a) Cost for federal income tax purposes was \$392,044,102.

(b) Collateralized by:

Principal Amount (\$)	Security	Rate (%)	Maturity Date	Collateral Value (\$)
12,500,000	Freddie Mac	5.50	11/15/2013	12,779,526
500,000	Freddie Mac	6.20	3/15/2015	526,711
185,000	Freddie Mac	4.00	12/15/2016	133,542
12,000,000	Fannie Mae	5.00	12/25/2011	661,305
12,000,000	Fannie Mae	6.00	3/25/2031	2,221,459
				16,322,543

(c) Collateralized by a \$2,770,000 US Treasury Note, 2% maturing on 11/30/04 with a value of \$2,795,791.

Financial Statements

Statement of Assets and Liabilities as of December 31, 2003

Assets

Investments:	
Investments in securities, at amortized cost (cost \$373,306,102)	\$ 373,306,102
Repurchase agreements, at value (cost \$18,738,000)	18,738,000
Total investments in securities, at value (cost \$392,044,102)	392,044,102
Cash	9
Receivable for Portfolio shares sold	1,599,883
Interest receivable	721,552
Other assets	8,897
Total assets	394,374,443

Liabilities

Payable for Portfolio shares redeemed	1,031,386
Dividends payable	111,872
Accrued management fee	166,565
Other accrued expenses and payables	155,211
Total liabilities	1,465,034
Net assets, at value	\$ 392,909,409

Net Assets

Net assets consist of:	
Accumulated distributions in excess of net investment income	(24,440)
Paid-in capital	392,933,849
Net assets, at value	\$ 392,909,409

Class A

Net Asset Value , offering and redemption price per share (\$326,486,205 ÷ 326,503,210 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 1.00
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Class B

Net Asset Value , offering and redemption price per share (\$66,423,204 ÷ 66,427,158 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 1.00
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Statement of Operations for the year ended December 31, 2003

Investment Income

Income:	
Interest	\$ 6,355,538
Expenses:	
Management fee	2,504,325
Custodian fees	33,078
Distribution service fees (Class B)	91,574
Record keeping fees (Class B)	51,355
Auditing	40,923
Legal	27,549
Trustees' fees and expenses	14,295
Reports to shareholders	66,396
Registration fees	72
Other	34,886
Total expenses, before expense reductions	2,864,453
Expense reductions	(3,882)
Total expenses, after expense reductions	2,860,571
Net investment income	3,494,967
Net realized gain (loss) from investments	41
Net increase (decrease) in net assets resulting from operations	\$ 3,495,008

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2003	2002
Operations:		
Net investment income	\$ 3,494,967	\$ 8,107,724
Net realized gain (loss) on investment transactions	41	2,726
Net increase (decrease) in net assets resulting from operations	3,495,008	8,110,450
Distributions to shareholders from:		
Net investment income		
Class A	(3,404,574)	(8,116,561)
Class B	(96,426)	(3,224)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	312,219,158	1,680,167,086
Reinvestment of distributions	3,301,598	8,508,646
Cost of shares redeemed	(559,028,884)	(1,789,369,613)
Net increase (decrease) in net assets from Class A share transactions	(243,508,128)	(100,693,881)
Class B		
Proceeds from shares sold	92,463,564	3,226,564*
Reinvestment of distributions	87,495	2,368*
Cost of shares redeemed	(28,805,563)	(547,274)*
Net increase (decrease) in net assets from Class B share transactions	63,745,496	2,681,658
Increase (decrease) in net assets	(179,768,624)	(98,021,558)
Net assets at beginning of period	572,678,033	670,699,591
Net assets at end of period (including accumulated distributions in excess of net investment income of \$24,440 and \$18,450, respectively)	\$ 392,909,409	\$ 572,678,033

Other Information

Class A		
Shares outstanding at beginning of period	570,017,689	670,711,571
Shares sold	312,219,158	1,680,167,085
Shares issued to shareholders in reinvestment of distributions	3,301,598	8,508,646
Shares redeemed	(559,035,235)	(1,789,369,613)
Net increase (decrease) in Portfolio shares	(243,514,479)	(100,693,882)
Shares outstanding at end of period	326,503,210	570,017,689
Class B		
Shares outstanding at beginning of period	2,681,662	—
Shares sold	92,463,564	3,226,568*
Shares issued to shareholders in reinvestment of distributions	87,495	2,368*
Shares redeemed	(28,805,563)	(547,274)*
Net increase (decrease) in Portfolio shares	63,745,496	2,681,662
Shares outstanding at end of period	66,427,158	2,681,662

* For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

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

Financial Highlights

Class A

Years Ended December 31,	2003	2002	2001	2000	1999
Selected Per Share Data					
Net asset value, beginning of period	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000
<i>Income from investment operations:</i>					
Net investment income	.007	.013	.037	.059	.050
Total from investment operations	.007	.013	.037	.059	.050
<i>Less distributions from:</i>					
Net investment income	(.007)	(.013)	(.037)	(.059)	(.050)
Total distributions	(.007)	(.013)	(.037)	(.059)	(.050)
Net asset value, end of period	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000
Total Return (%)	.72	1.35	3.75	6.10	4.84

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	326	570	671	279	231
Ratio of expenses (%)	.54	.54	.55	.58	.54
Ratio of net investment income (%)	.73	1.35	3.39	5.94	4.77

Class B

Years Ended December 31,	2003	2002 ^a
Selected Per Share Data		
Net asset value, beginning of period	\$ 1.000	\$ 1.000
<i>Income from investment operations:</i>		
Net investment income	.004	.007
Total from investment operations	.004	.007
<i>Less distributions from:</i>		
Net investment income	(.004)	(.007)
Total distributions	(.004)	(.007)
Net asset value, end of period	\$ 1.000	\$ 1.000
Total Return (%)	.42	.67**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	66	3
Ratio of expenses before expense reductions (%)	.93	.79*
Ratio of expenses after expense reductions (%)	.92	.64*
Ratio of net investment income (%)	.35	1.11*

^a For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

* Annualized

** Not annualized

Scudder Small Cap Growth Portfolio

Scudder Small Cap Growth Portfolio posted a strong total return of 32.94% (Class A shares, unadjusted for contract charges) for the 12 months ended December 31, 2003. Within the small-cap universe, a low-quality effect occurred, whereby the smallest of the small caps — the heavily discounted nonearners — drove a significant portion of the Russell 2000 Growth Index's annual 48.54% return; these securities outperformed the larger, more investable small-cap securities — the stocks we typically hold in the portfolio. Please see the following page for standardized performance as of December 31, 2003.

From a sector standpoint, consumer staples was the only sector represented within the portfolio that produced better relative performance than the benchmark, while stock selection in health care and consumer discretionary delivered the biggest negative blows relative to the benchmark.

As evidenced by the portfolio's strong absolute performance, the majority of stocks in the portfolio rang in solid returns. Electronic components maker Vishay Intertechnology, Inc. (a top-10 holding) was a top-contributing stock, as was financial services company CoStar Group, Inc. On the flip side, the bottom three detractors were securities we inherited from the previous investment team. As we repositioned the portfolio in the early part of 2003, we decided to exit these stocks and redeploy the assets.

Going into the new year, we worked closely as a team to position the portfolio to benefit from the continuing economic recovery. In terms of the stock market cycle, we feel that small caps still have the potential to outperform largecaps. While some segments of the small-cap market have reached fair value, we continue to find individual investment opportunities at good valuations through our bottom-up stock selection process.

Audrey M.T. Jones
Samuel A. Dedio
Doris R. Klug

Co-Managers
Deutsche Investment Management Americas Inc.

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

This portfolio is subject to stock market risk, meaning stocks in the portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Additionally, stocks of small companies involve greater risk than securities of larger, more-established companies, as they often have limited product lines, markets or financial resources and may be subject to more erratic and abrupt market movements. Finally, derivatives may be more volatile and less liquid than traditional securities and the portfolio could suffer losses on its derivatives positions. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

The Russell 2000 Growth Index is an unmanaged, capitalization-weighted index containing the growth stocks in the Russell 2000 Index. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly in an index.

Portfolio management market commentary is as of December 31, 2003, and may not come to pass. This information is subject to change at any time based on market and other conditions.

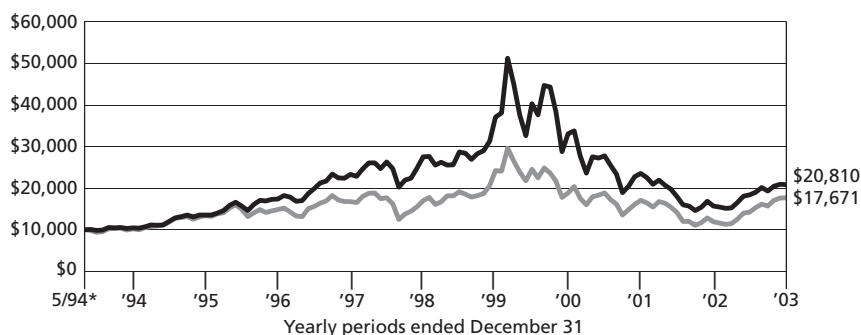
Scudder Small Cap Growth Portfolio

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

This Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Additionally, stocks of small companies involve greater risk than securities of larger, more-established companies, as they often have limited product lines, markets or financial resources and may be subject to more erratic and abrupt market movements. Finally, derivatives may be more volatile and less liquid than traditional securities and the Portfolio could suffer losses on its derivatives positions. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

Growth of an Assumed \$10,000 Investment in Scudder Small Cap Growth Portfolio from 5/2/1994 to 12/31/2003

- Scudder Small Cap Growth Portfolio — Class A
- Russell 2000 Growth Index



The Russell 2000 Growth Index is an unmanaged index (with no defined investment objective) of those securities in the Russell 2000 Index with a higher price-to-book ratio and higher forecasted growth values. Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

Scudder Small Cap Growth Portfolio		1-Year	3-Year	5-Year	Life of Portfolio*
Class A	Growth of \$10,000	\$13,294	\$6,298	\$7,567	\$20,810
	Average annual total return	32.94%	-14.28%	-5.42%	7.88%
Russell 2000 Growth Index					
	Growth of \$10,000	\$14,854	\$9,403	\$10,437	\$17,671
	Average annual total return	48.54%	-2.03%	.86%	6.07%
Scudder Small Cap Growth Portfolio		1-Year	Life of Class**		
Class B	Growth of \$10,000	\$13,251	\$12,023		
	Average annual total return	32.51%	13.07%		
Russell 2000 Growth Index					
	Growth of \$10,000	\$14,854	\$12,533		
	Average annual total return	48.54%	16.25%		

The growth of \$10,000 is cumulative.

* The Portfolio shares commenced operations on May 2, 1994. Index returns begin April 30, 1994.

** The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.

Information concerning portfolio holdings of the Portfolio as of a month end is available upon request no earlier than 15 days after the month end. Please call 1-800-778-1482.

Scudder Small Cap Growth Portfolio

	Shares	Value (\$)		Shares	Value (\$)
Common Stocks 94.8%					
Consumer Discretionary 15.4%					
Auto Components 2.5%					
Keystone Automotive Industries, Inc.*	224,900	5,703,464			
Automobiles 0.9%					
Thor Industries, Inc.	36,800	2,068,896			
Hotel Restaurants & Leisure 7.0%					
Multimedia Games, Inc.*	54,800	2,252,280			
Panera Bread Co. "A"*	81,200	3,209,836			
RARE Hospitality International, Inc.*	99,100	2,422,004			
Shuffle Master, Inc.*	123,700	4,282,494			
The Cheesecake Factory, Inc.*	80,500	3,544,415			
		<u>15,711,029</u>			
Specialty Retail 3.9%					
Cost Plus, Inc.*	50,100	2,054,100			
Hancock Fabrics, Inc.	185,500	2,686,040			
Jos. A. Bank Clothiers, Inc.*	118,400	4,107,296			
		<u>8,847,436</u>			
Textiles, Apparel & Luxury Goods 1.1%					
Gildan Activewear, Inc.*	76,300	2,356,144			
Consumer Staples 4.4%					
Food & Drug Retailing					
Performance Food Group Co.*	99,100	3,584,447			
United Natural Foods, Inc.*	173,700	6,237,567			
		<u>9,822,014</u>			
Energy 3.8%					
Energy Equipment & Services 2.7%					
FMC Technologies, Inc.*	112,500	2,621,250			
Unit Corp.*	150,000	3,532,500			
		<u>6,153,750</u>			
Oil & Gas 1.1%					
Western Gas Resources, Inc.	52,500	2,480,625			
Financials 8.7%					
Diversified Financial Services 7.1%					
Affiliated Managers Group, Inc.*	62,500	4,349,375			
Jefferies Group, Inc.	154,800	5,111,496			
Labranche & Co., Inc.	180,500	2,106,435			
National Financial Partners Corp.	78,900	2,173,695			
The First Marblehead Corp.*	101,000	2,209,880			
		<u>15,950,881</u>			
Insurance 1.6%					
Scottish Re Group Ltd.	63,900	1,327,842			
Triad Guaranty, Inc.*	44,300	2,230,505			
		<u>3,558,347</u>			
Health Care 17.4%					
Biotechnology 10.5%					
Connetics Corp.*	265,400	4,819,664			
Digene Corp.*	105,700	4,238,570			
Exact Sciences Corp.*	371,200	3,756,544			
Martek Biosciences Corp.*	109,100	7,088,227			
Neurocrine Biosciences, Inc.*	66,200	3,610,548			
		<u>23,513,553</u>			
Health Care Equipment & Supplies 3.9%					
ICU Medical, Inc.*	130,200	4,463,256			
Integra LifeSciences Holdings Corp.*	67,100	1,921,073			
Ocular Sciences, Inc.*	81,100	2,328,381			
		<u>8,712,710</u>			
Health Care Providers & Services 0.9%					
Apria Healthcare Group, Inc.*	71,400	2,032,758			
Pharmaceuticals 2.1%					
NPS Pharmaceuticals, Inc.*	158,174	4,862,269			
Industrials 8.1%					
Airlines 2.9%					
Frontier Airlines, Inc.*	157,100	2,240,246			
SkyWest, Inc.	239,800	4,345,176			
		<u>6,585,422</u>			
Commercial Services & Supplies 2.1%					
CoStar Group, Inc.*	112,350	4,682,748			
Electrical Equipment 0.9%					
General Cable Corp.*	251,300	2,048,095			
Road & Rail 1.2%					
Heartland Express, Inc.	107,900	2,610,101			
Transportation Infrastructure 1.0%					
Overnite Corp.*	99,000	2,252,250			
Information Technology 35.3%					
Communications Equipment 4.4%					
Adaptec, Inc.*	659,100	5,819,853			
NetScreen Technologies, Inc.*	164,200	4,063,950			
		<u>9,883,803</u>			
Computers & Peripherals 4.2%					
Dot Hill Systems Corp.*	357,100	5,410,065			
Synaptics, Inc.*	266,300	3,989,174			
		<u>9,399,239</u>			
Electronic Equipment & Instruments 5.1%					
Identix, Inc.*	533,600	2,374,520			
Vishay Intertechnology, Inc.*	398,600	9,127,940			
		<u>11,502,460</u>			
Internet Software & Services 1.5%					
iPass, Inc.*	214,000	3,430,420			
Semiconductors & Semiconductor Equipment 10.5%					
AMIS Holdings, Inc.*	222,500	4,067,300			
Applied Micro Circuits Corp.*	878,900	5,255,822			
ATMI, Inc.*	146,100	3,380,754			
Exar Corp.*	120,800	2,063,264			
Micrel, Inc.*	136,000	2,118,880			
Semtech Corp.*	105,400	2,395,742			
Varian Semiconductor Equipment Associates, Inc.*	98,300	4,294,727			
		<u>23,576,489</u>			

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

	Shares	Value (\$)
Software 9.6%		
Interwoven, Inc.*	539,950	6,824,967
Macromedia, Inc.*	113,500	2,024,840
NetIQ Corp.*	593,796	7,867,797
Universal Technical Institute, Inc.	158,200	4,746,000
		21,463,604
Materials 1.7%		
Chemicals 0.7%		
Compass Minerals International, Inc.*	104,100	1,486,548
Containers & Packaging 1.0%		
Packaging Corp. of America	104,000	2,273,440
Total Common Stocks (Cost \$181,573,000)		212,968,495

Other 2.0%

iShares Russell 2000 Growth (Cost \$4,086,911)	74,100	4,391,166
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Preferred Stock 0.0%

Convergent Networks, Inc.* (c)	113,149	14,709
fusionOne*(c)	230,203	36,834
Planetweb, Inc. "E"* (c)	137,868	0
Total Preferred Stock (Cost \$2,000,004)		51,543

Cash Equivalents 3.2%

Scudder Cash Management QP Trust, 1.11% (b) (Cost \$7,256,435)	7,256,435	7,256,435
Total Investment Portfolio — 100.0% (Cost \$194,916,350) (a)		224,667,639

Notes to Scudder Small Cap Growth Portfolio of Investments

* Non-income producing security.

(a) The cost for federal income tax purposes was \$195,000,772. At December 31, 2003, net unrealized appreciation for all securities based on tax cost was \$29,666,867. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$37,810,339 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$8,143,472.

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

(c) Restricted securities are securities which have not been registered with the Securities and Exchange Commission under the Securities Act of 1933.

Schedule of Restricted Securities

Securities	Acquisition Date	Acquisition Cost (\$)	Value (\$)	Value as % of Net Assets
Convergent Networks, Inc.	June 2003	—	14,709	.01
fusionOne	October 2000	1,250,002	36,834	.02
Planetweb, Inc. "E"	September 2000	750,002	—	—
Total Restricted Securities			51,543	.03

Financial Statements

Statement of Assets and Liabilities as of December 31, 2003

Assets

Investments:	
Investments in securities, at value (cost \$187,659,915)	\$ 217,411,204
Investment in Scudder Cash Management QP Trust (cost \$7,256,435)	7,256,435
Total investments in securities, at value (cost \$194,916,350)	224,667,639
Cash	8,069
Receivable for investments sold	942,999
Dividends receivable	53,078
Interest receivable	7,123
Receivable for Portfolio shares sold	241,031
Other assets	5,503
Total assets	225,925,442

Liabilities

Payable for Portfolio shares redeemed	340,939
Accrued management fee	126,477
Other accrued expenses and payables	84,271
Total liabilities	551,687
Net assets, at value	\$ 225,373,755

Net Assets

Net assets consist of:	
Accumulated net investment loss	(14,695)
Net unrealized appreciation (depreciation) on investments	29,751,289
Accumulated net realized gain (loss)	(146,402,377)
Paid-in capital	342,039,538
Net assets, at value	\$ 225,373,755

Class A

Net Asset Value , offering and redemption price per share (\$210,035,035 ÷ 18,522,593 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 11.34
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Class B

Net Asset Value , offering and redemption price per share (\$15,338,720 ÷ 1,358,975 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 11.29
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Statement of Operations for the year ended December 31, 2003

Investment Income

Income:	
Dividends	\$ 364,994
Interest — Scudder Cash Management QP Trust	156,124
Total Income	521,118
Expenses:	
Management fee	1,195,267
Custodian fees	10,981
Distribution service fees (Class B)	15,387
Record keeping fees (Class B)	8,692
Auditing	45,252
Legal	9,955
Trustees' fees and expenses	3,994
Reports to shareholders	4,727
Other	9,174
Total expenses, before expense reductions	1,303,429
Expense reductions	(96)
Total expenses, after expense reductions	1,303,333
Net investment income (loss)	(782,215)

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from investments	21,248,380
Net unrealized appreciation (depreciation) during the period on investments	31,300,241
Net gain (loss) on investment transactions	52,548,621
Net increase (decrease) in net assets resulting from operations	\$ 51,766,406

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2003	2002
Operations:		
Net investment income (loss)	\$ (782,215)	\$ (458,372)
Net realized gain (loss) on investment transactions	21,248,380	(69,437,686)
Net unrealized appreciation (depreciation) on investment transactions during the period	31,300,241	(11,286,940)
Net increase (decrease) in net assets resulting from operations	51,766,406	(81,182,998)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	46,393,822	85,291,001
Cost of shares redeemed	(40,809,284)	(81,642,175)
Net increase (decrease) in net assets from Class A share transactions	5,584,538	3,648,826
Class B		
Proceeds from shares sold	13,298,753	459,851*
Cost of shares redeemed	(51,363)	(186)*
Net increase (decrease) in net assets from Class B share transactions	13,247,390	459,665
Increase (decrease) in net assets	70,598,334	(77,074,507)
Net assets at beginning of period	154,775,421	231,849,928
Net assets at end of period (including accumulated net investment loss of \$14,695 and \$17,000, respectively)	\$ 225,373,755	\$ 154,775,421

Other Information

Class A		
Shares outstanding at beginning of period	18,086,694	18,115,952
Shares sold	4,700,650	7,801,504
Shares redeemed	(4,264,751)	(7,830,762)
Net increase (decrease) in Portfolio shares	435,899	(29,258)
Shares outstanding at end of period	18,522,593	18,086,694
Class B		
Shares outstanding at beginning of period	52,833	—
Shares sold	1,310,980	52,851*
Shares redeemed	(4,838)	(18)*
Net increase (decrease) in Portfolio shares	1,306,142	52,833
Shares outstanding at end of period	1,358,975	52,833

* For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

Financial Highlights

Class A

Years Ended December 31,	2003	2002	2001	2000 ^a	1999 ^a
Selected Per Share Data					
Net asset value, beginning of period	\$ 8.53	\$ 12.80	\$ 21.64	\$ 26.54	\$ 19.71
<i>Income (loss) from investment operations:</i>					
Net investment income (loss) ^b	(.04)	(.02)	(.02)	(.09)	(.06)
Net realized and unrealized gain (loss) on investment transactions	2.85	(4.25)	(6.27)	(2.01)	6.89
Total from investment operations	2.81	(4.27)	(6.29)	(2.10)	6.83
<i>Less distributions from:</i>					
Net realized gains on investment transactions	—	—	(2.52)	(2.80)	—
Return of capital	—	—	(.03)	—	—
Total distributions	—	—	(2.55)	(2.80)	—
Net asset value, end of period	\$ 11.34	\$ 8.53	\$ 12.80	\$ 21.64	\$ 26.54
Total Return (%)	32.94	(33.36)	(28.91)	(10.71)	34.56

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	210	154	232	301	264
Ratio of expenses (%)	.69	.71	.68	.72	.71
Ratio of net investment income (loss) (%)	(.41)	(.24)	(.12)	(.34)	(.30)
Portfolio turnover rate (%)	123	68	143	124	208

^a On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly.

^b Based on average shares outstanding during the period.

Class B

Years Ended December 31,	2003	2002 ^a
Selected Per Share Data		
Net asset value, beginning of period	\$ 8.52	\$ 9.39
<i>Income (loss) from investment operations:</i>		
Net investment income (loss) ^b	(.09)	(.02)
Net realized and unrealized gain (loss) on investment transactions	2.86	(.85)
Total from investment operations	2.77	(.87)
Net asset value, end of period	\$ 11.29	\$ 8.52
Total Return (%)	32.51	(9.27)**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	15	.5
Ratio of expenses (%)	1.08	.96*
Ratio of net investment income (loss) (%)	(.80)	(.39)*
Portfolio turnover rate (%)	123	68

^a For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

^b Based on average shares outstanding during the period.

* Annualized

** Not annualized

Scudder Strategic Income Portfolio

Over the past 12 months, both high-yield debt and emerging markets debt provided solid performance for the portfolio. For the 12-month period ended December 31, 2003, the portfolio provided a total return of 7.85% (Class A shares, unadjusted for contract charges). That compares with the portfolio benchmarks' returns of 28.82% for the JP Morgan Emerging Markets Bond Plus Index, 27.23% for the Merrill Lynch High Yield Master Cash Pay Only Index, 2.24% for the Lehman Brothers US Treasury Index and 14.91% for the Citigroup World Government Bond Index. Please see the following page for standardized performance as of December 31, 2003.

High-yield bonds benefited from strong demand from risk-tolerant investors as investment-grade and Treasury bonds offered meager yields. The portfolio began the year with a credit-quality concentration in high-yield bonds which was tilted toward the higher-end of the spectrum. This strategy held back the performance of the portfolio's high-yield exposure as lower-quality credits provided the best returns during the year. As the year progressed, the portfolio's high-yield exposure shifted down the credit spectrum. Thus, the portfolio did benefit from lower-quality returns later in the year.

Within the emerging markets, Brazil and Russia performed well. As Brazil recovered, we turned our attention from global debt to local bonds, as our analysis indicated that local debt offered better value. While local debt did rally with the country overall, global debt continued to lead in terms of performance. Thus, this shift held back returns somewhat in emerging markets.

Jan C. Faller

Lead Manager

Andrew P. Cestone

Sean P. McCaffrey

Portfolio Managers

Deutsche Investment Management Americas Inc.

Brett Diment

Edwin Gutierrez

Portfolio Managers

Deutsche Asset Management Investment Services Ltd.

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

The portfolio invests in individual bonds whose yields and market values fluctuate so that your investment may be worth more or less than its original cost. Additionally, investments by the portfolio in lower-rated bonds present greater risk to principal and income than investments in higher-quality securities. Finally, investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation, political and economic changes and market risks. All of these factors may result in greater share price volatility. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

The JP Morgan Emerging Markets Bond Plus Index is an unmanaged foreign securities index of US dollar and other external-currency-denominated Brady bonds, loans, Eurobonds and local market debt instruments traded in emerging markets. The Merrill Lynch High Yield Master Cash Pay Only Index tracks the performance of below-investment-grade US dollar-denominated corporate bonds publicly issued in the United States domestic market. The Lehman Brothers US Treasury Index is an unmanaged index reflecting the performance of all public obligations and does not focus on one particular segment of the Treasury market. The Citigroup World Government Bond Index (formerly known as Salomon Smith Barney World Government Bond Index) is an unmanaged index comprised of government bonds from 18 developed countries including the US with maturities greater than one year. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of December 31, 2003, and may not come to pass. This information is subject to change at any time based on market and other conditions.

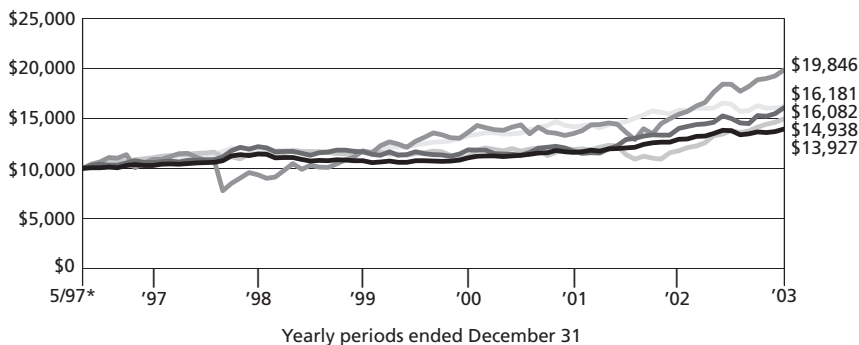
Scudder Strategic Income Portfolio

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

The Portfolio invests in individual bonds whose yields and market values fluctuate so that your investment may be worth more or less than its original cost. Additionally, investments by the Portfolio in lower-rated bonds present greater risk to principal and income than investments in higher-quality securities. Finally, investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation, political and economic changes and market risks. All of these factors may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

Growth of an Assumed \$10,000 Investment in Scudder Strategic Income Portfolio from 5/1/1997 to 12/31/2003

- Scudder Strategic Income Portfolio — Class A
- Citigroup World Government Bond Index
- JP Morgan Emerging Markets Bond Plus Index
- Merrill Lynch High Yield Master Cash Pay Only Index
- Lehman Brothers US Treasury Index



The Citigroup World Government Bond Index (formerly known as Salomon Smith Barney World Government Bond Index) is an unmanaged index comprised of government bonds from 18 developed countries (including the US) with maturities greater than one year. JP Morgan Emerging Markets Bond Plus Index is an unmanaged foreign securities index of US dollar- and other external-currency-denominated Brady bonds, loans, Eurobonds and local market debt instruments traded in emerging markets. The Merrill Lynch High Yield Master Cash Pay Only Index tracks the performance of below investment grade US dollar-denominated corporate bonds publicly issued in the US domestic market. Lehman Brothers US Treasury Index is an unmanaged index reflecting the performance of all public obligations and does not focus on one particular segment of the Treasury market.

Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

The growth of \$10,000 is cumulative.

* The Portfolio commenced operations on May 1, 1997. Index returns begin April 30, 1997.

Effective 5/1/2000 the Portfolio changed its investment objective.

Comparative Results

Scudder Strategic Income Portfolio		1-Year	3-Year	5-Year	Life of Portfolio*
Class A	Growth of \$10,000	\$10,785	\$12,631	\$12,199	\$13,927
	Average annual total return	7.85%	8.10%	4.05%	5.09%
Citigroup World Government Bond Index	Growth of \$10,000	\$11,491	\$13,595	\$13,222	\$16,082
	Average annual total return	14.91%	10.78%	5.75%	7.49%
JP Morgan Emerging Markets Bond Plus Index	Growth of \$10,000	\$12,882	\$14,601	\$21,274	\$19,846
	Average annual total return	28.82%	13.45%	16.30%	10.99%
Merrill Lynch High Yield Master Cash Pay Only Index	Growth of \$10,000	\$12,723	\$13,357	\$13,053	\$14,938
	Average annual total return	27.23%	10.13%	5.47%	6.29%
Lehman Brothers US Treasury Index	Growth of \$10,000	\$10,224	\$12,201	\$13,496	\$16,181
	Average annual total return	2.24%	6.86%	6.18%	7.59%

Scudder Strategic Income Portfolio		Life of Class**
Class B	Growth of \$10,000	\$10,297
	Average annual total return	2.97%
Citigroup World Government Bond Index	Growth of \$10,000	\$11,013
	Average annual total return	10.13%
JP Morgan Emerging Markets Bond Plus Index	Growth of \$10,000	\$11,387
	Average annual total return	13.87%
Merrill Lynch High Yield Master Cash Pay Only Index	Growth of \$10,000	\$11,314
	Average annual total return	13.14%
Lehman Brothers US Treasury Index	Growth of \$10,000	\$10,077
	Average annual total return	.77%

The growth of \$10,000 is cumulative.

* The Portfolio commenced operations on May 1, 1997. Index returns begin April 30, 1997.

** The Portfolio commenced offering Class B shares on May 1, 2003. Index returns begin April 30, 2003.

Effective 5/1/2000 the Portfolio changed its investment objective.

Information concerning portfolio holdings of the Portfolio as of a month end is available upon request no earlier than 15 days after the month end. Please call 1-800-778-1482.

Scudder Strategic Income Portfolio

	Principal Amount (\$)(c)	Value (\$)
Foreign Bonds — US\$ Denominated 9.0%		
Banque Centrale De Tunisie, 8.25%, 9/19/2027	30,000	33,000
Central Bank of Nigeria, 1.0%, 1/5/2010	300,000	117,750
Federal Republic of Brazil: 2.062%, 4/9/2015	6	6
C Bond, 8.0%, 4/15/2014	55,413	54,305
8.875%, 4/15/2024	280,000	273,000
10.0%, 8/7/2011	50,000	55,250
14.5%, 10/15/2009	300,000	392,250
PEMEX Petroleos Mexicanos, 8.625%, 12/1/2023	150,000	164,625
Petronas Nasional Berhad, 7.625%, 10/15/2026	300,000	346,086
Republic of Algeria, 1.0%, 3/4/2010	136,500	132,746
Republic of Argentina: 9.75%, 9/19/2027*	260,000	66,950
Series BGL4, 11.0%, 10/9/2006*	50,000	13,500
11.375%, 3/15/2010*	600,000	165,000
Republic of Bulgaria: 1.937%, 7/11/2028*	71,250	69,914
8.25%, 1/15/2015*	490,000	578,200
Republic of Ecuador, 1.0%, 8/15/2030	230,000	177,100
Republic of El Salvador: Series REGS, 8.25%, 4/10/2032	160,000	158,400
8.25%, 4/10/2032	70,000	69,300
Republic of Guatemala: 9.25%, 8/1/2013	40,000	44,200
9.25%, 8/1/2013	30,000	33,000
Republic of Phillippines, 9.375%, 1/18/2017	240,000	258,600
Republic of Turkey: 11.875%, 1/15/2030	70,000	94,850
12.375%, 6/15/2009	240,000	307,200
11.0%, 1/14/2013	210,000	263,025
Republic of Venezuela: Series DL, Floating Rate Debt Conversion Bond, LIBOR Plus, 0.875%, 12/18/2007	95,235	90,235
5.375%, 8/7/2010	350,000	287,000
9.25%, 9/15/2027	100,000	91,000
10.75%, 9/19/2013	230,000	243,800
Russian Federation: 3.0%, 5/14/2011	290,000	227,650
Step-up Coupon, 5.0%, 3/31/2030	695,000	666,331
Ukraine Government, 7.65%, 6/11/2013	380,000	396,150
United Mexican States: 10.5%, 7/14/2011	1,770,000	175,266
8.0%, 9/24/2022	250,000	273,500
Total Foreign Bonds — US\$ Denominated (Cost \$5,898,662)		6,319,189

	Principal Amount (\$)(c)	Value (\$)
Foreign Bonds — Non US\$ Denominated 37.2%		
European Investment Bank, 2.125%, 9/20/2007	JPY 139,000,000	1,378,795
Federal Republic of Brazil, 11.0%, 2/4/2010	EUR 70,000	98,811
Federal Republic of Germany, 6.25%, 1/4/2024	EUR 1,030,000	1,528,458
Government of Poland, 6.0%, 11/24/2010	PLN 710,000	182,465
Government of Spain, 5.15%, 7/30/2009	EUR 2,000,000	2,700,040
KFW International Finance, Inc., 1.75%, 3/23/2010	JPY 337,000,000	3,318,126
Kredit Fuer Wiederaufbau, 5.0%, 7/4/2011	EUR 1,680,000	2,237,733
Pemex Project Funding Master: 6.25%, 8/5/2013	EUR 280,000	351,387
6.625%, 4/10/2004	EUR 90,000	117,192
Petroleos Mexicanos, 9.5%, 9/15/2027	EUR 220,000	259,600
Pfandbriefstelle Ost Land Hypo, 1.6%, 2/15/2011	JPY 339,000,000	3,270,937
Province of Ontario, 1.875%, 1/25/2010	JPY 300,000,000	2,969,682
Republic of Argentina: 7.5%, 5/23/2049*	EUR 201,939	59,704
10.0%, 2/8/2026*	EUR 160,000	48,311
11.75%, 11/13/2026*	EUR 46,016	6,956
Republic of Greece, 4.65%, 4/19/2007	EUR 1,635,000	2,151,511
Republic of Italy, 4.75%, 3/15/2006	EUR 1,300,000	1,704,334
Romania, 8.5%, 5/8/2012	EUR 310,000	455,338
Socite Tunisienne De Banque, 6.25%, 2/20/2013	EUR 60,000	78,694
United Kingdom Treasury Bond: 7.75%, 9/8/2006	GBP 50,000	96,784
8.75%, 8/25/2017	GBP 500,000	1,241,996
9.0%, 7/12/2011	GBP 785,000	1,777,934
Total Foreign Bonds — Non US\$ Denominated (Cost \$22,370,444)		26,034,788

US Government Backed 22.2%		
US Treasury Bond:		
5.25%, 2/15/2029	1,425,000	1,437,580
5.375%, 2/15/2031	890,000	928,138
6.0%, 2/15/2026	1,525,000	1,691,141
7.25%, 5/15/2016	200,000	249,492
8.5%, 2/15/2020	760,000	1,061,477
10.375%, 11/15/2012	3,350,000	4,273,997
11.25%, 2/15/2015	575,000	920,315
11.75%, 11/15/2014 (d)	1,000,000	1,434,180
12.75%, 11/15/2010 (d)	500,000	599,239
US Treasury Note:		
1.625%, 1/31/2005	2,250,000	2,258,701
6.5%, 8/15/2005	480,000	517,837
6.5%, 2/15/2010	125,000	145,254
Total US Government Backed (Cost \$15,561,966)		15,517,351

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

	Principal Amount (\$)(c)	Value (\$)
US Government Sponsored Agencies 11.7%		
Federal Home Loan Mortgage Corp.:		
2.875%, 9/15/2005	2,000,000	2,036,566
5.125%, 7/15/2012	2,700,000	2,820,237
5.875%, 3/21/2011	1,600,000	1,734,275
Federal National Mortgage Association, 5.5%, 5/2/2006	1,500,000	1,604,683
Total US Government Sponsored Agencies (Cost \$8,036,160)		8,195,761

Credit Linked Note 13.9%		
DJ TRAC-X NA High Yield, 144A, 7.375%, 3/25/2009 (Cost \$9,360,000)**	9,360,000	9,757,800

	Principal Amount (\$)(c)	Value (\$)
Foreign Currency Option 0.1%		
SEK Call / USD Put, 2/4/2004 (Cost \$13,570)	49,656	61,892
	Shares	Value (\$)
Cash Equivalents 5.9%		
Scudder Cash Management QP Trust, 1.11% (b) (Cost \$4,105,531)	4,105,531	4,105,531
Total Investment Portfolio — 100.0% (Cost \$65,346,333) (a)		69,992,312

Notes to Scudder Strategic Income Portfolio of Investments

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

** Dow Jones TRAC-X North America High Yield is an index derivative, linked to the credit performance of the 100 underlying securities which consist of the TRAC-X North America High Yield index. While this holding is a diversified instrument used to gain exposure to the North America High Yield credit market, it does represent a concentration of credit risk, should the counterparty fail to fulfill its obligations.

(a) The cost for federal income tax purposes was \$65,400,182. At December 31, 2003, net unrealized appreciation for all securities based on tax cost was \$4,592,130. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$4,823,395 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$231,265.

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

(c) Principal amount stated in US dollars unless otherwise noted.

Currency Abbreviation

EUR	Euro	JPY	Japanese Yen
DEM	Deutsche Mark	GBP	British Pounds
PLN	Polish Zloty	SEK	Swedish Krona

At December 31, 2003, open written options were as follows:

Written Options	Contracts	Expiration Date	Strike Price	Value (\$)
SEK Call	(49,656)	2/4/2004	7.88 (SEK)	69
Total outstanding written options (Premiums received \$13,199)				69

(d) At December 31, 2003, these securities have been segregated, in whole or in part, to cover initial margin requirements for open futures contracts.

At December 31, 2003, open futures contracts were as follows:

Futures	Expiration Date	Contracts	Aggregate Face Value (\$)	Value (\$)	Unrealized Appreciation/ (Depreciation) (\$)
10 year Japanese Government Bond	3/22/2004	4	5,091,126	5,134,078	(42,952)
5 year US Treasury Note	3/22/2004	89	9,850,325	9,934,625	(84,300)
Long Gilt Future	3/26/2004	34	6,452,457	6,585,511	133,054
Total net unrealized appreciation					5,802

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registrations, normally to qualified institutional buyers.

Financial Statements

Statement of Assets and Liabilities as of December 31, 2003

Assets

Investments:	
Investments in securities, at value (cost \$61,240,802)	\$ 65,886,781
Investment in Scudder Cash Management QP Trust (cost \$4,105,531)	4,105,531
Total investments in securities, at value (cost \$65,346,333)	69,992,312
Foreign currency, at value (cost \$143,485)	155,111
Receivable for investments sold	164,108
Interest receivable	1,020,321
Receivable for Portfolio shares sold	252,965
Unrealized appreciation on forward foreign currency exchange contracts	145,152
Other assets	27,553
Total assets	71,757,522

Liabilities

Written options, at value (premiums received \$13,199)	69
Payable for daily variation margin on open futures contracts	721
Unrealized depreciation on forward foreign currency exchange contracts	1,088,483
Payable for Portfolio share redeemed	76,547
Accrued management fee	36,640
Other accrued expenses and payables	61,227
Total liabilities	1,263,687
Net assets, at value	\$ 70,493,835

Net Assets

Net assets consist of:	
Undistributed net investment income	964,888
Net unrealized appreciation (depreciation) on:	
Investments	4,645,979
Futures	5,802
Written options	13,130
Foreign currency related transactions	(890,504)
Accumulated net realized gain (loss)	3,250,045
Paid-in capital	62,504,495
Net assets, at value	\$ 70,493,835

Class A Shares

Net asset value , offering and redemption price per share (\$62,224,388 ÷ 5,264,429 shares outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 11.82
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Class B Shares

Net asset value , offering and redemption price per share (\$8,269,447 ÷ 701,718 shares outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 11.78
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Statement of Operations for the year ended December 31, 2003

Investment Income

Income:	
Interest	\$ 2,924,673
Interest — Scudder Cash Management QP Trust	25,766
Total Income	2,950,439
Expenses:	
Management fee	435,782
Custodian fees	47,775
Distribution service fees (Class B)	7,015
Record keeping fees (Class B)	3,369
Auditing	52,845
Legal	1,437
Trustees' fees and expenses	1,858
Reports to shareholders	11,790
Other	9,891
Total expenses, before expense reductions	571,762
Expense reductions	(325)
Total expenses, after expense reductions	571,437
Net investment income	2,379,002

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from:	
Investments	3,668,689
Futures	(59,168)
Written options	27,090
Foreign currency related transactions	(2,172,455)
	1,464,156
Net unrealized appreciation (depreciation) during the period on:	
Investments	1,305,613
Futures	5,802
Written options	13,130
Foreign currency related transactions	(455,522)
	869,023
Net gain (loss) on investment transactions	2,333,179
Net increase (decrease) in net assets resulting from operations	\$ 4,712,181

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2003	2002
Operations:		
Net investment income	\$ 2,379,002	\$ 1,679,236
Net realized gain (loss) on investment transactions	1,464,156	54,812
Net unrealized appreciation (depreciation) on investment transactions during the period	869,023	2,799,156
Net increase (decrease) in net assets resulting from operations	4,712,181	4,533,204
Distributions to shareholders from:		
Net investment income		
Class A	(853,600)	(775,880)
Net realized gains		
Class A	(28,838)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	39,373,917	52,444,515
Reinvestment of distributions	882,438	775,880
Cost of shares redeemed	(41,393,653)	(18,007,287)
Net increase (decrease) in net assets from Class A share transactions	(1,137,298)	35,213,108
Class B*		
Proceeds from shares sold	8,762,505	—
Cost of shares redeemed	(662,224)	—
Net increase (decrease) in net assets from Class B share transactions	8,100,281	—
Increase (decrease) in net assets	10,792,726	38,970,432
Net assets at beginning of period	59,701,109	20,730,677
Net assets at end of period (including undistributed net investment income of \$964,888 and \$1,243,313, respectively)	\$ 70,493,835	\$ 59,701,109

Other Information

Class A		
Shares outstanding at beginning of period	5,379,967	2,018,991
Shares sold	3,451,262	4,981,682
Shares issued to shareholders in reinvestment of distributions	78,789	77,049
Shares redeemed	(3,645,589)	(1,697,755)
Net increase (decrease) in Portfolio shares	(115,538)	3,360,976
Shares outstanding at end of period	5,264,429	5,379,967
Class B*		
Shares outstanding at beginning of period	—	—
Shares sold	759,236	—
Shares redeemed	(57,518)	—
Net increase (decrease) in Portfolio shares	701,718	—
Shares outstanding at end of period	701,718	—

* For the period from May 1, 2003 (commencement of operations of Class B shares) to December 31, 2003.

Financial Highlights

Class A

Years Ended December 31,	2003	2002	2001 ^a	2000 ^b	1999 ^b
Selected Per Share Data					
Net asset value, beginning of period	\$ 11.10	\$ 10.27	\$ 9.86	\$ 9.86	\$ 11.09
<i>Income (loss) from investment operations:</i>					
Net investment income ^(c)	.41	.45	.48	.51	.47
Net realized and unrealized gain (loss) on investment transactions	.47	.68	.03	(.26)	(1.10)
Total from investment operations	.88	1.13	.51	.25	(.63)
<i>Less distributions from:</i>					
Net investment income	(.15)	(.30)	(.10)	(.25)	(.40)
Net realized gains on investment transactions	(.01)	—	—	—	(.20)
Total distributions	(.16)	(.30)	(.10)	(.25)	(.60)
Net asset value, end of period	\$ 11.82	\$ 11.10	\$ 10.27	\$ 9.86	\$ 9.86
Total Return (%)	7.85	11.30	5.23	2.57	(5.85)
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period (\$ millions)	62	60	21	9	6
Ratio of expenses before expense reductions (%)	.83	.73	.66	1.14	1.03
Ratio of expenses after expense reductions (%)	.83	.73	.65	1.10	1.01
Ratio of net investment income (%)	3.60	4.26	4.76	5.26	4.57
Portfolio turnover rate (%)	160	65	27	154	212

^a As required, effective January 1, 2001, the Portfolio has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on debt securities. In addition, paydowns on mortgage-backed securities which were included in realized gain/loss on investment transactions prior to January 1, 2001 are included as interest income. The effect of this change for the year ended December 31, 2001 was to decrease net investment income per share by \$.04, increase net realized and unrealized gains and losses per share by \$.04 and decrease the ratio of net investment income to average net assets from 5.16% to 4.76%. Per share, ratios and supplemental data for periods prior to January 1, 2001 have not been restated to reflect this change in presentation.

^b On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly.

^c Based on average shares outstanding during the period.

Class B

	2003 ^a
Selected Per Share Data	
Net asset value, beginning of period	\$ 11.44
<i>Income (loss) from investment operations:</i>	
Net investment income ^b	.17
Net realized and unrealized gain (loss) on investment transactions	.17
Total from investment operations	.34
Net asset value, end of period	\$ 11.78
Total Return (%)	2.97**
Ratios to Average Net Assets and Supplemental Data	
Net assets, end of period (\$ millions)	8
Ratio of expenses (%)	1.26*
Ratio of net investment income (%)	1.80*
Portfolio turnover rate (%)	160

^a For the period from May 1, 2003 (commencement of operations of Class B shares) to December 31, 2003.

^b Based on average shares outstanding during the period.

* Annualized

** Not annualized

Scudder Technology Growth Portfolio

Technology was the surprise comeback kid in 2003. The portfolio had a strong total return of 46.84% (Class A shares, unadjusted for contract charges) for the 12 months ended December 31, 2003, though it underperformed its benchmark, the Goldman Sachs Technology Index, which rose 54.18% for the period. Please see the following page for standardized performance as of December 31, 2003.

On the positive side, the portfolio's holdings in the computers and peripherals subsector as well as the software subsector bore fruit. Looking at specific stock picks, an overweight position in computer storage provider EMC Corp. (a top-10 holding) reaped a healthy gain. In this case, we predicted early on that storage would do well, and events unfolded as expected. VERITAS Software Corp., a developer of storage management software, was another top contributor.

What hurt the portfolio most relative to the benchmark was a large underweight throughout the year in communications equipment — a subsector that more than doubled in value. We did increase the portfolio's weighting in this sector toward the end of the year, which helped neutralize this factor in the fourth quarter. Both sector allocation and stock selection in the semiconductor subsector also had a negative impact during the year.

Currently, we believe the portfolio is well-positioned to benefit from two developing trends. The first trend involves investors rotating out of speculative small-cap stocks that drove performance in 2003 and into the larger-cap, more established stocks favored by the portfolio. The second trend involves the strengthening in business confidence and companies' willingness to lay down money for new technology infrastructure.

Important: portfolio manager change

As of January 12, 2004 Ian Link and Anne Meisner assumed management duties for the portfolio.

Ian Link	Anne Meisner
<i>Lead Manager</i>	<i>Portfolio Manager</i>
<i>Deutsche Investment Management Americas Inc.</i>	

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

Investments by the portfolio in small companies present greater risk of loss than investments in larger, more established companies. Concentration of the portfolio's investment in technology stocks may present a greater risk than investments in a more diversified portfolio. Investments by the portfolio in emerging technology companies present greater risk than investments in more established technology companies. This portfolio is non-diversified and can take larger positions in fewer companies, increasing its overall potential risk. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

The Goldman Sachs Technology Index is an unmanaged, capitalization-weighted index based on a universe of technology-related stocks. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of December 31, 2003, and may not come to pass. This information is subject to change at any time based on market and other conditions.

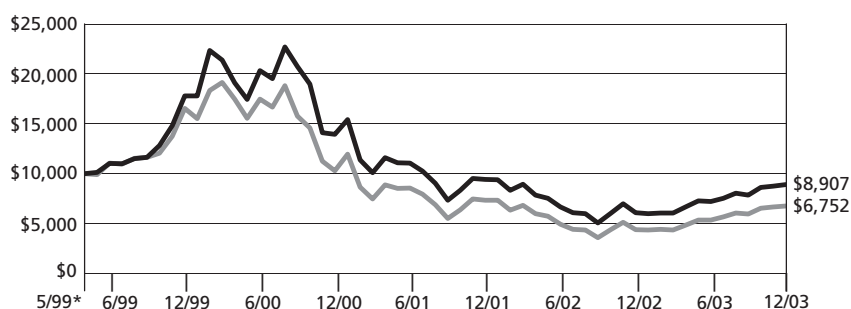
Scudder Technology Growth Portfolio

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Investments by the Portfolio in small companies present greater risk of loss than investments in larger, more established companies. Concentration of the Portfolio's investment in technology stocks may present a greater risk than investments in a more diversified Portfolio. Investments by the Portfolio in emerging technology companies present greater risk than investments in more-established technology companies. This Portfolio is non-diversified and can take larger positions in fewer companies, increasing its overall potential risk. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

Growth of an Assumed \$10,000 Investment in Scudder Technology Growth Portfolio from 5/1/1999 to 12/31/2003

- Scudder Technology Growth Portfolio — Class A
- Goldman Sachs Technology Index



The Goldman Sachs Technology Index is a modified capitalization-weighted index composed of companies involved in the technology industry. Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

Scudder Technology Growth Portfolio	1-Year	3-Year	Life of Portfolio*
Class A			
Growth of \$10,000	\$14,684	\$6,391	\$8,907
Average annual total return	46.84%	-13.86%	-2.45%
Goldman Sachs Technology Index			
Growth of \$10,000	\$15,418	\$6,577	\$6,752
Average annual total return	54.18%	-13.03%	-8.18%
Scudder Technology Growth Portfolio	1-Year	Life of Class**	
Class B			
Growth of \$10,000	\$14,642	\$13,924	
Average annual total return	46.42%	24.69%	
Goldman Sachs Technology Index			
Growth of \$10,000	\$15,418	\$13,744	
Average annual total return	54.18%	23.98%	

The growth of \$10,000 is cumulative.

* The Portfolio commenced operations on May 1, 1999. Index returns begin April 30, 1999. Total returns would have been lower for the Life of Portfolio period for Class A shares if the Portfolio's expenses were not maintained.

** The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.

Information concerning portfolio holdings of the Portfolio as of a month end is available upon request no earlier than 15 days after the month end. Please call 1-800-778-1482.

Scudder Technology Growth Portfolio

	Shares	Value (\$)		Shares	Value (\$)
Common Stocks 100.0%					
Consumer Discretionary 4.7%					
Internet & Catalog Retail 4.3%					
Amazon.com, Inc.*	42,690	2,247,201			
eBay, Inc.*	93,800	6,058,542			
InterActiveCorp.*	92,500	3,138,525			
		11,444,268			
Media 0.4%					
Time Warner, Inc.*	60,332	1,085,373			
Information Technology 94.5%					
Communications Equipment 14.2%					
ADTRAN, Inc.	2,000	62,000			
Advanced Fibre Communications, Inc.*	2,100	42,315			
Andrew Corp.*	3,600	41,436			
Brocade Communications Systems, Inc.*	161,286	932,233			
Cisco Systems, Inc.*	799,500	19,419,855			
Corning, Inc.*	279,200	2,912,056			
Extreme Networks, Inc.*	3,400	24,514			
Foundry Networks, Inc.*	3,000	82,080			
InterDigital Communication Corp.*	1,400	28,896			
Juniper Networks, Inc.*	9,600	179,328			
Lucent Technologies, Inc.*	369,400	1,049,096			
Motorola, Inc.	238,984	3,362,505			
NetScreen Technologies, Inc.*	83,200	2,059,200			
Nortel Networks Corp.*	487,399	2,061,698			
Polycorn, Inc.*	2,600	50,752			
QUALCOMM, Inc.	95,158	5,131,871			
Scientific-Atlanta, Inc.	4,300	117,390			
Sonus Networks, Inc.*	6,100	46,116			
Sycamore Networks, Inc.*	9,500	49,780			
Tekelec*	1,400	21,770			
Tellabs, Inc.*	9,500	80,085			
UTStarcom, Inc.*	2,700	100,089			
		37,855,065			
Computers & Peripherals 20.0%					
Dell, Inc.*	240,375	8,163,135			
EMC Corp.*	893,500	11,544,020			
Hewlett-Packard Co.	270,552	6,214,580			
International Business Machines Corp.	235,700	21,844,676			
Lexmark International, Inc.*	46,125	3,627,270			
Pinnacle Systems, Inc.*	2,700	23,031			
Sun Microsystems, Inc.*	353,645	1,587,866			
		53,004,578			
Electronic Equipment & Instruments 4.6%					
Agilent Technologies, Inc.*	267,622	7,825,267			
Jabil Circuit, Inc.*	96,700	2,736,610			
Soletron Corp.*	261,439	1,545,105			
		12,106,982			
Internet Software & Services 1.1%					
Yahoo!, Inc.*	65,968	2,979,775			
IT Consulting & Services 7.6%					
Accenture Ltd. "A"*	256,800	6,758,976			
Affiliated Computer Services, Inc. "A"*	51,900	2,826,474			
Automatic Data Processing, Inc.	57,135	2,263,117			
Computer Sciences Corp.*	27,940	1,235,786			
Electronic Data Systems Corp.	48,449	1,188,938			
First Data Corp.	70,979	2,916,527			
Paychex, Inc.	47,608	1,771,018			
SunGard Data Systems, Inc.*	46,481	1,287,989			
		20,248,825			
Semiconductors & Semiconductor Equipment 24.1%					
Agere Systems, Inc. "A"*	403,550	1,230,827			
Altera Corp.*	64,467	1,463,401			
Analog Devices, Inc.	43,978	2,007,596			
Applied Materials, Inc.*	252,787	5,675,068			
ASML Holding NV*	98,837	1,981,682			
Broadcom Corp. "A"*	83,058	2,831,447			
Intel Corp.	752,989	24,246,246			
KLA-Tencor Corp.*	57,497	3,373,349			
Linear Technology Corp.	45,140	1,899,040			
Maxim Integrated Products, Inc.	66,037	3,288,642			
Microchip Technology, Inc.	51,312	1,711,768			
Micron Technology, Inc.*	78,877	1,062,473			
Novellus Systems, Inc.*	56,500	2,375,825			
STMicroelectronics NV (New York Shares)	91,669	2,475,980			
Texas Instruments, Inc.	217,544	6,391,443			
Xilinx, Inc.*	50,466	1,955,053			
		63,969,840			
Software 22.9%					
Adobe Systems, Inc.	33,838	1,329,833			
BEA Systems, Inc.*	159,458	1,961,333			
BMC Software, Inc.*	88,779	1,655,728			
Computer Associates International, Inc.	67,577	1,847,555			
Electronic Arts, Inc.*	57,120	2,729,194			
Intuit, Inc.*	80,313	4,249,361			
Microsoft Corp.	788,346	21,711,049			
Oracle Corp.*	619,100	8,172,120			
PeopleSoft, Inc.*	132,400	3,018,720			
Siebel Systems, Inc.*	104,576	1,450,469			
Symantec Corp.*	130,900	4,535,685			
Synopsys Ltd.*	48,180	1,626,557			
TIBCO Software, Inc.*	216,100	1,462,997			
VERITAS Software Corp.*	134,456	4,996,385			
		60,746,986			

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

	Shares	Value (\$)
Telecommunication Services 0.8%		
Wireless Telecommunication Services		
Telefonaktiebolaget LM Ericsson (ADR)*	115,300	2,040,809
Total Common Stocks (Cost \$214,494,432)		265,482,501
Total Investment Portfolio — 100.0% (Cost \$214,494,432) (a)		265,482,501

Notes to Scudder Technology Growth Portfolio

* Non-income producing security.

(a) The cost for federal income tax purposes was \$246,150,803. At December 31, 2003, net unrealized appreciation for all securities based on tax cost was \$19,331,698. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$35,452,736 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$16,121,038.

Financial Statements

Statement of Assets and Liabilities as of December 31, 2003

Assets

Investments in securities, at value (cost \$214,494,432)	\$ 265,482,501
Receivable for investments sold	2,809,533
Dividends receivable	44,073
Receivable for Portfolio shares sold	15,131
Interest receivable	1,159
Other assets	6,554
Total assets	268,358,951

Liabilities

Due to custodian bank	47,184
Payable for Portfolio shares redeemed	605,263
Accrued management fee	166,672
Other accrued expenses and payables	110,738
Total liabilities	929,857
Net assets, at value	\$ 267,429,094

Net Assets

Net assets consist of:	
Accumulated net investment loss	\$ (2,800)
Net unrealized appreciation (depreciation) on:	
Investments	50,988,069
Accumulated net realized gain (loss)	(299,545,112)
Paid-in capital	515,988,937
Net assets, at value	\$ 267,429,094

Class A

Net Asset Value , offering and redemption price per share (\$256,719,796 ÷ 29,035,542 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 8.84
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Class B

Net Asset Value , offering and redemption price per share (\$10,709,298 ÷ 1,217,540 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 8.80
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Statement of Operations for the year ended December 31, 2003

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$3,250)	\$ 652,583
Interest — Scudder Cash Management QP Trust	118,338
Total Income	770,921
Expenses:	
Management fee	1,620,836
Custodian and accounting fees	84,631
Distribution service fees (Class B)	10,997
Record keeping fees (Class B)	6,194
Auditing	48,883
Legal	31,427
Trustees' fees and expenses	5,969
Reports to shareholders	66,816
Other	4,994
Total expenses, before expense reductions	1,880,747
Expense reductions	(703)
Total expenses, after expense reductions	1,880,044
Net investment income (loss)	(1,109,123)

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from:	
Investments	(65,086,260)
Written options	232,214
	(64,854,046)
Net unrealized appreciation (depreciation) during the period on:	
Investments	148,935,889
Net gain (loss) on investment transactions	84,081,843
Net increase (decrease) in net assets resulting from operations	\$ 82,972,720

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2003	2002
Operations:		
Net investment income (loss)	\$ (1,109,123)	\$ (1,033,084)
Net realized gain (loss)	(64,854,046)	(113,177,009)
Net unrealized appreciation (depreciation) on investment transactions during the period	148,935,889	(16,385,748)
Net increase (decrease) in net assets resulting from operations	82,972,720	(130,595,841)
Distributions to shareholders from:		
Net investment income		
Class A	—	(313,166)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	51,551,950	49,377,515
Reinvestment of distributions	—	313,166
Cost of shares redeemed	(94,728,478)	(50,658,633)
Net increase (decrease) in net assets from Class A share transactions	(43,176,528)	(967,952)
Class B		
Proceeds from shares sold	9,021,390	314,849*
Cost of shares redeemed	(349,231)	(131)*
Net increase (decrease) in net assets from Class B share transactions	8,672,159	314,718
Increase (decrease) in net assets	48,468,351	(131,562,241)
Net assets at beginning of period	218,960,743	350,522,984
Net assets at end of period (including accumulated net investment loss of \$2,800 and \$2,887, respectively) \$	267,429,094	\$ 218,960,743

Other Information

Class A		
Shares outstanding at beginning of period	36,318,161	37,439,839
Shares sold	7,017,960	5,869,117
Shares issued to shareholders in reinvestment of distributions	—	35,386
Shares redeemed	(14,300,579)	(7,026,181)
Net increase (decrease) in Portfolio shares	(7,282,619)	(1,121,678)
Shares outstanding at end of period	29,035,542	36,318,161
Class B		
Shares outstanding at beginning of period	51,379	—
Shares sold	1,206,790	51,400*
Shares redeemed	(40,629)	(21)*
Net increase (decrease) in Portfolio shares	1,166,161	51,379
Shares outstanding at end of period	1,217,540	51,379

* For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

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

Financial Highlights

Class A

Years Ended December 31,	2003	2002	2001	2000 ^a	1999 ^{a,b}
Selected Per Share Data					
Net asset value, beginning of period	\$ 6.02	\$ 9.36	\$ 13.87	\$ 17.77	\$ 10.00
<i>Income (loss) from investment operations:</i>					
Net investment income (loss) ^c	(.04)	(.03)	.01	.04	.05
Net realized and unrealized gain (loss) on investment transactions	2.86	(3.30)	(4.50)	(3.84)	7.72
Total from investment operations	2.82	(3.33)	(4.49)	(3.80)	7.77
<i>Less distributions from:</i>					
Net investment income	—	(.01)	(.02)	—	—
Net realized gains on investment transactions	—	—	—	(.10)	—
Total distributions	—	(.01)	(.02)	(.10)	—
Net asset value, end of period	\$ 8.84	\$ 6.02	\$ 9.36	\$ 13.87	\$ 17.77
Total Return (%)	46.84	(35.52)	(32.39)	(21.57)	77.70 ^{d**}
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period (\$ millions)	257	219	351	270	84
Ratio of expenses before expense reductions (%)	.86	.80	.81	.82	1.19*
Ratio of expenses after expense reductions (%)	.86	.80	.81	.82	.94*
Ratio of net investment income (loss) (%)	(.50)	(.37)	.12	.21	.60*
Portfolio turnover rate (%)	66	64	56	107	34*

^a On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly.

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

^c Based on average shares outstanding during the period.

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

* Annualized ** Not annualized

Class B

Years Ended December 31,	2003	2002 ^a
Selected Per Share Data		
Net asset value, beginning of period	\$ 6.01	\$ 6.32
<i>Income (loss) from investment operations:</i>		
Net investment income (loss) ^b	(.07)	(.02)
Net realized and unrealized gain (loss) on investment transactions	2.86	(.29)
Total from investment operations	2.79	(.31)
Net asset value, end of period	\$ 8.80	\$ 6.01
Total Return (%)	46.42	(4.75)**
Ratios to Average Net Assets and Supplemental Data		
Net assets, end of period (\$ millions)	11	.3
Ratio of expenses (%)	1.25	1.06*
Ratio of net investment income (loss) (%)	(.89)	(.79)*
Portfolio turnover rate (%)	66	64

^a For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

^b Based on average shares outstanding during the period.

* Annualized

** Not annualized

Scudder Total Return Portfolio

Positive economic news and better-than-expected corporate earnings combined to create a positive backdrop for both stocks and corporate bonds during 2003. The portfolio's benchmarks, the Standard & Poor's 500 (S&P 500) index and the Lehman Brothers Aggregate Bond Index, returned 28.68% and 4.10%, respectively.

In this favorable environment, the portfolio delivered a strong total return of 18.10% (Class A shares, unadjusted for contract charges). The equity portion of the portfolio benefited from the generally positive tone of the stock market in 2003. The strength of the portfolio's health care and technology holdings proved particularly helpful. However, investor concern over the strength of holiday sales led to underperformance by certain retailers in the portfolio. Performance on the fixed-income side was helped by our continued emphasis on corporates, particularly BBB-rated issues. Please see the following page for standardized performance as of December 31, 2003.

The equity portion of the portfolio is positioned to benefit from further economic growth in 2004, as we continue to favor consumer and technology stocks. Energy stocks also remain overweighted, as we feel long-term growth opportunities exist in the sector. On the fixed-income side, where the portfolio remains overweight in corporates, we continue to emphasize fundamental credit research and individual security selection.

Julie M. Van Cleave Jack A. Zehner Thomas J. Schmid

Portfolio Managers—Equity portion of the Portfolio

J. Christopher Gagnier Gary W. Bartlett Janet Campagna Andrew P. Cestone
 Daniel R. Taylor Thomas Flaherty Warren S. Davis

Portfolio Managers—Fixed Income portion of the Portfolio
Deutsche Investment Management Americas Inc.

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

The portfolio is subject to stock market risk, meaning stocks in the portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. The portfolio also invests in individual bonds whose yields and market values fluctuate so that your investment may be worth more or less than its original cost. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

The Lehman Brothers (LB) Aggregate Bond Index is an unmanaged, market-value-weighted measure of Treasury issues, agency issues, corporate issues and mortgage securities.

The Standard & Poor's (S&P) 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of December 31, 2003, and may not come to pass. This information is subject to change at any time based on market and other conditions.

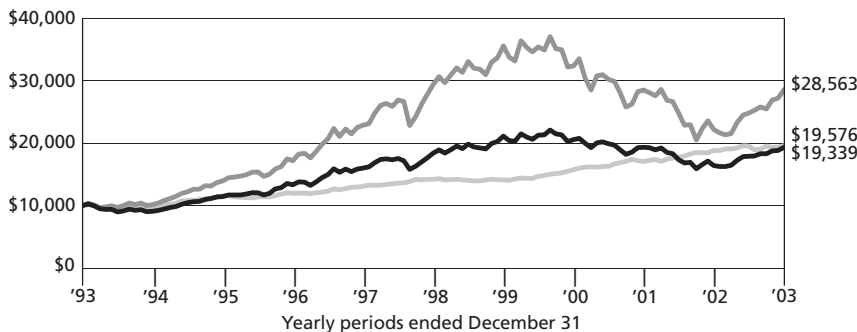
Scudder Total Return Portfolio

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

The Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. The Portfolio also invests in individual bonds whose yields and market values fluctuate so that your investment may be worth more or less than its original cost. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

Growth of an Assumed \$10,000 Investment in Scudder Total Return Portfolio from 12/31/1993 to 12/31/2003

- Scudder Total Return Portfolio — Class A
- S&P 500 Index
- Lehman Brothers Aggregate Bond Index



The Standard & Poor's (S&P) 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The Lehman Brothers Aggregate Bond Index is an unmanaged market value-weighted measure of treasury issues, agency issues, corporate and issues and mortgage securities.

Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

Scudder Total Return Portfolio	1-Year	3-Year	5-Year	10-Year
Class A				
Growth of \$10,000	\$11,810	\$9,409	\$10,518	\$19,339
Average annual total return	18.10%	-2.01%	1.02%	6.82%
S&P 500 Index				
Growth of \$10,000	\$12,868	\$8,833	\$9,718	\$28,563
Average annual total return	28.68%	-4.05%	-5.7%	11.07%
Lehman Brothers Aggregate Bond Index				
Growth of \$10,000	\$10,410	\$12,447	\$13,780	\$19,576
Average annual total return	4.10%	7.57%	6.62%	6.95%
Scudder Total Return Portfolio		1-Year	Life of Class*	
Class B				
Growth of \$10,000		\$11,766	\$11,271	
Average annual total return		17.66%	8.30%	
S&P 500 Index				
Growth of \$10,000		\$12,868	\$11,543	
Average annual total return		28.68%	10.04%	
Lehman Brothers Aggregate Bond Index				
Growth of \$10,000		\$10,410	\$11,059	
Average annual total return		4.10%	6.94%	

The growth of \$10,000 is cumulative.

* The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.

Information concerning portfolio holdings of the Portfolio as of a month end is available upon request no earlier than 15 days after the month end. Please call 1-800-778-1482.

Scudder Total Return Portfolio

	Shares	Value (\$)		Shares	Value (\$)
Common Stocks 61.2%					
Consumer Discretionary 8.3%					
Automobiles 0.8%					
Harley-Davidson, Inc.	122,400	5,817,672			
Hotel Restaurants & Leisure 1.5%					
International Game Technology	199,200	7,111,440			
YUM! Brands, Inc.*	105,900	3,642,960			
		10,754,400			
Media 3.1%					
Comcast Corp., "A"*	165,900	5,189,352			
McGraw-Hill, Inc.	64,700	4,523,824			
Omnicom Group, Inc.	75,800	6,619,614			
Viacom, Inc., "B"	109,239	4,848,027			
		21,180,817			
Multiline Retail 1.6%					
Kohl's Corp.*	69,800	3,136,812			
Target Corp.	215,300	8,267,520			
		11,404,332			
Specialty Retail 1.3%					
Home Depot, Inc.	71,100	2,523,339			
Lowe's Companies, Inc.	64,600	3,578,194			
Staples, Inc.*	95,400	2,604,420			
		8,705,953			
Consumer Staples 6.8%					
Beverages 1.8%					
Coca-Cola Co.	85,000	4,313,750			
PepsiCo, Inc.	185,120	8,630,294			
		12,944,044			
Food & Drug Retailing 2.4%					
Wal-Mart Stores, Inc.	219,900	11,665,695			
Walgreen Co.	131,000	4,765,780			
		16,431,475			
Household Products 2.6%					
Colgate-Palmolive Co.	181,900	9,104,095			
Procter & Gamble Co.	90,700	9,059,116			
		18,163,211			
Energy 4.0%					
Energy Equipment & Services 2.7%					
Baker Hughes, Inc.	119,200	3,833,472			
Nabors Industries Ltd.*	182,800	7,586,200			
Noble Corp.*	53,300	1,907,074			
Schlumberger Ltd.	92,900	5,083,488			
		18,410,234			
Oil & Gas 1.3%					
Burlington Resources, Inc.	77,200	4,275,336			
ConocoPhillips	76,800	5,035,776			
		9,311,112			
Financials 7.1%					
Banks 0.8%					
Bank of America Corp.	69,100	5,557,713			
Capital Markets 0.5%					
State Street Corp.	67,500	3,515,400			
Consumer Finance 1.2%					
American Express Co.	170,300	8,213,569			
Diversified Financial Services 3.6%					
Citigroup, Inc.	183,399	8,902,188			
Fannie Mae	83,400	6,260,004			
Goldman Sachs Group, Inc.	21,300	2,102,949			
Lehman Brothers Holdings, Inc.	27,700	2,138,994			
Morgan Stanley	92,200	5,335,614			
		24,739,749			
Insurance 1.0%					
AFLAC, Inc.	29,800	1,078,164			
American International Group, Inc.	89,637	5,941,140			
		7,019,304			
Health Care 13.5%					
Biotechnology 2.4%					
Amgen, Inc.*	18,400	1,137,120			
Genentech, Inc.*	115,600	10,816,692			
Gilead Sciences, Inc.*	83,300	4,843,062			
		16,796,874			
Health Care Equipment & Supplies 2.8%					
Baxter International, Inc.	149,100	4,550,532			
Boston Scientific Corp.*	64,200	2,359,992			
Medtronic, Inc.	161,900	7,869,959			
Zimmer Holdings, Inc.*	69,700	4,906,880			
		19,687,363			
Health Care Providers & Services 1.1%					
UnitedHealth Group, Inc.	124,600	7,249,228			
Pharmaceuticals 7.2%					
Abbott Laboratories	221,300	10,312,580			
Eli Lilly & Co.	110,600	7,778,498			
Johnson & Johnson	245,666	12,691,105			
Merck & Co., Inc.	81,800	3,779,160			
Pfizer, Inc.	427,775	15,113,291			
		49,674,634			
Industrials 4.7%					
Aerospace & Defense 1.6%					
United Technologies Corp.	114,800	10,879,596			
Air Freight & Logistics 0.6%					
FedEx Corp.	60,200	4,063,500			
Industrial Conglomerates 2.5%					
3M Co.	47,000	3,996,410			
General Electric Co.	442,700	13,714,846			
		17,711,256			
Information Technology 15.9%					
Communications Equipment 1.7%					
Cisco Systems, Inc.*	499,100	12,123,139			
Computers & Peripherals 2.9%					
Dell, Inc.*	67,900	2,305,884			
EMC Corp.*	550,000	7,106,000			

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

	Shares	Value (\$)
International Business Machines Corp.	112,000	10,380,160
		19,792,044
IT Consulting & Services 0.7%		
Fiserv, Inc.*	117,700	4,650,327
Semiconductors & Semiconductor Equipment 5.9%		
Applied Materials, Inc.*	428,300	9,615,335
Intel Corp.	538,500	17,339,700
Linear Technology Corp.	127,500	5,363,925
Texas Instruments, Inc.	288,900	8,487,882
		40,806,842
Software 4.7%		
BEA Systems, Inc.*	76,300	938,490
Electronic Arts, Inc.*	116,000	5,542,480
Microsoft Corp.	652,800	17,978,112
Microstrategy Inc.*	22	1,155
Oracle Corp.*	269,400	3,556,080
Symantec Corp.*	62,400	2,162,160
VERITAS Software Corp.*	73,600	2,734,976
		32,913,453
Materials 0.5%		
Chemicals		
Ecolab, Inc.	119,500	3,270,715
Telecommunication Services 0.4%		
Diversified Telecommunication Services 0.2%		
Verizon Communications, Inc.	37,900	1,329,532
Wireless Telecommunication Services 0.2%		
AT&T Wireless Services, Inc.*	186,300	1,488,537
Total Common Stocks (Cost \$348,398,382)		424,606,025

Warrants 0.0%

MicroStrategy, Inc.* (Cost \$0)	96	24
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Convertible Preferred Stocks 0.0%

Hercules Trust II (Cost \$82,150)	130	101,400
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Preferred Stock 0.0%

CSC Holdings, Inc. (Cost \$15,370)	145	15,225
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	Principal Amount (\$)	Value (\$)
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Convertible Bonds 0.0%

DIMON, Inc., 6.25%, 3/31/2007	50,000	47,000
Parker Drilling Co., 5.5%, 8/1/2004	70,000	69,913
Total Convertible Bonds (Cost \$114,734)		116,913

	Principal Amount (\$)	Value (\$)
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Corporate Bonds 10.4%

Consumer Discretionary 0.9%

American Achieve Corp., 11.625%, 1/1/2007	50,000	55,000
Bally Total Fitness Holdings, 144A, 10.5%, 7/15/2011	50,000	50,250
Boca Resorts, Inc., 9.875%, 4/15/2009	80,000	85,200
Buffets, Inc., 11.25%, 7/15/2010	60,000	64,350
Central Garden & Pet Co., 9.125%, 2/1/2013	50,000	55,500
Choctaw Resort Development Enterprises, 9.25%, 4/1/2009	75,000	81,375
Cinemark USA, Inc., 8.5%, 8/1/2008	65,000	67,681
Circus & Eldorado, 10.125%, 3/1/2012	65,000	67,438
Comcast Cable Communications:		
6.375%, 1/30/2006	650,000	699,756
6.875%, 6/15/2009	1,000,000	1,127,337
8.375%, 5/1/2007	260,000	301,439
Comcast Corp., 7.05% , 3/15/2033	185,000	201,245
CSC Holdings, Inc., 7.875%, 12/15/2007	65,000	68,575
Dex Media East LLC/Financial Co., 12.125%, 11/15/2012	220,000	270,600
Dex Media West LLC/Finance Co., 144A, 9.875%, 8/15/2013	85,000	98,812
DIMON, Inc.:		
144A, 7.75%, 6/1/2013	50,000	51,500
Series B, 9.625%, 10/15/2011	180,000	200,700
EchoStar DBS Corp., 144A, 6.375%, 10/1/2011	50,000	51,250
Eldorado Resorts LLC, 10.5%, 8/15/2006	44,000	44,440
Finlay Fine Jewelry Corp., 8.375%, 5/1/2008	50,000	51,750
General Motors Corp., 8.25%, 7/15/2023	430,000	488,226
Group 1 Automotive, Inc., 8.25%, 8/15/2013	50,000	53,500
Herbst Gaming, Inc., 10.75%, 9/1/2008	150,000	168,750
International Game Technology, 8.375%, 5/15/2009	110,000	131,676
Intrawest Corp., 10.5%, 2/1/2010	60,000	66,300
J.C. Penney Co., Inc., 6.875%, 10/15/2015	50,000	52,563
Jacobs Entertainment Co., 11.875%, 2/1/2009	50,000	56,000
Jefra Cosmetics International, Inc., 10.75%, 5/15/2011	75,000	82,312
Keystone Automotive Operation, 144A, 9.75%, 11/1/2013	50,000	53,750
Laidlaw International, Inc., 144A, 10.75%, 6/15/2011	50,000	56,500
Lin Television Corp., 144A, 6.5%, 5/15/2013	50,000	50,063
Mediacom LLC, 7.875%, 2/15/2011	55,000	55,000
MGM Mirage, Inc., 6.0%, 10/1/2009	50,000	51,375
Penn National Gaming, Inc., 8.875%, 3/15/2010	50,000	54,250
PRIMEDIA, Inc., 7.625%, 4/1/2008	80,000	80,800
Remington Arms Co., 10.5%, 2/1/2011	65,000	69,225
Rite Aid Corp., 7.3%, 3/10/2019	55,402	50,138

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

	Principal Amount (\$)	Value (\$)		Principal Amount (\$)	Value (\$)
River Rock Entertainment, 144A, 9.75%, 11/1/2011	50,000	53,750	Tri-State Generation & Trans Association, 144A, 7.144%, 7/31/2033	1,340,000	1,426,041
Schuler Homes, Inc., 10.5%, 7/15/2011	90,000	104,400	Westport Resources Corp., 8.25%, 11/1/2011	55,000	60,500
Scientific Games Corp., 12.5%, 8/15/2010	50,000	59,125	Williams Cos., Inc., 8.75%, 3/15/2032	50,000	56,500
Sinclair Broadcast Group, Inc.:			Williams Holdings of Delaware, Inc., 6.5%, 12/1/2008	50,000	51,688
8.0%, 3/15/2012	120,000	129,600			4,808,749
8.75%, 12/15/2011	95,000	105,450	Financials 4.6%		
Six Flags, Inc., 8.875%, 2/1/2010	95,000	97,494	Ahold Finance USA, Inc., 6.25%, 5/1/2009	120,000	120,300
Sonic Automotive, Inc.:			American International Group, Inc., 144A, 4.25%, 5/15/2013	1,930,000	1,830,624
8.625%, 8/15/2013	65,000	68,575	AmeriCredit Corp.:		
144A, 8.625%, 8/15/2013	30,000	31,650	9.25%, 5/1/2009	105,000	110,250
Transwestern Publishing, Series F, 9.625%, 11/15/2007	130,000	134,550	9.875%, 4/15/2006	95,000	99,750
Wheeling Island Gaming, Inc., 10.125%, 12/15/2009	70,000	74,200	ASIF Global Finance, 144A, 4.9%, 1/17/2013	2,455,000	2,439,956
Williams Scotsman, Inc., 9.875%, 6/1/2007	60,000	60,750	CBRE Escrow, Inc., 144A, 9.75%, 5/15/2010	50,000	55,500
Worldspan LP/ WS Finance Corp., 144A, 9.625%, 6/15/2011	50,000	51,500	Citigroup, Inc., 6.0%, 10/31/2033	2,145,000	2,144,779
		6,285,670	Dollar Financial Group, Inc., 144A, 9.75%, 11/15/2011	65,000	67,275
Consumer Staples 0.1%			Farmers Insurance Exchange, 144A, 8.625%, 5/1/2024	95,000	99,275
Agrilink Foods, Inc., 11.875%, 11/1/2008	15,000	15,937	Ford Motor Credit Co.:		
Elizabeth Arden, Inc., Series B, 11.75%, 2/1/2011	109,000	129,710	5.8%, 1/12/2009	1,000,000	1,029,853
Michael Foods, Inc., 144A, 8.0%, 11/15/2013	50,000	52,125	6.875%, 2/1/2006	1,193,000	1,273,298
Pilgrim's Pride Corp., 9.625%, 9/15/2011	50,000	55,000	7.5%, 3/15/2005	520,000	548,815
Pinnacle Foods Holding Corp., 144A, 8.25%, 12/1/2013	50,000	51,750	General Motors Acceptance Corp., 6.75%, 1/15/2006	3,735,000	4,009,706
Salton, Inc., 10.75%, 12/15/2005	50,000	51,000	Household Finance Corp., 6.5%, 1/24/2006	1,765,000	1,908,805
Stater Brothers Holdings, Inc., 10.75%, 8/15/2006	105,000	110,644	IOS Capital LLC, 7.25%, 6/30/2008	70,000	74,550
United Agri Products, 144A, 8.25%, 12/15/2011	50,000	51,375	iStar Financial, Inc., 6.5%, 12/15/2013	60,000	61,200
		517,541	Mantis Reef Ltd., 144A, 4.692%, 11/14/2008	2,890,000	2,904,415
Energy 0.7%			Nationwide Building Society, 144A, 5.25%, 1/15/2014	1,760,000	1,775,953
Avista Corp., 9.75%, 6/1/2008	225,000	267,750	PEI Holding, Inc., 11.0%, 3/15/2010	50,000	58,000
Citgo Petroleum Corp., 11.375%, 2/1/2011	180,000	208,800	PLC Trust, 144A, 2.709%, 3/31/2006	1,650,000	1,650,000
Gulfterra Energy Partner, 6.25%, 6/1/2010	50,000	52,000	PNC Funding Corp., 5.75%, 8/1/2006	1,550,000	1,664,094
Hanover Compressor Co., 8.625%, 12/15/2010*	50,000	52,000	Prudential Financial, Inc., 5.75%, 7/15/2033	1,150,000	1,086,195
Lone Star Technologies, Inc., Series B, 9.0%, 6/1/2011	60,000	59,400	PXRE Capital Trust I, 8.85%, 2/1/2027	50,000	46,125
Newpark Resources, Inc., 8.625%, 12/15/2007	60,000	62,100	R.H. Donnelly Finance Corp.:		
Parker Drilling Co.:			10.875%, 12/15/2012	30,000	35,588
144A, 9.625%, 10/1/2013	50,000	52,000	144A, 10.875%, 12/15/2012	50,000	59,312
Series B, 10.125%, 11/15/2009	60,000	63,600	SLM Corp., 5.625%, 8/1/2033	675,000	640,338
Pedernales Electric Cooperative, Series 02-A, 144A, 6.202%, 11/15/2032	2,090,000	2,149,461	St. George Bank Ltd., 144A, 5.3%, 10/15/2015	530,000	530,416
Pioneer Natural Resources Co., 9.625%, 4/1/2010	70,000	87,109	Thornburg Mortgage, Inc., 8.0%, 5/15/2013	70,000	73,500
Southern Natural Gas, 8.875%, 3/15/2010	50,000	56,250	Universal City Development, 144A, 11.75%, 4/1/2010	50,000	58,500
Stone Energy Corp., 8.25%, 12/15/2011	95,000	103,550	Verizon Global Funding Corp.:		
			7.25%, 12/1/2010	2,290,000	2,636,676
			7.75%, 12/1/2030	510,000	599,102
			Wachovia Corp., 7.5%, 7/15/2006	275,000	310,211

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

	Principal Amount (\$)	Value (\$)		Principal Amount (\$)	Value (\$)
Westpac Capital Trust III, 144A, 5.819%, 12/29/2049	1,670,000	1,723,557			
		31,725,918			
Health Care 0.5%					
AmerisourceBergen Corp., 7.25%, 11/15/2012	80,000	86,200	Sociedad Concesionaria Autopista Contral, 144A, 6.223%, 12/15/2026	2,015,000	2,019,957
Biovail Corp., 7.875%, 4/1/2010	65,000	66,300	Systems 2001 Asset Trust LLC, "G", Series 2001, 144A, 6.664%, 9/15/2013	887,957	981,370
Health Care Service Corp., 144A, 7.75%, 6/15/2011	2,695,000	3,154,641	Tech Olympic USA, Inc., 10.375%, 7/1/2012	50,000	56,000
Norcross Safety Products, 144A, 9.875%, 8/15/2011	50,000	54,875	The Brickman Group, Ltd., 11.75%, 12/15/2009	50,000	58,250
Tenet Healthcare Corp.:			Tyco International Group SA, 144A, 6.0%, 11/15/2013	360,000	370,800
6.375%, 12/1/2011	210,000	201,600	Westlake Chemical Corp., 144A, 8.75%, 7/15/2011	90,000	98,550
7.375%, 2/1/2013	105,000	105,525			6,710,569
		3,669,141	Information Technology 0.0%		
			DigitalNet, Inc., 9.0%, 7/15/2010	32,000	34,640
Industrials 1.0%			Materials 0.5%		
Allied Waste North America, Inc.:			ARCO Chemical Co., 9.8%, 2/1/2020	155,000	155,775
Series B, 8.5%, 12/1/2008	110,000	122,375	Caraustar Industries, Inc., 9.875%, 4/1/2011	50,000	54,000
Series B, 8.875%, 4/1/2008	65,000	72,800	Cascades, Inc., 7.25%, 2/15/2013	85,000	89,675
Atrium Companies, Inc., 144A, 10.5%, 5/1/2009	50,000	53,500	Dayton Superior Corp., 144A, 10.75%, 9/15/2008	50,000	51,250
AutoNation, Inc., 9.0%, 8/1/2008	50,000	57,375	Dow Chemical Co., 7.0%, 8/15/2005	1,625,000	1,738,284
Avondale Mills, Inc., 10.25%, 7/1/2013	55,000	34,650	Equistar Chemicals LP, 8.75%, 2/15/2009	220,000	229,900
BAE System 2001 Asset Trust, "B", Series B 2001, 144A, 7.156%, 12/15/2011	325,107	354,868	Euramax International PLC, 144A, 8.5%, 8/15/2011	50,000	53,375
Collins & Aikman Floor Cover, Series B, 9.75%, 2/15/2010	75,000	80,250	Georgia-Pacific Corp.:		
Collins & Aikman Products, 10.75%, 12/31/2011	75,000	73,688	144A, 8.0%, 1/15/2024	325,000	331,500
Corrections Corp. of America, 9.875%, 5/1/2009	80,000	89,300	8.875%, 2/1/2010	90,000	102,600
CP Ships Ltd., 10.375%, 7/15/2012	90,000	104,400	Huntsman Advanced Materials LLC, 144A, 11.0%, 7/15/2010	55,000	60,775
Dana Corp., 7.0%, 3/1/2029	100,000	99,375	Huntsman International LLC, 144A, 11.625%, 10/15/2010	50,000	51,000
Delta Air Lines, Inc.:			IMC Global, Inc., 144A, 10.875%, 8/1/2013	85,000	93,075
Series 2002-1, 6.718%, 7/2/2024	627,241	671,209	Owens-Brockway Glass Container, 8.25%, 5/15/2013	90,000	96,637
7.7%, 12/15/2005	85,000	80,219	Pliant Corp., 11.125%, 9/1/2009	75,000	81,000
Equistar Chemicals LP, 144A, 10.625%, 5/1/2011	50,000	55,250	Rockwood Specialties Corp., 144A, 10.625%, 5/15/2011	50,000	55,750
Golden State Petroleum Transportation, 8.04%, 2/1/2019	50,000	48,646	Tekni-Plex, Inc., 144A, 8.75%, 11/15/2013	50,000	52,125
Hercules, Inc., 11.125%, 11/15/2007	155,000	185,612	Texas Industries, Inc., 144A, 10.25%, 6/15/2011	50,000	56,500
Hornbeck Offshore Services, Inc., 10.625%, 8/1/2008	50,000	55,250	TriMas Corp., 9.875%, 6/15/2012	60,000	62,550
ISP Chemco, Inc., Series B, 10.25%, 7/1/2011	55,000	61,875	United States Steel LLC, 9.75%, 5/15/2010	80,000	90,000
ISP Holdings, Inc., Series B, 10.625%, 12/15/2009	50,000	55,000			3,505,771
Kansas City Southern, 9.5%, 10/1/2008	95,000	105,450	Telecommunication Services 0.4%		
Metaldyne Corp., 144A, 10.0%, 11/1/2013	50,000	50,500	ACC Escrow Corp., 144A, 10.0%, 8/1/2011	155,000	172,825
Millennium America, Inc., 9.25%, 6/15/2008	305,000	332,450	Cincinnati Bell, Inc., 144A, 8.375%, 1/15/2014	160,000	172,000
Mobile Mini, Inc., 9.5%, 7/1/2013	50,000	55,000	Insight Midwest LP, 144A, 10.5%, 11/1/2010	50,000	54,375
Plainwell, Inc., Series B, 11.0%, 3/1/2008	1,020,000	61,200	Nortel Networks Corp., 6.125%, 2/15/2006	185,000	187,313
Quintiles Transnational Corp., 144A, 10.0%, 10/1/2013	50,000	54,000	Northern Telecom Capital, 7.875%, 6/15/2026	50,000	50,000
Seabulk International, Inc., 9.5%, 8/15/2013	50,000	52,000	PCCW Capital Ltd., 144A, 6.0%, 7/15/2013	740,000	755,421
Ship Finance International Ltd., 144A, 8.5%, 12/15/2013	60,000	59,400			

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

	Principal Amount (\$)	Value (\$)
Qwest Services Corp., 5.625%, 11/15/2008	375,000	371,250
Shaw Communications, Inc., 8.25%, 4/11/2010	50,000	56,625
Telecomunicaciones de Puerto Rico, Inc., 6.65%, 5/15/2006	910,000	986,315
		<u>2,806,124</u>
Utilities 1.7%		
AEP Texas Central Co., 5.5%, 2/15/2013	821,000	841,035
Alabama Power Co., 7.125%, 8/15/2004	800,000	828,206
American Electric Power, 6.125%, 5/15/2006	940,000	1,012,932
Appalachian Power Co., 5.95%, 5/15/2033	1,330,000	1,279,328
CMS Energy Corp.: 7.5%, 1/15/2009	170,000	175,100
144A, 7.75%, 8/1/2010	50,000	52,563
8.5%, 4/15/2011	50,000	54,000
Consumers Energy Co., 144A, 4.0%, 5/15/2010	1,245,000	1,204,669
El Paso Production Holding Corp., 144A, 7.75%, 6/1/2013	165,000	162,525
Illinova Corp., 11.5%, 12/15/2010	55,000	66,000
NRG Energy, Inc., 144A, 8.0%, 12/15/2013	120,000	126,150
Progress Energy, Inc., 6.75%, 3/1/2006	2,550,000	2,764,575
TNP Enterprises, Inc., Series B, 10.25%, 4/1/2010	85,000	92,650
United Energy Distribution Corp., 144A, 4.7%, 4/15/2011	960,000	973,583
Xcel Energy, Inc., 7.0%, 12/1/2010	1,780,000	2,018,431
		<u>11,651,747</u>
Total Corporate Bonds (Cost \$71,047,013)		71,715,870

Asset Backed 3.9%

Automobile Receivables 2.0%

Americredit Automobile Receivables Trust, "A3", Series 2002-1, 4.23%, 10/6/2006	2,385,000	2,424,179
Capital One Auto Finance Trust: "A4A", Series 2003-A, 2.47%, 1/15/2010	2,420,000	2,387,123
"A4", Series 2003-B, 3.18%, 9/15/2010	1,360,000	1,361,488
Household Automotive Trust, "A4", Series 2002-1, 4.39%, 5/18/2009	2,890,000	2,989,109
MMCA Automobile Trust: "A4", Series 2002-4, 3.05%, 11/16/2009	700,000	695,779
"B", Series 2002-1, 5.37%, 1/15/2010	2,487,446	2,398,631
WFS Financial Owner Trust, "A4", Series 2002-2, 4.5%, 2/20/2010	1,590,000	1,645,691
		<u>13,902,000</u>

Home Equity Loans 0.8%

Countrywide Alternative Loan Trust, "A3", Series 2002-2, 5.0%, 4/25/2032	1,278,289	1,289,378
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	Principal Amount (\$)	Value (\$)
Countrywide Home Loan, Series 2002-36, 5.25%, "A16", 1/25/2033	2,430,000	2,487,426
Residential Asset Securities Corp., "A16", Series 2000-KS1, 7.905%, 2/25/2031	2,107,783	2,243,387
		<u>6,020,191</u>

Manufactured Housing Receivables 0.2%

Conseco Finance Securitizations Corp., "A4", Series 2001-1, 6.21%, 7/1/2032	1,290,000	1,307,985
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Miscellaneous 0.9%

Federal Home Loan Mortgage Corp., "3A", Series T-41, 7.5%, 7/25/2032	973,493	1,065,975
Northwest Airlines "G", Series 1999-3, 7.935%, 10/1/2020	893,019	972,458
PSE&G Transition Funding LLC, "A7", Series 2001-1, 6.89%, 12/15/2017	1,335,000	1,545,932
US Airways Aircraft Certificate Owner Trust, Series 2003-1A, 144A, 5.551%, 9/20/2022	2,385,000	2,465,661
		<u>6,050,026</u>

Total Asset Backed (Cost \$27,162,785) **27,280,202**

Foreign Bonds — US\$ Denominated 2.9%

Alcan, Inc., 6.125%, 12/15/2033	1,685,000	1,695,265
Arcel Finance Ltd.: 144A, 5.984%, 2/1/2009	2,170,000	2,328,367
144A, 7.048%, 9/1/2011	790,000	813,700
Axtel SA, 144A, 11.0%, 12/15/2013	75,000	76,500
Brazilian Merchant Voucher, 144A, 5.911%, 6/15/2011	750,000	731,250
Burns, Philp & Co., Ltd., 144A, 9.75%, 7/15/2012	50,000	53,500
Celulosa Arauco y Constitucion SA, 7.75%, 9/13/2011	435,000	503,900
Conproca SA de CV, 12.0%, 6/16/2010	100,000	128,500
Crown Euro Holdings SA, 10.875%, 3/1/2013	80,000	94,100
Eircom Funding, 8.25%, 8/15/2013	60,000	66,450
Embratel Participacoes SA, 144A, 11.0%, 12/15/2008	50,000	51,375
Esprit Telecom Group PLC, 11.5%, 12/15/2007*	630,000	63
Fage Dairy Industry SA, 9.0%, 2/1/2007	230,000	234,888
Federal Republic of Brazil, C Bond, 8.0%, 4/15/2014	190,869	187,051
France Telecom, 9.0%, 3/1/2011	810,000	972,876
Gazprom OAO, 144A, 9.625%, 3/1/2013	100,000	110,250
Hutchinson Whamp International Ltd., 144A, 7.45%, 11/24/2033	265,000	276,003
Innova S. de R.L., 144A, 9.375%, 9/19/2013	90,000	92,363
LeGrand SA, 8.5%, 2/15/2025	50,000	52,813
Luscar Coal Ltd., 9.75%, 10/15/2011	60,000	67,950
Millicom International Cellular SA, 144A, 10.0%, 12/1/2013	70,000	73,850
Mobile Telesystems Financial SA, 144A, 8.375%, 10/14/2010	65,000	66,300

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

	Principal Amount (\$)	Value (\$)
Petroleos Mexicanos, 9.5%, 9/15/2027	775,000	922,250
PTC International Finance II SA, 11.25%, 12/1/2009	50,000	55,000
QBE Insurance Group Ltd., 144A, 5.647%, 7/1/2023	1,155,000	1,100,709
Royal Bank of Scotland Group PLC, Series 3, 7.816%, 11/29/2049	1,045,000	1,148,523
Royal Caribbean International, 7.5%, 10/15/2027	50,000	49,000
Sappi Papier Holding AG, 144A, 6.75%, 6/15/2012	1,735,000	1,896,594
Stena AB, 144A, 7.5%, 11/1/2013	50,000	51,500
Tembec Industries, Inc., 8.5%, 2/1/2011	195,000	201,825
TFM SA de CV: 10.25%, 6/15/2007	170,000	177,650
Step-Up Coupon, 11.75%, 6/15/2009	55,000	56,512
12.5%, 6/15/2012	50,000	57,000
Tyco International Group SA: 5.8%, 8/1/2006	1,375,000	1,454,062
6.375%, 2/15/2006	1,270,000	1,352,550
Ukraine Government, 144A, 7.65%, 6/11/2013	50,000	52,000
United Mexican States, 7.5%, 4/8/2033	159,000	164,565
Vicap SA, 11.375%, 5/15/2007	60,000	58,800
Vitro SA de CV, Series A, 144A, 11.75%, 11/1/2013	50,000	48,500
Vivendi Universal SA: 144A, 6.25%, 7/15/2008	50,000	52,938
144A, 9.25%, 4/15/2010	110,000	130,350
WMC Finance USA, 5.125%, 5/15/2013	2,535,000	2,498,207
Total Foreign Bonds — US\$ Denominated (Cost \$20,475,831)		20,205,849

US Government Backed 3.0%

US Treasury Bond: 5.375%, 2/15/2031	80,000	83,428
6.0%, 2/15/2026	9,553,000	10,593,752
US Treasury Note: 1.625%, 4/30/2005	8,568,000	8,593,772
5.0%, 8/15/2011	1,627,000	1,741,144
Total US Government Backed (Cost \$20,375,719)		21,012,096

US Government Agency Sponsored Pass-Thrus 5.7%

Federal Home Loan Mortgage Corp.: 2.875%, 12/15/2006	2,610,000	2,628,711
3.5%, 9/15/2020	1,900,000	1,925,659
5.0% with various maturities from 1/15/2023 until 1/1/2034 (c)	3,265,000	3,209,710
6.5%, 10/1/2033	659,389	690,740
Federal National Mortgage Association: 4.5%, 10/25/2015	1,870,000	1,916,770
5.0% with various maturities from 6/1/2018 until 8/1/2023	3,228,212	3,264,123

	Principal Amount (\$)	Value (\$)
5.5% with various maturities from 3/1/2018 until 12/1/2033 (c)	11,335,743	11,562,601
5.946%, 2/1/2012	4,080,235	4,464,141
6.0% with various maturities from 11/1/2017 until 1/1/2034 (c)	5,504,258	5,709,301
6.37%, 1/1/2008	3,000,000	3,315,993
6.5% with various maturities from 5/1/2017 until 8/1/2032	354,760	375,842
8.0%, 9/1/2015	446,397	478,906
Total US Government Agency Sponsored Pass-Thrus (Cost \$38,717,249)		39,542,497

Collateralized Mortgage Obligations 8.5%

Countrywide Home Loans, "1A6", Series 2003-1, 5.5%, 3/25/2033	1,098,480	1,127,454
CountryWide Home Loans, Series 2002-27, 5.5%, 12/25/2032	2,430,000	2,464,572
Federal Home Loan Mortgage Corp.: "ME", Series 2691, 4.5%, 4/15/2032	3,040,000	2,891,595
"QH", Series 2694, 4.5%, 3/15/2032	2,990,000	2,822,029
"DB", Series 2483, 5.5%, 9/15/2012	942,122	944,328
"PE", Series 2512, 5.5%, 2/15/2022	420,000	432,985
"BD", Series 2453, 6.0%, 5/15/2017	2,250,000	2,391,417
"DA", Series 2444, 6.5%, 2/15/2030	130,788	131,576
Federal National Mortgage Association: "3A2B", Series 2003-W10, Whole Loan, 3.056%, 7/25/2037	1,250,000	1,253,066
"PU", Series 2003-33, 4.5%, 5/25/2033	1,871,823	1,914,874
"A2", Series 2002-W10, 4.7%, 8/25/2042	790,000	804,717
"A2", Series 2002-W9, 4.7%, 8/25/2042	749,937	755,771
"2A3", Series 2003-W15, 4.71%, 8/25/2043	2,940,000	3,032,618
"1A3", Series 2003-W19, 4.783%, 11/25/2033	1,175,000	1,209,442
"PE", Series 2002-3, 5.5%, 8/25/2015	4,690,000	4,867,980
"AN", Series 2000-27, 6.0%, 8/25/2030	380,092	392,840
"B", Series 1999-32, 6.0%, 7/25/2029	832,303	863,325
"PD", Series 2002-31, 6.0%, 11/25/2021	6,500,000	6,851,994
"QN", Series 2001-51, 6.0%, 10/25/2016	3,110,000	3,278,126
"VD", Series 2002-56, 6.0%, 4/25/2020	519,677	533,554
"HM", Series 2002-36, 6.5%, 12/25/2029	281,273	289,356
"A2", Series 2002-T16, 7.0%, 7/25/2042	2,022,636	2,182,552
"2A", Series 2002-W6, 7.5%, 6/25/2042	2,577,977	2,814,829
"A5", Series 2002-W4, 7.5%, 5/25/2042	1,038,184	1,133,567

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

	Principal Amount (\$)	Value (\$)
FHLMC Structured Pass Through Securities, "3A", Series T-58, 7.0%, 9/25/2043	1,242,515	1,333,924
Master Asset Securitization Trust: "3A2", Series 2003-2, 4.25%, 4/25/2033	2,315,012	2,287,621
Series 2003-6, 5.5%, 7/25/2033	1,883,810	1,925,245
Residential Asset Securities Corp., "A1", Series 2003-KS9, 4.71%, 3/25/2033	1,845,000	1,836,640
Structured Asset Securities Corp., Series 2003-1, 6.0%, 2/25/2018	177,875	183,517
Washington Mutual MSC Mortgage Pass-Through, "3A1", Series 2003-MS6, 4.55%, 5/25/2033	3,565,196	3,644,200
Wells Fargo Mortgage Backed Securities Trust, "1A1", Series 2003-6, 5.0%, 6/25/2018	2,344,645	2,394,419
Total Collateralized Mortgage Obligations (Cost \$57,838,950)		58,990,133

Municipal Investments 2.0%

Broward County, Airport Revenue, Airport Systems Revenue, Series J-2, 6.13%, 10/1/2007 (d)	1,000,000	1,099,220
Illinois, Higher Education Revenue, Educational Facilities Authority, Series C, 7.1%, 7/1/2012 (d)	1,000,000	1,158,240
Mashantucket, CT, Special Assessment Revenue, Western Pequot Tribe Special Revenue, Series A, 144A, 6.57%, 9/1/2013 (d)	1,285,000	1,426,941
New York, GO, Environmental Facilities Corp., Series B, 4.95%, 1/1/2013 (d)	1,895,000	1,903,205

	Principal Amount (\$)	Value (\$)
Ohio, Sales & Special Tax Revenue, 7.6%, 10/1/2016 (d)	1,000,000	1,134,490
Passaic County, County GO, 5.0%, 2/15/2017 (d)	1,735,000	1,692,527
Texas, American Campus Property Student Housing Financing Ltd, 6.125%, 8/1/2023 (d)	1,040,000	1,065,376
Union County, NJ, Student Loan Revenue, Improvement Authority Revenue, 5.29%, 4/1/2018 (d)	1,185,000	1,174,347
Washington, Industrial Development Revenue, 3.5%, 10/1/2010 (d)	1,840,000	1,764,376
Wisconsin, General Revenue, Series A, 5.7%, 5/1/2026 (d)	1,060,000	1,068,936
Total Municipal Investments (Cost \$13,434,880)		13,487,658

Government National Mortgage Association 0.2%

Government National Mortgage Association, 5.0%, 9/20/2033 (Cost \$1,182,015)	1,190,760	1,178,619
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Shares Value (\$)

Cash Equivalents 2.2%

Scudder Cash Management QP Trust, 1.11% (b) (Cost \$15,492,282)	15,492,282	15,492,282
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Total Investment Portfolio — 100.0%
(Cost \$614,337,360) (a) **693,744,793**

Notes to Scudder Total Return Portfolio of Investments

- * *Non-income producing security. In the case of a bond, generally denotes that the issuer has defaulted on the payment of principal or interest or has filed for bankruptcy.*
- (a) *The cost for federal income tax purposes was \$625,388,563. At December 31, 2003, net unrealized appreciation for all securities based on tax cost was \$68,356,230. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$81,504,220 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$13,147,990.*
- (b) *Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*
- (c) *Mortgage dollar roll included.*
- (d) *Bond is insured by one of these companies:*

Insurance Coverage		As a % of Total Investment Portfolio
AMBAC	AMBAC Assurance Corp.	0.5%
FGIC	Financial Guaranty Insurance Company	0.3%
FSA	Financial Security Assurance	0.7%
MBIA	Municipal Bond Investors Assurance	0.4%

144A: *Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registrations, normally to qualified institutional buyers.*

Included in the portfolio are investments in mortgage or asset-backed securities which are interests in separate pools of mortgages or assets. Effective maturities of these investments may be shorter than stated maturities due to prepayments. Some separate investments in the Federal Home loan Mortgage Corp. and the Federal National Mortgage Association and the Government National Mortgage Association issues which have similar coupon rates have been aggregated for presentation purposes in the investment portfolio.

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

Financial Statements

Statement of Assets and Liabilities as of December 31, 2003

Assets

Investments:	
Investments in securities, at value (cost \$598,845,078)	\$ 678,252,511
Investment in Scudder Cash Management QP Trust (cost \$15,492,282)	15,492,282
Total investments in securities, at value (cost \$614,337,360)	693,744,793
Cash	641,461
Foreign currency, at value (cost \$2,172)	2,202
Receivable for investments sold	54,515
Dividends receivable	358,174
Interest receivable	2,349,328
Receivable for Portfolio shares sold	140,244
Foreign taxes recoverable	2,766
Other assets	18,915
Total assets	697,312,398

Liabilities

Payable for investments purchased	10,341
Payable for investments purchased — mortgage dollar rolls	7,756,072
Payable for Portfolio shares redeemed	732,020
Deferred mortgage dollar roll income	11,300
Accrued management fee	332,122
Other accrued expenses and payables	138,007
Total liabilities	8,979,862
Net assets, at value	\$ 688,332,536

Net Assets

Net assets consist of:	
Undistributed net investment income	10,239,991
Net unrealized appreciation (depreciation) on:	
Investments	79,407,433
Foreign currency related transactions	504
Accumulated net realized gain (loss)	(123,478,027)
Paid-in capital	722,162,635
Net assets, at value	\$ 688,332,536

Class A

Net Asset Value , offering and redemption price per share (\$667,287,099 ÷ 31,305,397 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 21.32
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Class B

Net Asset Value , offering and redemption price per share (\$21,045,437 ÷ 988,869 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 21.28
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Statement of Operations for the year ended December 31, 2003

Investment Income

Income:	
Dividends	\$ 4,482,923
Interest	11,366,579
Interest — Scudder Cash Management QP Trust	273,917
Total Income	16,123,419
Expenses:	
Management fee	3,591,741
Custodian fees	42,307
Distribution service fees (Class B)	24,991
Record keeping fees (Class B)	13,883
Auditing	100,937
Legal	30,019
Trustees' fees and expenses	7,496
Reports to shareholders	40,365
Other	50,381
Total expenses, before expense reductions	3,902,120
Expense reductions	(727)
Total expenses, after expense reductions	3,901,393
Net investment income (loss)	12,222,026

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from:	
Investments	(15,815,277)
Foreign currency related transactions	1,423
	(15,813,854)
Net unrealized appreciation (depreciation) during the period on:	
Investments	112,166,743
Foreign currency related transactions	(927)
	112,165,816
Net gain (loss) on investment transactions	96,351,962
Net increase (decrease) in net assets resulting from operations	\$ 108,573,988

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2003	2002
Operations:		
Net investment income (loss)	\$ 12,222,026	\$ 17,568,380
Net realized gain (loss) on investment transactions	(15,813,854)	(42,359,095)
Net unrealized appreciation (depreciation) on investment and foreign currency transactions during the period	112,165,816	(103,336,856)
Net increase (decrease) in net assets resulting from operations	108,573,988	(128,127,571)
Distributions to shareholders from:		
Net investment income		
Class A	(19,941,338)	(21,620,590)
Class B	(91,069)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	10,694,541	33,792,802
Reinvestment of distributions	19,941,338	21,620,590
Cost of shares redeemed	(90,416,600)	(126,556,428)
Net increase (decrease) in net assets from Class A share transactions	(59,780,721)	(71,143,036)
Class B		
Proceeds from shares sold	19,711,965	824,035*
Reinvestment of distributions	91,069	—*
Cost of shares redeemed	(1,167,522)	(9,195)*
Net increase (decrease) in net assets from Class B share transactions	18,635,512	814,840
Increase (decrease) in net assets	47,396,372	(220,076,357)
Net assets at beginning of period	640,936,164	861,012,521
Net assets at end of period (including undistributed net investment income of \$10,239,991 and \$18,300,385, respectively)	\$ 688,332,536	\$ 640,936,164

Other Information

Class A		
Shares outstanding at beginning of period	34,306,666	38,151,295
Shares sold	549,966	1,590,630
Shares issued to shareholders in reinvestment of distributions	1,101,123	987,692
Shares redeemed	(4,652,358)	(6,422,951)
Net increase (decrease) in Portfolio shares	(3,001,269)	(3,844,629)
Shares outstanding at end of period	31,305,397	34,306,666
Class B		
Shares outstanding at beginning of period	43,090	—
Shares sold	999,072	43,573*
Shares issued to shareholders in reinvestment of distributions	5,023	—*
Shares redeemed	(58,316)	(483)*
Net increase (decrease) in Portfolio shares	945,779	43,090
Shares outstanding at end of period	988,869	43,090

* For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

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

Financial Highlights

Class A

Years Ended December 31,	2003	2002	2001 ^a	2000 ^b	1999 ^b
Selected Per Share Data					
Net asset value, beginning of period	\$ 18.66	\$ 22.57	\$ 25.91	\$ 28.82	\$ 27.35
<i>Income (loss) from investment operations:</i>					
Net investment income (loss) ^c	.37	.47	.61	.74	.84
Net realized and unrealized gain (loss) on investment transactions	2.90	(3.81)	(2.20)	(1.40)	3.03
Total from investment operations	3.27	(3.34)	(1.59)	(.66)	3.87
<i>Less distributions from:</i>					
Net investment income	(.61)	(.57)	(.80)	(.90)	(.90)
Net realized gains on investment transactions	—	—	(.95)	(1.35)	(1.50)
Total distributions	(.61)	(.57)	(1.75)	(2.25)	(2.40)
Net asset value, end of period	\$ 21.32	\$ 18.66	\$ 22.57	\$ 25.91	\$ 28.82
Total Return (%)	18.10	(15.17)	(6.09)	(2.63)	14.81

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	667	640	861	851	952
Ratio of expenses (%)	.59	.58	.58	.61	.61
Ratio of net investment income (loss) (%)	1.88	2.32	2.63	2.75	3.12
Portfolio turnover rate (%)	102 ^d	140	115	107	80

^a As required, effective January 1, 2001, the Portfolio adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on debt securities. In addition, paydowns on mortgage-backed securities which were included in realized gain/loss on investment transactions prior to January 1, 2001 were included as interest income. The effect of this change for the year ended December 31, 2001 was to decrease net investment income per share by \$.03, increase net realized and unrealized gains and losses per share by \$.03 and decrease the ratio of net investment income to average net assets from 2.76% to 2.63%. Per share, ratios and supplemental data for periods prior to January 1, 2001 were not restated to reflect this change in presentation.

^b On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly.

^c Based on average shares outstanding during the period.

^d The portfolio turnover rate including mortgage dollar roll transactions was 108% for the year ended December 31, 2003.

Class B

Years Ended December 31,	2003	2002 ^a
Selected Per Share Data		
Net asset value, beginning of period	\$ 18.64	\$ 19.46
<i>Income (loss) from investment operations:</i>		
Net investment income (loss) ^b	.28	.18
Net realized and unrealized gain (loss) on investment transactions	2.92	(1.00)
Total from investment operations	3.20	(.82)
<i>Less distributions from:</i>		
Net investment income	(.56)	—
Net asset value, end of period	\$ 21.28	\$ 18.64
Total Return (%)	17.66	(4.21)**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	21	.8
Ratio of expenses (%)	.99	.86*
Ratio of net investment income (loss) (%)	1.48	1.96*
Portfolio turnover rate (%)	102 ^c	140

^a For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

^b Based on average shares outstanding during the period.

^c The portfolio turnover rate including mortgage dollar roll transactions was 108% for the year ended December 31, 2003.

* Annualized

** Not annualized

SVS Davis Venture Value Portfolio

The stock market rebounded sharply in 2003 after several years of negative returns by the Standard & Poor's 500 (S&P 500) index. Nearly all segments of the stock market gained ground. The portfolio posted strong returns as well. For the 12 months ended December 31, 2003, Class A shares returned a total return of 29.84% (Class A shares, unadjusted for contract charges) and outperformed the 28.68% return posted by the S&P 500 index. The Russell 1000 Value index had a return of 30.03% for the one year period ending December 31, 2003. Please see the following page for standardized performance as of December 31, 2003.

The investment strategy we employ in managing the portfolio is based on research. We perform extensive research to help us locate stocks of companies with expanding earnings at prices that we believe are trading at attractive values. We seek to hold portfolio investments for the long term.

Our primary focus is on choosing individual stocks that meet our investment criteria, rather than on sector positioning. In 2003, our stock selection contributed more to relative performance than did the portfolio's sector positioning. With that said, three of the portfolio's overweight sector positions — financial services, consumer non-durables and energy — posted strong performance and outperformed those respective S&P 500 sectors.

Some of the strongest performing stocks from the portfolio's top-10 holdings were: Progressive Corp., a financial services company, Tyco International Ltd., a capital goods company and HSBC Holdings PLC, another financial services company. Weaker top-10 holdings were American International Group, Inc. and Berkshire Hathaway, Inc. While these two holdings gained ground in the period, their returns trailed the return of the S&P 500 index.

Christopher C. Davis
Kenneth Charles Feinberg

Co-Managers
Davis Selected Advisers, L.P., Subadvisor to the Portfolio

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

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

The Standard & Poor's (S&P) 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Russell 1000 Value Index is an unmanaged index, which consists of those stocks in the Russell 1000 Index with lower price-to-book ratios and lower forecasted-growth values. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of December 31, 2003, and may not come to pass. This information is subject to change at any time based on market and other conditions.

In this report Davis Selected Advisers makes candid statements and observations regarding economic and market conditions; however, there is no guarantee that these statements, opinions or forecasts will prove to be correct. All investments involve some degree of risk, and there can be no assurance that the investment strategies will be successful. Market values will vary so that an investor may experience a gain or a loss.

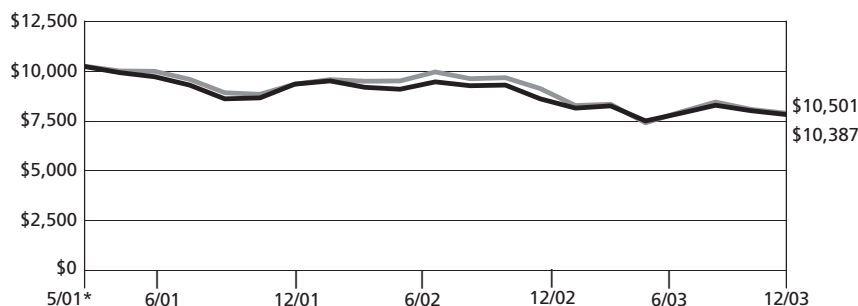
SVS Davis Venture Value Portfolio

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

The Portfolio has stock market and equity risks, which means stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

Growth of an Assumed \$10,000 Investment in SVS Davis Venture Value Portfolio from 5/1/2001 to 12/31/2003

- SVS Davis Venture Value Portfolio — Class A
- Russell 1000 Value Index



Russell 1000 Value Index is an unmanaged index, which consists of those stocks in the Russell 1000 Index with lower price-to-book ratios and lower forecasted-growth values. Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

SVS Davis Venture Value Portfolio	1-Year	Life of Portfolio*
Class A		
Growth of \$10,000	\$12,984	\$10,387
Average annual total return	29.84%	1.43%
Russell 1000 Value Index		
Growth of \$10,000	\$13,003	\$10,501
Average annual total return	30.03%	1.88%
SVS Davis Venture Value Portfolio	1-Year	Life of Class**
Class B		
Growth of \$10,000	\$12,942	\$12,121
Average annual total return	29.42%	13.68%
Russell 1000 Value Index		
Growth of \$10,000	\$13,003	\$11,535
Average annual total return	30.03%	9.99%

The growth of \$10,000 is cumulative.

* The Portfolio commenced operations on May 1, 2001. Index returns begin April 30, 2001.

** The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.

Information concerning portfolio holdings of the Portfolio as of a month end is available upon request no earlier than 15 days after the month end. Please call 1-800-778-1482.

SVS Davis Venture Value Portfolio

	Shares	Value (\$)		Shares	Value (\$)
Common Stocks 92.7%					
Consumer Discretionary 3.6%					
Hotel Restaurants & Leisure 0.8%					
Marriott International, Inc. "A"	42,800	1,977,360			
Media 2.3%					
Gannett Co., Inc.	20,000	1,783,200			
Lagardere S.C.A.	54,700	3,149,805			
WPP Group PLC (ADR)	19,200	943,680			
		5,876,685			
Specialty Retail 0.5%					
AutoZone, Inc.*	14,400	1,227,024			
Consumer Staples 12.2%					
Beverages 2.0%					
Diageo PLC (ADR)	74,300	3,927,498			
Heineken Holding NV "A"	32,800	1,119,538			
		5,047,036			
Food & Drug Retailing 3.1%					
Costco Wholesale Corp.*	206,700	7,685,106			
Food Products 1.4%					
Hershey Foods Corp.	27,800	2,140,322			
Kraft Foods, Inc. "A"	42,700	1,375,794			
		3,516,116			
Tobacco 5.7%					
Altria Group, Inc.	262,600	14,290,692			
Energy 6.2%					
Oil & Gas 6.2%					
ConocoPhillips	88,660	5,813,436			
Devon Energy Corp.	82,800	4,741,128			
EOG Resources, Inc.	56,000	2,585,520			
Occidental Petroleum Corp.	56,800	2,399,232			
		15,539,316			
Financials 51.3%					
Banks 16.9%					
Bank One Corp.	190,200	8,671,218			
Fifth Third Bancorp.	54,500	3,220,950			
Golden West Financial Corp.	76,900	7,935,311			
HSBC Holdings PLC	605,641	9,494,450			
Lloyds TSB Group PLC (ADR)	69,300	2,255,715			
Takefuji Corp.	28,800	1,343,464			
Wells Fargo & Co.	159,600	9,398,844			
		42,319,952			
Capital Markets 0.3%					
State Street Corp.	14,000	729,120			
Consumer Finance 7.3%					
American Express Co.	379,600	18,308,108			
Diversified Financial Services 6.9%					
Citigroup, Inc.	202,700	9,839,058			
Janus Capital Group, Inc.	35,200	577,632			
Moody's Corp.	48,200	2,918,510			
Morgan Stanley	44,500	2,575,215			
Principal Financial Group, Inc.	28,800	952,416			
Provident Financial Corp.*	18,500	215,340			
		17,078,171			
Insurance 18.1%					
American International Group, Inc.	210,700	13,965,196			
Aon Corp.	90,800	2,173,752			
Berkshire Hathaway, Inc. "B"*	3,875	10,908,125			
Chubb Corp.	12,500	851,250			
Loews Corp.	84,100	4,158,745			
Markel Corp.*	1,300	329,563			
Progressive Corp.	98,700	8,250,333			
Sun Life Financial, Inc.	17,000	425,340			
Transatlantic Holdings, Inc.	50,250	4,060,200			
		45,122,504			
Real Estate 1.8%					
CenterPoint Properties Trust (REIT)	60,800	4,553,920			
Health Care 4.3%					
Health Care Providers & Services 1.0%					
HCA, Inc.	57,400	2,465,904			
Pharmaceuticals 3.3%					
Eli Lilly & Co.	51,200	3,600,896			
Merck & Co., Inc.	18,400	850,080			
Novartis AG (Registered)	28,500	1,290,232			
Pfizer, Inc.	67,700	2,391,841			
		8,133,049			
Industrials 7.0%					
Air Freight & Logistics 1.0%					
United Parcel Service, Inc. "B"	32,800	2,445,240			
Commercial Services & Supplies 2.2%					
D&B Corp.*	49,900	2,530,429			
H&R Block, Inc.	52,000	2,879,240			
		5,409,669			
Industrial Conglomerates 3.8%					
Tyco International Ltd.	359,462	9,525,743			
Information Technology 3.0%					
Computers & Peripherals 1.7%					
Lexmark International, Inc.*	53,400	4,199,376			
Semiconductors & Semiconductor Equipment 0.4%					
Agere Systems, Inc. "A"*	346,500	1,056,825			
Software 0.9%					
Microsoft Corp.	81,000	2,230,740			
Materials 5.1%					
Construction Materials 1.5%					
Martin Marietta Materials, Inc.	40,100	1,883,497			
Vulcan Materials Co.	39,800	1,893,286			
		3,776,783			
Containers & Packaging 3.6%					
Sealed Air Corp.*	163,200	8,835,648			
Total Common Stocks (Cost \$197,726,549)		231,350,087			

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

	Shares	Value (\$)
Cash Equivalents 7.3%		
Scudder Cash Management QP Trust, 1.11% (b) (Cost \$18,266,900)	18,266,900	18,266,900
Total Investment Portfolio — 100.0% (Cost \$215,993,449) (a)		249,616,987

Notes to SVS Davis Venture Value Portfolio of Investments

* Non-income producing security.

(a) The cost for federal income tax purposes was \$216,463,566. At December 31, 2003, net unrealized appreciation for all securities based on tax cost was \$33,153,421. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$37,030,648 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$3,877,227.

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

Financial Statements

Statement of Assets and Liabilities as of December 31, 2003

Assets

Investments:	
Investments in securities, at value (cost \$197,726,549)	\$ 231,350,087
Investment in Scudder Cash Management QP Trust (cost \$18,266,900)	18,266,900
Total investments in securities, at value (cost \$215,993,449)	249,616,987
Cash	1,898
Dividends receivable	250,395
Interest receivable	14,957
Receivable for Portfolio shares sold	149,335
Other assets	5,072
Total assets	250,038,644

Liabilities

Payable for investments purchased	253,805
Payable for Portfolio shares redeemed	95,197
Accrued management fee	199,662
Other accrued expenses and payables	27,976
Total liabilities	576,640
Net assets, at value	\$ 249,462,004

Net Assets

Net assets consist of:	
Undistributed net investment income	964,815
Net unrealized appreciation (depreciation) on investments	33,623,538
Accumulated net realized gain (loss)	(6,885,399)
Paid-in capital	221,759,050
Net assets, at value	\$ 249,462,004

Class A

Net Asset Value , offering and redemption price per share (\$220,154,437 ÷ 21,351,155 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 10.31
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Class B

Net Asset Value , offering and redemption price per share (\$29,307,567 ÷ 2,848,268 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 10.29
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Statement of Operations for the year ended December 31, 2003

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$46,666)	\$ 3,003,223
Interest — Scudder Cash Management QP Trust	142,462
Total Income	3,145,685
Expenses:	
Management fee	1,812,833
Custodian and accounting fees	61,800
Distribution service fees (Class B)	30,928
Record keeping fees (Class B)	17,237
Auditing	16,684
Trustees' fees and expenses	5,308
Reports to shareholders	22,683
Registration fees	718
Other	6,491
Total expenses, before expense reductions	1,974,682
Expense reductions	(24)
Total expenses, after expense reductions	1,974,658
Net investment income (loss)	1,171,027

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from investments	(1,922,116)
Foreign currency related transactions	(22,090)
	(1,944,206)
Net unrealized appreciation (depreciation) during the period on investments	53,830,899
Net gain (loss) on investment transactions	51,886,693
Net increase (decrease) in net assets resulting from operations	\$ 53,057,720

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2003	2002
Operations:		
Net investment income (loss)	\$ 1,171,027	\$ 938,600
Net realized gain (loss) on investment transactions	(1,944,206)	(4,722,751)
Net unrealized appreciation (depreciation) on investment transactions during the period	53,830,899	(22,773,678)
Net increase (decrease) in net assets resulting from operations	53,057,720	(26,557,829)
Distributions to shareholders:		
From net investment income		
Class A	(926,268)	(189,351)
Class B	(13,751)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	27,361,668	95,650,132
Reinvestment of distributions	926,268	189,351
Cost of shares redeemed	(15,951,017)	(17,854,770)
Net increase (decrease) in net assets from Class A share transactions	12,336,919	77,984,713
Class B		
Proceeds from shares sold	24,216,184	805,134*
Reinvestment of distributions	13,751	—*
Cost of shares redeemed	(50,102)	(1,019)*
Net increase (decrease) in net assets from Class B share transactions	24,179,833	804,115
Increase (decrease) in net assets	88,634,453	52,041,648
Net assets at beginning of period	160,827,551	108,785,903
Net assets at end of period (including undistributed net investment income of \$964,815 and \$866,220, respectively)	\$ 249,462,004	\$ 160,827,551
Other Information		
Class A		
Shares outstanding at beginning of period	20,031,383	11,449,266
Shares sold	3,122,880	10,701,222
Shares issued to shareholder in reinvestment of distributions	122,360	20,080
Shares redeemed	(1,925,468)	(2,139,185)
Net increase (decrease) in Portfolio shares	1,319,772	8,582,117
Shares outstanding at end of period	21,351,155	20,031,383
Class B		
Shares outstanding at beginning of period	100,387	—
Shares sold	2,751,475	100,507*
Shares issued to shareholder in reinvestment of distributions	1,817	—*
Shares redeemed	(5,411)	(120)*
Net increase (decrease) in Portfolio shares	2,747,881	100,387
Shares outstanding at end of period	2,848,268	100,387

* For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

Financial Highlights

Class A

Years Ended December 31,	2003	2002	2001 ^a
Selected Per Share Data			
Net asset value, beginning of period	\$ 7.99	\$ 9.50	\$ 10.00
<i>Income (loss) from investment operations:</i>			
Net investment income (loss) ^b	.06	.05	.03
Net realized and unrealized gain (loss) on investment transactions	2.31	(1.55)	(.53) ^c
Total from investment operations	2.37	(1.50)	(.50)
<i>Less distributions from:</i>			
Net investment income	(.05)	(.01)	—
Net asset value, end of period	\$ 10.31	\$ 7.99	\$ 9.50
Total Return (%)	29.84	(15.79)	(5.00)**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	220	160	109
Ratio of expenses (%)	1.01	1.02	1.09*
Ratio of net investment income (loss) (%)	.62	.62	.48*
Portfolio turnover rate (%)	7	22	15*

^a For the period from May 1, 2001 (commencement of operations) to December 31, 2001.

^b Based on average shares outstanding during the period.

^c The amount of net realized and unrealized gain shown for a share outstanding for the period ending December 31, 2001 does not correspond with the aggregate net loss on investments for the period due to the timing of sales and repurchases of Portfolio shares in relation to fluctuating market values of the investments of the Portfolio.

* Annualized

** Not annualized

Class B

Years Ended December 31,	2003	2002 ^a
Selected Per Share Data		
Net asset value, beginning of period	\$ 7.98	\$ 8.52
<i>Income (loss) from investment operations:</i>		
Net investment income (loss) ^b	.02	.04
Net realized and unrealized gain (loss) on investment transactions	2.32	(.58)
Total from investment operations	2.34	(.54)
<i>Less distributions from:</i>		
Net investment income	(.03)	—
Net asset value, end of period	\$ 10.29	\$ 7.98
Total Return (%)	29.42	(6.34)**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	29	.8
Ratio of expenses (%)	1.40	1.27*
Ratio of net investment income (loss) (%)	.23	1.06*
Portfolio turnover rate (%)	7	22

^a For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

^b Based on average shares outstanding during the period.

* Annualized

** Not annualized

SVS Dreman Financial Services Portfolio

Financial stocks posted strong gains in 2003, keeping pace with the broader stock market. The portfolio posted a total return of 28.13% (Class A shares, unadjusted for contract charges), underperforming the 31.03% return of its benchmark, the Standard & Poor's Financial Index. Please see the following page for standardized performance as of December 31, 2003.

Major regional banks and savings & loans remain one of the portfolio's largest industry positions. The portfolio's overweight in this area relative to the benchmark, along with the sector's positive results this year was a primary source of returns. We remained bullish on these stocks due to their strong historical performance and their minimal exposure to risky foreign debt. Additionally, most of these financial institutions generated substantial earnings from fees and services as well as from their loan businesses, which helped their bottom lines and made them potentially less susceptible to wild swings when interest rates change direction. One of the top performers in this area was Washington Mutual, Inc., a top-10 portfolio holding.

On the other hand, another top-10 holding, Freddie Mac, was a primary detractor from performance. The stock declined last summer after its board of directors dismissed three senior leaders upon learning that the company's earnings had been understated. While the stock has made up much of its lost ground, it still struggles due to scrutiny in the media. We believe this is a short-term issue and we remain committed to the stock, which has a lower price-to-earnings ratio and faster growth rate than many top-growth companies.

Despite their strong performance this year, we believe that many financial stocks remain undervalued. As always, we will remain true to our contrarian philosophy of investing, in hopes of adding more value for shareholders over time.

David N. Dreman

F. James Hutchinson

Lead Manager

Portfolio Manager

Dreman Value Management, LLC, Subadvisor to the Portfolio

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

This portfolio is subject to stock market risk. It may focus its investments on certain economic sectors, thereby increasing its vulnerability to any single economic, political or regulatory development. This may result in greater share price volatility. Additionally, this portfolio is non-diversified and can take larger positions in fewer companies, increasing its overall potential risk. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

The Standard & Poor's (S&P) 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of December 31, 2003, and may not come to pass. This information is subject to change at any time based on market and other conditions.

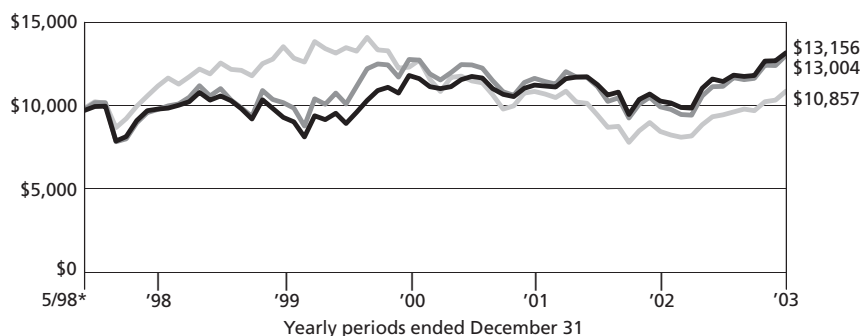
SVS Dreman Financial Services Portfolio

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

This Portfolio is subject to stock market risk. It may focus its investments on certain economic sectors, thereby increasing its vulnerability to any single economic, political or regulatory development. This may result in greater share price volatility. Additionally, this Portfolio is non-diversified and can take larger positions in fewer companies, increasing its overall potential risk. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

Growth of an Assumed \$10,000 Investment in SVS Dreman Financial Services Portfolio from 5/4/1998 to 12/31/2003

- SVS Dreman Financial Services Portfolio — Class A
- S&P Financial Index
- S&P 500 Index



The Standard & Poor's (S&P) Financial Index is an unmanaged index generally representative of the financial stock market. The Standard & Poor's (S&P) 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

SVS Dreman Financial Services Portfolio	1-Year	3-Year	5-Year	Life of Portfolio*
Class A				
Growth of \$10,000	\$12,813	\$11,153	\$13,453	\$13,156
Average annual total return	28.13%	3.71%	6.11%	4.97%
S&P Financial Index				
Growth of \$10,000	\$13,103	\$10,184	\$13,328	\$13,004
Average annual total return	31.03%	.61%	5.91%	4.74%
S&P 500 Index				
Growth of \$10,000	\$12,868	\$8,833	\$9,718	\$10,857
Average annual total return	28.68%	-4.05%	-57%	1.46%
SVS Dreman Financial Services Portfolio			1-Year	Life of Class**
Class B				
Growth of \$10,000			\$12,773	\$11,818
Average annual total return			27.73%	11.78%
S&P Financial Index				
Growth of \$10,000			\$13,103	\$11,681
Average annual total return			31.03%	10.91%
S&P 500 Index				
Growth of \$10,000			\$12,868	\$11,543
Average annual total return			28.68%	10.04%

The growth of \$10,000 is cumulative.

* The Portfolio commenced operations on May 4, 1998. Index returns begin April 30, 1998. Total returns would have been lower for the 5-Year and Life of Portfolio periods for Class A shares if the Portfolio's expenses were not maintained.

** The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.

Information concerning portfolio holdings of the Portfolio as of a month end is available upon request no earlier than 15 days after the month end. Please call 1-800-778-1482.

SVS Dreman Financial Services Portfolio

	Shares	Value (\$)		Shares	Value (\$)
Common Stocks 95.5%					
Financials 95.5%					
Banks 44.2%					
Bank of America Corp.	90,693	7,294,438	Bear Stearns Companies, Inc.	17,740	1,418,313
Bank One Corp.	21,962	1,001,247	CIT Group, Inc.	55,690	2,002,055
Banknorth Group, Inc.	49,611	1,613,846	Citigroup, Inc.	125,200	6,077,208
Charter Financial Corp.	18,800	700,676	Fannie Mae	139,880	10,499,393
Colonial BancGroup, Inc.	66,880	1,158,362	Franklin Resources, Inc.	21,210	1,104,193
First Niagara Financial Group	49,700	741,027	Freddie Mac	222,705	12,988,156
FleetBoston Financial Corp.	91,334	3,986,729	J.P. Morgan Chase & Co.	139,935	5,139,813
Golden West Financial Corp.	13,550	1,398,224	Morgan Stanley	37,580	2,174,755
KeyCorp.	190,555	5,587,073	SLM Corp.	30,630	1,154,138
Mercantile Bankshares Corp.	41,400	1,887,012			44,303,173
National Bank of Canada	138,750	4,621,072	Insurance 16.9%		
PNC Financial Services Group	74,340	4,068,628	Allstate Corp.	37,595	1,617,337
Popular, Inc.	46,150	2,073,981	American International Group, Inc.	236,673	15,686,686
Provident Financial Group	32,115	1,026,074	Chubb Corp.	23,330	1,588,773
Provident Financial Services, Inc.	36,600	691,740	Jefferson-Pilot Corp.	11,532	584,096
Sovereign Bancorp, Inc.	116,975	2,778,156	Marsh & McLennan Companies, Inc.	32,190	1,541,579
Union Planters Corp.	82,172	2,587,596	Prudential Financial, Inc.	18,690	780,681
US Bancorp.	184,220	5,486,072	Safeco Corp.	50,790	1,977,255
Wachovia Corp.	88,340	4,115,761	St. Paul Companies, Inc.	33,205	1,316,578
Washington Mutual, Inc.	291,832	11,708,300	Torchmark Corp.	15,920	724,997
Wells Fargo & Co.	49,410	2,909,755			25,817,982
		67,435,769	Total Common Stocks (Cost \$118,401,455)		
					145,623,135
Capital Markets 1.5%					
Merrill Lynch & Co., Inc.	39,550	2,319,607	Cash Equivalents 4.5%		
Consumer Finance 3.8%					
American Express Co.	119,150	5,746,604	Scudder Cash Management QP Trust, 1.11% (b) (Cost \$6,806,902)	6,806,902	6,806,902
Diversified Financial Services 29.1%					
Allied Capital Corp.	62,595	1,745,149	Total Investment Portfolio 100.0%		
			(Cost \$125,208,357) (a)		
					152,430,037

Notes to SVS Dreman Financial Services Portfolio of Investments

- (a) The cost for federal income tax purposes was \$125,901,736. At December 31, 2003, net unrealized appreciation for all securities based on tax cost was \$26,528,301. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$28,795,220 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$2,266,919.
- (b) Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.

Financial Statements

Statement of Assets and Liabilities as of December 31, 2003

Assets

Investments:	
Investments in securities, at value (cost \$118,401,455)	\$ 145,623,135
Investment in Scudder Cash Management QP Trust (cost \$6,806,902)	6,806,902
Total investments in securities, at value (cost \$125,208,357)	152,430,037
Cash	10,000
Dividends receivable	177,439
Interest receivable	5,870
Receivable for Portfolio shares sold	24,304
Other assets	3,130
Total assets	152,650,780

Liabilities

Payable for Portfolio shares redeemed	294,600
Accrued management fee	92,384
Other accrued expenses and payables	78,423
Total liabilities	465,407
Net assets, at value	\$ 152,185,373

Net Assets

Net assets consist of:	
Undistributed net investment income	2,297,941
Net unrealized appreciation (depreciation) on:	
Investments	27,221,680
Foreign currency related transactions	587
Accumulated net realized gain (loss)	(7,614,474)
Paid-in capital	130,279,639
Net assets, at value	\$ 152,185,373

Class A

Net Asset Value , offering and redemption price per share (\$142,695,177 ÷ 11,569,224 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 12.33
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Class B

Net Asset Value , offering and redemption price per share (\$9,490,196 ÷ 771,080 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 12.31
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Statement of Operations for the year ended December 31, 2003

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$26,460)	\$ 3,478,904
Interest — Scudder Cash Management QP Trust	32,678
Total Income	3,511,582
Expenses:	
Management fee	977,258
Custodian and accounting fees	58,775
Distribution service fees (Class B)	10,825
Record keeping fees (Class B)	5,955
Auditing	45,152
Legal	12,591
Trustees' fees and expenses	3,820
Reports to shareholders	16,599
Other	10,815
Total expenses, before expense reductions	1,141,790
Expense reductions	(26)
Total expenses, after expense reductions	1,141,764
Net investment income (loss)	2,369,818

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from:	
Investments	(2,045,242)
Foreign currency related transactions	(3,894)
	(2,049,136)
Net unrealized appreciation (depreciation) during the period on:	
Investments	32,204,960
Foreign currency related transactions	587
	32,205,547
Net gain (loss) on investment transactions	30,156,411
Net increase (decrease) in net assets resulting from operations	\$ 32,526,229

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2003	2002
Operations:		
Net investment income (loss)	\$ 2,369,818	\$ 1,859,190
Net realized gain (loss) on investment transactions	(2,049,136)	(2,469,879)
Net unrealized appreciation (depreciation) on investment transactions during the period	32,205,547	(11,896,212)
Net increase (decrease) in net assets resulting from operations	32,526,229	(12,506,901)
Distributions to shareholders from:		
Net investment income		
Class A	(1,844,106)	(1,016,304)
Class B	(20,489)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	11,621,806	44,698,507
Reinvestment of distributions	1,844,106	1,016,304
Cost of shares redeemed	(20,443,301)	(29,037,952)
Net increase (decrease) in net assets from Class A share transactions	(6,977,389)	16,676,859
Class B		
Proceeds from shares sold	8,184,393	394,220*
Reinvestment of distribution	20,489	—*
Cost of shares redeemed	(298,889)	(117)*
Net increase (decrease) in net assets from Class B share transactions	7,905,993	394,103
Increase (decrease) in net assets	31,590,238	3,547,757
Net assets at beginning of period	120,595,135	117,047,378
Net assets at end of period (including undistributed net investment income of \$2,297,941 and \$1,796,612, respectively)	\$ 152,185,373	\$ 120,595,135

Other Information

Class A		
Shares outstanding at beginning of period	12,274,256	10,853,999
Shares sold	1,078,203	4,164,073
Shares issued to shareholders in reinvestment of distributions	200,228	91,807
Shares redeemed	(1,983,463)	(2,835,623)
Net increase (decrease) in Portfolio shares	(705,032)	1,420,257
Shares outstanding at end of period	11,569,224	12,274,256
Class B		
Shares outstanding at beginning of period	39,762	—
Shares sold	755,394	39,774*
Shares issued to shareholders in reinvestment of distributions	2,225	—*
Shares redeemed	(26,301)	(12)*
Net increase (decrease) in Portfolio shares	731,318	39,762
Shares outstanding at end of period	771,080	39,762

* For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

Financial Highlights

Class A

Years Ended December 31,	2003	2002	2001	2000 ^a	1999 ^a
Selected Per Share Data					
Net asset value, beginning of period	\$ 9.79	\$ 10.78	\$ 11.53	\$ 9.24	\$ 9.78
<i>Income (loss) from investment operations:</i>					
Net investment income (loss) ^b	.20	.15	.14	.19	.18
Net realized and unrealized gain (loss) on investment transactions	2.50	(1.06)	(.71)	2.27	(.67)
Total from investment operations	2.70	(.91)	(.57)	2.46	(.49)
<i>Less distributions from:</i>					
Net investment income	(.16)	(.08)	(.13)	(.15)	(.05)
Net realized gains on investment transactions	—	—	(.05)	(.02)	—
Total distributions	(.16)	(.08)	(.18)	(.17)	(.05)
Net asset value, end of period	\$ 12.33	\$ 9.79	\$ 10.78	\$ 11.53	\$ 9.24
Total Return (%)	28.13	(8.51)	(4.86)	27.04	(5.05) ^c

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	143	120	117	66	27
Ratio of expenses before expense reductions (%)	.86	.83	.86	.91	1.04
Ratio of expenses after expense reductions (%)	.86	.83	.86	.89	.99
Ratio of net investment income (loss) (%)	1.84	1.44	1.31	2.01	1.75
Portfolio turnover rate (%)	7	13	22	13	13

^a On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly.

^b Based on average shares outstanding during the period.

^c Total return would have been lower had certain expenses not been reduced.

Class B

Years Ended December 31,	2003	2002 ^a
Selected Per Share Data		
Net asset value, beginning of period	\$ 9.78	\$ 10.57
<i>Income (loss) from investment operations:</i>		
Net investment income (loss) ^b	.14	.06
Net realized and unrealized gain (loss) on investment transactions	2.53	(.85)
Total from investment operations	2.67	(.79)
<i>Less distributions from:</i>		
Net investment income	(.14)	—
Net asset value, end of period	\$ 12.31	\$ 9.78
Total Return (%)	27.73	(7.47)**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	9	.4
Ratio of expenses (%)	1.25	1.08*
Ratio of net investment income (loss) (%)	1.45	1.33*
Portfolio turnover rate (%)	7	13

^a For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

^b Based on average shares outstanding during the period.

* Annualized

** Not annualized

SVS Dreman High Return Equity Portfolio

The stock market posted strong gains in 2003. Stocks rallied on the end of active combat in Iraq, the passage of a federal stimulus package, improving economic news and growing corporate earnings. We're pleased to announce that the portfolio posted a total return of 32.04% (Class A shares, unadjusted for contract charges) in 2003, outperforming the 28.68% return of its benchmark, the Standard & Poor's 500 index. Please see the following page for standardized performance as of December 31, 2003.

The portfolio's retail and tobacco stocks added most to portfolio returns this year. Electronics retailer Best Buy Co., Inc. home improvement retailer Home Depot, Inc. and office supplies retailer Staples, Inc. were among the primary contributors. We added these holdings after they declined based on what we believed to be temporary issues. Each stock rose substantially throughout the year. After some extreme volatility, fears of the potential impact of litigation against big tobacco companies subsided and led to a strong rally in Altria Group, Inc., one of the portfolio's largest holdings, and RJ Reynolds Tobacco Holdings, Inc.

Pharmaceutical companies struggled, and the portfolio's overweight position hurt its relative performance. We remain confident, however, that these companies will improve over the longer term. Each has strong cash flows to portfolio research and development, capable marketing arms, and large sales forces to help drive earnings. Mortgage provider Freddie Mac was the primary detractor from performance. The stock plummeted in June 2003, after its financials came under scrutiny and it was revealed that the company had understated earnings. It has since made up much of its lost ground, but was down for the full year.

David N. Dreman

F. James Hutchinson

Co-Managers

Dreman Value Management LLC, Subadvisor to the Portfolio

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

The portfolio may focus its investments on certain economic sectors, thereby increasing its vulnerability to any single economic, political or regulatory development. This may result in greater share price volatility. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

The Standard & Poor's (S&P) 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of December 31, 2003, and may not come to pass. This information is subject to change at any time based on market and other conditions.

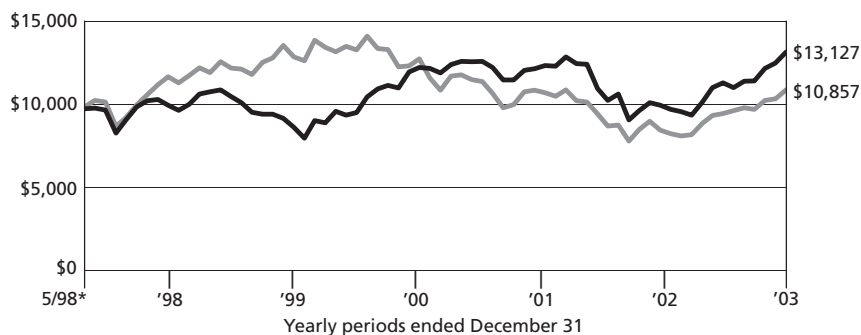
SVS Dreman High Return Equity Portfolio

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

The Portfolio may focus its investments on certain economic sectors, thereby increasing its vulnerability to any single economic, political or regulatory development. This may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

Growth of an Assumed \$10,000 Investment in SVS Dreman High Return Equity Portfolio from 5/4/1998 to 12/31/2003

- SVS Dreman High Return Equity Portfolio — Class A
- S&P 500 Index



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

Comparative Results

SVS Dreman High Return Equity Portfolio		1-Year	3-Year	5-Year	Life of Portfolio*
Class A	Growth of \$10,000	\$13,204	\$11,006	\$12,762	\$13,127
	Average annual total return	32.04%	3.25%	5.00%	4.92%
S&P 500 Index					
Growth of \$10,000		\$12,868	\$8,833	\$9,718	\$10,857
Average annual total return		28.68%	-4.05%	-5.7%	1.46%
SVS Dreman High Return Equity Portfolio				1-Year	Life of Class**
Class B	Growth of \$10,000			\$13,160	\$12,032
	Average annual total return			31.60%	13.12%
S&P 500 Index		Growth of \$10,000		\$12,808	\$11,543
Average annual total return				28.68%	10.04%

The growth of \$10,000 is cumulative.

* The Portfolio commenced operations on May 4, 1998. Index returns begin April 30, 1998.

** The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.

Information concerning portfolio holdings of the Portfolio as of a month end is available upon request no earlier than 15 days after the month end. Please call 1-800-778-1482.

SVS Dreman High Return Equity Portfolio

	Shares	Value (\$)		Shares	Value (\$)
Common Stocks 90.3%					
Consumer Discretionary 10.2%					
Automobiles 0.8%					
Ford Motor Co.	345,000	5,520,000			
Multiline Retail 0.8%					
Federated Department Stores, Inc.	129,505	6,103,570			
Specialty Retail 8.6%					
Best Buy Co., Inc.	47,225	2,467,034			
Borders Group, Inc.	712,900	15,626,768			
Home Depot, Inc.	388,455	13,786,268			
Lowe's Companies, Inc.	80,950	4,483,821			
Staples, Inc.*	663,865	18,123,514			
The Gap, Inc.	376,885	8,747,501			
		63,234,906			
Consumer Staples 19.1%					
Food & Drug Retailing 0.7%					
Safeway, Inc.*	232,650	5,097,362			
Tobacco 18.4%					
Altria Group, Inc.	1,303,220	70,921,232			
Imperial Tobacco Group (ADR)	95,145	3,782,965			
R.J. Reynolds Tobacco Holdings, Inc.	338,148	19,663,306			
Universal Corp.	266,570	11,774,397			
UST, Inc.	816,640	29,145,882			
		135,287,782			
Energy 8.6%					
Energy Equipment & Services 0.5%					
Transocean, Inc.*	154,200	3,702,342			
Oil & Gas 8.1%					
ChevronTexaco Corp.	227,105	19,619,601			
ConocoPhillips	416,823	27,331,084			
Devon Energy Corp.	126,475	7,241,959			
Kerr-McGee Corp.	120,300	5,592,747			
		59,785,391			
Financials 29.0%					
Banks 14.8%					
Bank of America Corp.	140,700	11,316,501			
Bank One Corp.	100,655	4,588,843			
FleetBoston Financial Corp.	216,313	9,442,062			
KeyCorp.	335,280	9,830,410			
PNC Financial Services Group	236,014	12,917,046			
Sovereign Bancorp, Inc.	501,910	11,920,363			
US Bancorp.	265,700	7,912,546			
Wachovia Corp.	140,000	6,522,600			
Washington Mutual, Inc.	854,175	34,269,501			
		108,719,872			
Diversified Financial Services 13.2%					
CIT Group, Inc.	89,100	3,203,145			
Fannie Mae	475,573	35,696,509			
Freddie Mac	1,000,341	58,339,887			
		97,239,541			
Insurance 1.0%					
Ohio Casualty Corp.*	41,055	712,715			
Safeco Corp.	80,815	3,146,128			
St. Paul Companies, Inc.	98,405	3,901,758			
		7,760,601			
Health Care 14.5%					
Health Care Equipment & Supplies 1.2%					
Becton, Dickinson and Co.	210,630	8,665,318			
Health Care Providers & Services 4.6%					
HCA, Inc.	245,600	10,550,976			
Humana, Inc.*	140,270	3,205,170			
Laboratory Corp. of America Holdings*	250,300	9,248,585			
Medco Health Solutions, Inc.*	49,569	1,684,850			
Quest Diagnostics, Inc.	126,450	9,244,759			
		33,934,340			
Pharmaceuticals 8.7%					
Bristol-Myers Squibb Co.	1,012,060	28,944,916			
Merck & Co., Inc.	411,020	18,989,124			
Pfizer, Inc.	262,030	9,257,520			
Schering-Plough Corp.	404,515	7,034,516			
		64,226,076			
Industrials 3.8%					
Electrical Equipment 1.5%					
Emerson Electric Co.	167,900	10,871,525			
Industrial Conglomerates 2.3%					
General Electric Co.	209,350	6,485,663			
Tyco International Ltd.	415,005	10,997,632			
		17,483,295			
Information Technology 4.0%					
IT Consulting & Services					
Electronic Data Systems Corp.	1,198,640	29,414,626			
Utilities 1.1%					
Gas Utilities 1.0%					
El Paso Corp.	846,510	6,932,917			
NiSource, Inc.*	43,220	110,643			
		7,043,560			
Multi-Utilities & Unregulated Power 0.1%					
Williams Companies, Inc.	81,230	797,679			
		797,679			
Total Common Stocks (Cost \$591,172,733)					664,887,786
Cash Equivalents 9.7%					
Scudder Cash Management QP Trust, 1.11% (b) (Cost \$71,546,643)	71,546,643	71,546,643			
Total Investment Portfolio — 100.0% (Cost \$662,719,376) (a)					736,434,429

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

Notes to SVS Dreman High Return Equity Portfolio of Investments

* Non-income producing security.

(a) The cost for federal income tax purposes was \$663,956,561. At December 31, 2003, net unrealized appreciation for all securities based on tax cost was \$72,477,868. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$110,809,805 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$38,331,937.

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

At December 31, 2003, open futures contracts purchased were as follows:

Futures	Expiration Date	Contracts	Aggregated Face Value (\$)	Value (\$)	Net Unrealized Appreciation (Depreciation) (\$)
S&P 500 Index Future	3/18/2004	33,500	34,991,348	37,205,100	2,213,752

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

Financial Statements

Statement of Assets and Liabilities as of December 31, 2003

Assets

Investments:	
Investments in securities, at value (cost \$591,172,733)	\$ 664,887,786
Investment in Scudder Cash Management QP Trust (cost \$71,546,643)	71,546,643
Total investments in securities, at value (cost \$662,719,376)	736,434,429
Cash	10,000
Margin deposit	2,161,734
Receivable for investments sold	788,440
Dividends receivable	1,120,896
Interest receivable	68,882
Receivable for Portfolio shares sold	344,510
Total assets	740,928,891

Liabilities

Payable for investments purchased	1,845,624
Payable for Portfolio shares redeemed	537,823
Accrued management fee	433,561
Other accrued expenses and payables	170,272
Total liabilities	2,987,280
Net assets, at value	\$ 737,941,611

Net Assets

Net assets consist of:	
Undistributed net investment income	12,034,767
Net unrealized appreciation (depreciation) on:	
Investments	73,715,053
Futures	2,213,752
Accumulated net realized gain (loss)	(32,497,578)
Paid-in capital	682,475,617
Net assets, at value	\$ 737,941,611

Class A

Net Asset Value , offering and redemption price per share (\$672,331,803 ÷ 59,527,655 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 11.29
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Class B

Net Asset Value , offering and redemption price per share (\$65,609,808 ÷ 5,819,055 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 11.27
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Statement of Operations for the year ended December 31, 2003

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$7,662)	\$ 16,712,267
Interest — Scudder Cash Management QP Trust	374,820
Total Income	17,087,087
Expenses:	
Management fee	4,278,201
Custodian and accounting fees	104,700
Distribution service fees (Class B)	73,850
Record keeping fees (Class B)	40,659
Auditing	79,289
Legal	20,093
Trustees' fees and expenses	8,885
Reports to shareholders	92,663
Other	37,736
Total expenses, before expense reductions	4,736,076
Expense reductions	(46)
Total expenses, after expense reductions	4,736,030
Net investment income (loss)	12,351,057

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from:	
Investments	9,668,929
Futures	341,923
	10,010,852
Net unrealized appreciation (depreciation) during the period on:	
Investments	147,448,810
Futures	2,213,752
	149,662,562
Net gain (loss) on investment transactions	159,673,414
Net increase (decrease) in net assets resulting from operations	\$ 172,024,471

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2003	2002
Operations:		
Net investment income (loss)	\$ 12,351,057	\$ 11,554,422
Net realized gain (loss) on investment transactions	10,010,852	(40,336,810)
Net unrealized appreciation (depreciation) on investment transactions during the period	149,662,562	(84,690,960)
Net increase (decrease) in net assets resulting from operations	172,024,471	(113,473,348)
Distributions to shareholders from:		
Net investment income		
Class A	(11,229,274)	(4,712,145)
Class B	(193,827)	—
Net realized gains		
Class A	—	(1,736,054)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	51,591,121	219,772,034
Reinvestment of distributions	11,229,274	6,448,199
Cost of shares redeemed	(50,121,722)	(39,721,921)
Net increase (decrease) in net assets from Class A share transactions	12,698,673	186,498,312
Class B		
Proceeds from shares sold	52,862,147	2,209,191*
Reinvestment of distributions	193,827	—*
Cost of shares redeemed	(584,554)	(12,261)*
Net increase (decrease) in net assets from Class B share transactions	52,471,420	2,196,930
Increase (decrease) in net assets	225,771,463	68,773,695
Net assets at beginning of period	512,170,148	443,396,453
Net assets at end of period (including undistributed net investment income of \$12,034,767 and \$11,106,811, respectively)	\$ 737,941,611	\$ 512,170,148

Other Information

Class A		
Shares outstanding at beginning of period	58,214,359	41,005,810
Shares sold	5,422,760	21,036,800
Shares issued to shareholders in reinvestment of distributions	1,398,415	569,629
Shares redeemed	(5,507,879)	(4,397,880)
Net increase (decrease) in Portfolio shares	1,313,296	17,208,549
Shares outstanding at end of period	59,527,655	58,214,359
Class B		
Shares outstanding at beginning of period	251,123	—
Shares sold	5,599,747	252,553*
Shares issued to shareholders in reinvestment of distributions	24,108	—*
Shares redeemed	(55,923)	(1,430)*
Net increase (decrease) in Portfolio shares	5,567,932	251,123
Shares outstanding at end of period	5,819,055	251,123

* For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

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

Financial Highlights

Class A

Years Ended December 31,	2003	2002	2001	2000 ^a	1999 ^a
Selected Per Share Data					
Net asset value, beginning of period	\$ 8.76	\$ 10.81	\$ 10.77	\$ 8.96	\$ 10.28
<i>Income (loss) from investment operations:</i>					
Net investment income (loss) ^b	.20	.21	.19	.26	.26
Net realized and unrealized gain (loss) on investment transactions	2.53	(2.13)	(.01)	2.25	(1.38)
Total from investment operations	2.73	(1.92)	.18	2.51	(1.12)
<i>Less distributions from:</i>					
Net investment income	(.20)	(.09)	(.14)	(.20)	(.10)
Net realized gains on investment transactions	—	(.04)	—	(.50)	(.10)
Total distributions	(.20)	(.13)	(.14)	(.70)	(.20)
Net asset value, end of period	\$ 11.29	\$ 8.76	\$ 10.81	\$ 10.77	\$ 8.96
Total Return (%)	32.04	(18.03)	1.69	30.52	(11.16)

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	672	510	443	168	113
Ratio of expenses before expense reductions (%)	.79	.79	.82	.85	.86
Ratio of expenses after expense reductions (%)	.79	.79	.82	.84	.86
Ratio of net investment income (loss) (%)	2.14	2.21	1.78	2.85	2.57
Portfolio turnover rate (%)	18	17	16	37	24

^a On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, have been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly.

^b Based on average shares outstanding during the period.

Class B

Years Ended December 31,	2003	2002 ^a
Selected Per Share Data		
Net asset value, beginning of period	\$ 8.75	\$ 9.57
<i>Income (loss) from investment operations:</i>		
Net investment income (loss) ^b	.16	.18
Net realized and unrealized gain (loss) on investment transactions	2.53	(1.00)
Total from investment operations	2.69	(.82)
<i>Less distributions from:</i>		
Net investment income	(.17)	—
Net asset value, end of period	\$ 11.27	\$ 8.75
Total Return (%)	31.60	(8.57)**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	66	2
Ratio of expenses (%)	1.18	1.05*
Ratio of net investment income (loss) (%)	1.75	4.30*
Portfolio turnover rate (%)	18	17

^a For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

^b Based on average shares outstanding during the period.

* Annualized

** Not annualized

SVS Dreman Small Cap Value Portfolio

Stocks, especially small cap stocks, posted strong gains in 2003. The rally was ignited by the end of active combat in Iraq, and sustained by the passage of a federal stimulus package, improving economic news and growing corporate earnings. The portfolio posted a total return of 42.15% (Class A shares, unadjusted for contract charges) in 2003 versus a 46.03% return of its benchmark, the Russell 2000 Value Index. Please see the following page for standardized performance as of December 31, 2003.

Independent power producers, financials and energy stocks were primary contributors to performance. Reliant Resources, Inc. and Williams Cos. (not in the portfolio as of 12/31/03) rallied strongly as lower interest rates helped them overcome liquidity issues. We sold Williams from the portfolio as it appreciated into the mid-cap universe. An overweight position in banks versus the benchmark and strong individual financial stock performance also helped. Energy stocks contributed, with natural gas producers advancing solidly.

While the portfolio's overweight position in health care gained, the sector's return was lower than the broader small-cap market. Our decision to underweight the consumer discretionary sector also hurt relative performance. We made this decision because we were skeptical that consumer spending would remain strong. Our assumption was incorrect, and consumers continued to spend.

We have built a portfolio focused on companies that we believe are financially solid but that are trading at low prices relative to their earnings (P/E), book value and cash flow. In anything other than a technology-led market rally, we believe this portfolio is poised to outperform its benchmark.

David N. Dreman

Nelson Woodard

Co-Managers

Dreman Value Management, LLC, Subadvisor to the Portfolio

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

This portfolio is subject to stock market risk. Stocks of small companies involve greater risk than securities of larger, more-established companies, as they often have limited product lines, markets or financial resources and may be exposed to more erratic and abrupt market movements. The portfolio may focus its investments on certain economic sectors, thereby increasing its vulnerability to any single economic, political or regulatory development. This may result in greater share price volatility. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

The Russell 2000 Value Index measures the performance of small companies with lower price-to-book ratios and lower forecasted growth values than the overall market. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly in an index.

Portfolio management market commentary is as of December 31, 2003, and may not come to pass. This information is subject to change at any time based on market and other conditions.

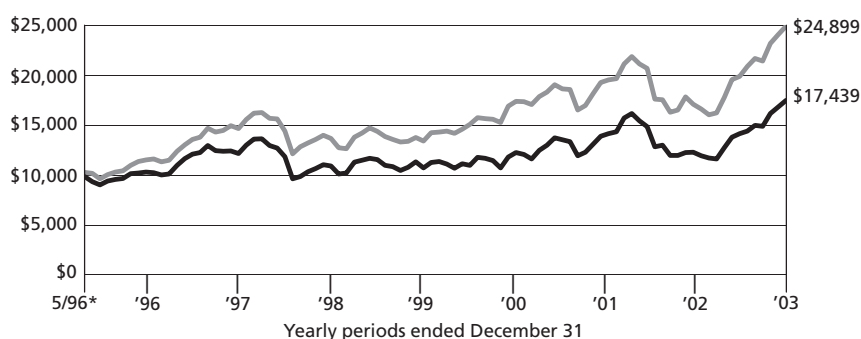
SVS Dreman Small Cap Value Portfolio

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

This Portfolio is subject to stock market risk. Stocks of small companies involve greater risk, as they often have limited product lines, markets or financial resources and may be exposed to more erratic and abrupt market movements than securities of larger, more-established companies. The Portfolio may focus its investments on certain economic sectors, thereby increasing its vulnerability to any single economic, political or regulatory development. This may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

Growth of an Assumed \$10,000 Investment in SVS Dreman Small Cap Value Portfolio from 5/1/1996 to 12/31/2003

- SVS Dreman Small Cap Value Portfolio — Class A
- Russell 2000 Value Index



The Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

SVS Dreman Small Cap Value Portfolio		1-Year	3-Year	5-Year	Life of Portfolio*
Class A	Growth of \$10,000	\$14,215	\$14,815	\$15,846	\$17,439
	Average annual total return	42.15%	14.00%	9.64%	7.52%
Russell 2000 Value Index	Growth of \$10,000	\$14,603	\$14,748	\$17,845	\$24,899
	Average annual total return	46.03%	13.83%	12.28%	12.64%
SVS Dreman Small Cap Value Portfolio				1-Year	Life of Class**
Class B	Growth of \$10,000			\$14,165	\$11,906
	Average annual total return			41.65%	12.33%
Russell 2000 Value Index	Growth of \$10,000			\$14,603	\$12,059
	Average annual total return			46.03%	13.30%

The growth of \$10,000 is cumulative.

* The Portfolio commenced operations on May 1, 1996. Index returns begin April 30, 1996.

** The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.

Information concerning portfolio holdings of the Portfolio as of a month end is available upon request no earlier than 15 days after the month end. Please call 1-800-778-1482.

SVS Dreman Small Cap Value Portfolio

	Shares	Value (\$)		Shares	Value (\$)
Common Stocks 95.3%					
Consumer Discretionary 12.1%					
Auto Components 1.5%					
American Axle & Manufacturing Holdings, Inc.*	73,700	2,978,954			
Noble International Ltd.	116,900	2,665,320			
		5,644,274			
Hotel Restaurants & Leisure 3.1%					
Alliance Gaming Corp.*	61,700	1,520,905			
CBRL Group, Inc.	74,300	2,842,718			
Highland Hospitality Corp.*	264,100	2,878,690			
Isle of Capri Casinos, Inc.*	151,100	3,244,117			
MTR Gaming Group, Inc.*	145,300	1,496,590			
		11,983,020			
Household Durables 2.3%					
Fleetwood Enterprises, Inc.*	305,200	3,131,352			
Meritage Corp.*	35,600	2,360,636			
Standard Pacific Corp.	72,400	3,515,020			
		9,007,008			
Media 0.5%					
Catalina Marketing Corp.*	103,200	2,080,512			
Specialty Retail 3.9%					
AnnTaylor Stores Corp.*	63,500	2,476,500			
Borders Group, Inc.	130,300	2,856,176			
Dress Barn, Inc.*	92,700	1,389,573			
Linens 'N Things, Inc.*	101,700	3,059,136			
Mettler-Toledo International, Inc.*	121,200	5,115,852			
		14,897,237			
Textiles, Apparel & Luxury Goods 0.8%					
Phillips-Van Heusen Corp.	167,336	2,968,541			
Consumer Staples 6.1%					
Food Products 2.9%					
Fresh Del Monte Produce, Inc.	81,500	1,942,145			
J & J Snack Foods Corp.*	72,900	2,752,704			
Ralcorp Holdings, Inc.*	129,700	4,067,392			
Sensient Technologies Corp.	127,000	2,510,790			
		11,273,031			
Tobacco 3.2%					
Loew's Corp. — Carolina Group	217,300	5,484,652			
Universal Corp.	72,300	3,193,491			
Vector Group Ltd.	227,311	3,709,715			
		12,387,858			
Energy 9.3%					
Energy Equipment & Services 1.3%					
Matrix Service Co.*	43,800	794,970			
Oil States International, Inc.*	209,400	2,919,036			
Unit Corp.*	58,300	1,372,965			
		5,086,971			
Oil & Gas 8.0%					
Chesapeake Energy Corp.	146,400	1,988,112			
Comstock Resources, Inc.*	144,200	2,783,060			
Energy Partners Ltd.*	165,700	2,303,230			
Frontier Oil Corp.	139,600	2,403,912			
Headwaters, Inc.*	193,900	3,804,318			
Magellan Midstream Partners, L.P.*	20,600	1,030,000			
Penn Virginia Corp.	83,600	4,652,340			
Remington Oil & Gas Corp.*	48,800	960,872			
Tesoro Petroleum Corp.*	290,400	4,231,128			
Ultra Petroleum Corp.*	266,400	6,558,768			
					30,715,740
Financials 33.8%					
Banks 16.7%					
BankAtlantic Bancorp., Inc. "A"	188,950	3,590,050			
BOK Financial Corp.	48,501	1,877,959			
Capital Bancorp., Ltd.*	47,100	1,337,640			
Center Financial Corp.	59,100	1,610,475			
Colonial BancGroup, Inc.	145,000	2,511,400			
Community First Bankshares, Inc.	42,400	1,227,056			
Dime Community Bancshares	32,400	996,624			
Downey Financial Corp.	12,600	621,180			
First Federal Capital Corp.	137,400	3,094,248			
First Federal Financial Corp.	73,450	3,195,075			
Flagstar Bancorp., Inc.	66,047	1,414,727			
Fulton Financial Corp.	133,223	2,918,916			
Glacier Bancorp., Inc.	112,245	3,636,738			
Greater Bay Bancorp.	161,300	4,593,824			
Independence Community Bank Corp.	106,900	3,845,193			
IndyMac Bancorp., Inc.	112,350	3,346,906			
International Bancshares Corp.	54,591	2,573,966			
KNBT Bancorp, Inc.*	25,200	443,016			
Midwest Banc Holdings, Inc.	72,000	1,602,000			
Oak Hill Financial, Inc.	15,600	480,636			
Pacific Premier Bancorp, Inc.*	39,400	436,946			
PFF Bancorp., Inc.	103,600	3,758,608			
Provident Bankshares Corp.	97,550	2,871,872			
R & G Financial Corp. "B"	114,150	4,543,170			
S&T Bancorp, Inc.	34,700	1,037,530			
Sterling Financial Corp.	49,620	1,698,492			
Taylor Capital Group, Inc.	22,000	585,860			
Virginia Financial Group, Inc.	3,600	127,872			
Webster Financial Corp.	95,200	4,365,872			
					64,343,851
Diversified Financial Services 3.5%					
Allied Capital Corp.	77,080	2,148,990			
Bank Mutual Corp.	187,600	2,136,764			
CMET Finance Holdings, Inc.*	7,200	720,000			
Fieldstone Private Capital Corp.*	149,100	2,497,425			
Friedman, Billings, Ramsey Group, Inc. "A" (REIT)	170,105	3,926,024			
New Century Financial Corp.	52,800	2,094,576			
					13,523,779
Insurance 4.2%					
AmerUS Group, Inc.	94,900	3,318,653			
Ceres Group, Inc.*	346,890	2,025,838			
Fremont General Corp.	111,500	1,885,465			

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

	Shares	Value (\$)
Meadowbrook Insurance Group, Inc.*	125,300	530,019
Scottish Re Group Ltd.	154,900	3,218,822
Selective Insurance Group, Inc.	141,300	4,572,468
United National Group, Ltd. "A"*	41,900	740,373
		16,291,638
Real Estate 9.4%		
Agree Realty Corp. (REIT)	32,500	919,100
American Financial Realty Trust (REIT)	424,600	7,239,430
Anworth Mortgage Asset Corp. (REIT)	89,900	1,252,307
Ashford Hospitality Trust (REIT)*	153,600	1,442,304
Correctional Properties Trust (REIT)	71,700	2,064,960
Healthcare Realty Trust, Inc. (REIT)	72,300	2,584,725
HRPT Properties Trust (REIT)	154,400	1,557,896
Luminent Mortgage Capital, Inc. (REIT)*	165,000	2,326,500
MFA Mortgage Investments, Inc. (REIT)	365,700	3,565,575
National Health Investors, Inc. (REIT)	100,000	2,488,000
Newcastle Investment Corp. (REIT)	224,800	6,092,080
Prentiss Properties Trust (REIT)	90,700	2,992,193
Redwood Trust, Inc. (REIT)	27,800	1,413,630
		35,938,700
Health Care 8.2%		
Biotechnology 1.4%		
Charles River Laboratories International, Inc.*	45,100	1,548,283
Serologicals Corp.*	212,000	3,943,200
		5,491,483
Health Care Equipment & Supplies 2.3%		
Apogent Technologies, Inc.*	153,600	3,538,944
Conmed Corp.*	90,000	2,142,000
Cytc Corp.*	243,400	3,349,184
		9,030,128
Health Care Providers & Services 4.5%		
Apria Healthcare Group, Inc.*	79,400	2,260,518
LabOne, Inc.*	87,500	2,841,125
Pediatrix Medical Group, Inc.*	42,600	2,346,834
Per-Se Technologies, Inc.*	41,000	625,660
Pharmaceutical Product Development, Inc.*	38,200	1,030,254
Province Healthcare Co.*	129,000	2,064,000
Triad Hospitals, Inc.*	179,000	5,955,330
		17,123,721
Industrials 17.0%		
Aerospace & Defense 6.4%		
CAE, Inc.	261,900	1,189,026
Curtiss-Wright Corp.	52,200	2,349,522
DRS Technologies, Inc.*	98,100	2,725,218
Herley Industries, Inc.*	157,400	3,258,180
Kaman Corp. "A"	185,700	2,363,961
Moog, Inc. "A"*	109,500	5,409,300
Precision Castparts Corp.	116,100	5,272,101
United Defense Industries, Inc.*	66,100	2,107,268
		24,674,576

	Shares	Value (\$)
Airlines 0.5%		
Qantas Airways Ltd.*	155,900	1,792,850
Building Products 0.5%		
York International Corp.	52,000	1,913,600
Commercial Services & Supplies 2.1%		
Consolidated Graphics, Inc.*	69,500	2,194,810
FTI Consulting, Inc.*	144,200	3,369,954
Integrated Alarm Services, Inc.*	87,400	742,900
John H. Harland Co.	70,900	1,935,570
		8,243,234
Construction & Engineering 1.1%		
URS Corp.*	172,500	4,314,225
Electrical Equipment 0.4%		
Genlyte Group, Inc.*	25,300	1,477,014
Industrial Conglomerates 0.6%		
Denbury Resources, Inc.*	152,200	2,117,102
Machinery 2.8%		
Briggs & Stratton Corp.	26,300	1,772,620
Harsco Corp.	44,400	1,945,608
Oshkosh Truck Corp.	85,500	4,363,065
Valmont Industries	112,400	2,602,060
		10,683,353
Road & Rail 2.0%		
Arkansas Best Corp.	84,800	2,661,872
Genessee & Wyoming, Inc.*	93,700	2,951,550
RailAmerica, Inc.*	168,100	1,983,580
		7,597,002
Transportation Infrastructure 0.6%		
Yellow Roadway Corp.*	67,810	2,452,676
Information Technology 2.6%		
Communications Equipment 1.1%		
CyberGuard Corp.*	142,400	1,241,728
PC-Tel, Inc.*	278,800	2,958,068
		4,199,796
Electronic Equipment & Instruments 0.4%		
Scansource, Inc.*	33,400	1,523,708
IT Consulting & Services 0.4%		
CACI International, Inc. "A"*	36,300	1,764,906
Software 0.7%		
Perot Systems Corp. "A"*	189,800	2,558,504
Materials 1.0%		
Construction Materials 0.7%		
Florida Rock Industries, Inc.	49,130	2,694,780
Containers & Packaging 0.3%		
Myers Industries, Inc.	110,190	1,335,503
Utilities 5.2%		
Electric Utilities 2.2%		
CMS Energy Corp.*	315,100	2,684,652
DPL, Inc.	120,600	2,518,128
WPS Resources Corp.	65,000	3,004,950
		8,207,730

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

	Shares	Value (\$)
Gas Utilities 1.2%		
Cascade Natural Gas Corp.	32,800	691,752
NUI Corp.	89,700	1,445,964
Peoples Energy Corp.	60,600	2,547,624
		4,685,340
Multi-Utilities 0.4%		
Sierra Pacific Resources*	210,600	1,545,804
Multi-Utilities & Unregulated Power 1.4%		
Reliant Resources, Inc.*	735,300	5,411,808
Total Common Stocks (Cost \$282,707,294)		366,981,003

Other 1.0%		
iShares Russell 2000 Index Fund	100	11,080
iShares Russell 2000 Value Index Fund	22,700	3,641,080
Total Other (Cost \$2,454,993)		3,652,160

	Shares	Value (\$)
Preferred Stock 0.8%		
Financials 0.8%		
Banks 0.3%		
Chevy Chase Bank*	39,300	1,127,910
Real Estate 0.5%		
Equity Inns, Inc. 8.750%, Series B*	38,700	1,046,111
Saul Centers, Inc.*	29,700	787,050
		1,833,161
Total Preferred Stock (Cost \$2,692,500)		2,961,071

Cash Equivalents 2.9%		
Scudder Cash Management QP Trust, 1.11% (b)		
(Cost \$11,271,671)	11,271,671	11,271,671
Total Investment Portfolio — 100.0% (Cost \$299,126,458) (a)		384,865,905

Notes to SVS Dreman Small Cap Value Portfolio of Investments

* Non-income producing security.

- (a) The cost for federal income tax purposes was \$299,752,687. At December 31, 2003, net unrealized appreciation for all securities based on tax cost was \$85,113,218. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$87,244,156 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$2,130,938.
- (b) Scudder Cash Management QP Trust is also managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.

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

Financial Statements

Statement of Assets and Liabilities as of December 31, 2003

Assets

Investments:	
Investments in securities, at value (cost \$287,854,787)	\$ 373,594,234
Investment in Scudder Cash Management QP Trust (cost \$11,271,671)	11,271,671
Total investments in securities, at value (cost \$299,126,458)	384,865,905
Cash	195,972
Receivable for investments sold	1,695,336
Dividends receivable	759,026
Interest receivable	12,767
Receivable for Portfolio shares sold	145,165
Other assets	8,691
Total assets	387,682,862

Liabilities

Payable for investments purchased	1,108,496
Payable for Portfolio shares redeemed	550,676
Accrued management fee	240,003
Other accrued expenses and payables	100,045
Total liabilities	1,999,220
Net assets, at value	\$ 385,683,642

Net Assets

Net assets consist of:	
Undistributed net investment income	3,552,152
Net unrealized appreciation (depreciation) on investments	85,739,447
Accumulated net realized gain (loss)	(16,425,596)
Paid-in capital	312,817,639
Net assets, at value	\$ 385,683,642

Class A

Net Asset Value , offering and redemption price per share (\$353,984,490 ÷ 22,038,819 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 16.06
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Class B

Net Asset Value , offering and redemption price per share (\$31,699,152 ÷ 1,977,912 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 16.03
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Statement of Operations for the year ended December 31, 2003

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$6,247)	\$ 6,408,190
Interest — Scudder Cash Management QP Trust	138,188
Total Income	6,546,378
Expenses:	
Management fee	2,170,456
Custodian fees	20,042
Distribution service fees (Class B)	35,148
Record keeping fees (Class B)	19,443
Auditing	43,765
Legal	24,741
Trustees' fees and expenses	4,561
Reports to shareholders	36,360
Other	13,888
Total expenses, before expense reductions	2,368,404
Expense reductions	(74)
Total expenses, after expense reductions	2,368,330
Net investment income (loss)	4,178,048

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from:	
Investments	(4,032,410)
Foreign currency related transactions	111
	(4,032,299)
Net unrealized appreciation (depreciation) during the period on investments	106,909,012
Net gain (loss) on investment transactions	102,876,713
Net increase (decrease) in net assets resulting from operations	\$ 107,054,761

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2003	2002
Operations:		
Net investment income (loss)	\$ 4,178,048	\$ 3,300,403
Net realized gain (loss) on investment transactions	(4,032,299)	(5,468,654)
Net unrealized appreciation (depreciation) on investment transactions during the period	106,909,012	(41,748,182)
Net increase (decrease) in net assets resulting from operations	107,054,761	(43,916,433)
Distributions to shareholders from:		
Net investment income		
Class A	(2,962,485)	(910,198)
Class B	(46,780)	—
Net realized gains		
Class A	(3,977,032)	—
Class B	(77,506)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	59,877,343	156,275,072
Reinvestment of distributions	6,939,517	910,198
Cost of shares redeemed	(56,654,673)	(55,977,524)
Net increase (decrease) in net assets from Class A share transactions	10,162,187	101,207,746
Class B		
Proceeds from shares sold	24,979,856	1,139,942*
Reinvestment of distributions	124,286	—*
Cost of shares redeemed	(824,618)	(4,325)*
Net increase (decrease) in net assets from Class B share transactions	24,279,524	1,135,617
Increase (decrease) in net assets	134,432,669	57,516,732
Net assets at beginning of period	251,250,973	193,734,241
Net assets at end of period (including undistributed net investment income of \$3,552,152 and \$3,034,047, respectively)	\$ 385,683,642	\$ 251,250,973

Other Information

Class A		
Shares outstanding at beginning of period	21,449,028	14,668,207
Shares sold	4,545,529	11,354,873
Shares issued to shareholders in reinvestment of distributions	650,376	61,046
Shares redeemed	(4,606,114)	(4,635,098)
Net increase (decrease) in Portfolio shares	589,791	6,780,821
Shares outstanding at end of period	22,038,819	21,449,028
Class B		
Shares outstanding at beginning of period	98,769	—
Shares sold	1,921,031	99,146*
Shares issued to shareholders in reinvestment of distributions	11,637	—*
Shares redeemed	(53,525)	(377)*
Net increase (decrease) in Portfolio shares	1,879,143	98,769
Shares outstanding at end of period	1,977,912	98,769

* For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

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

Financial Highlights

Class A

Years Ended December 31,	2003	2002	2001	2000 ^a	1999 ^a
Selected Per Share Data					
Net asset value, beginning of period	\$ 11.66	\$ 13.21	\$ 11.23	\$ 10.85	\$ 10.65
<i>Income (loss) from investment operations:</i>					
Net investment income (loss) ^b	.19	.17	.09	.02	.07
Net realized and unrealized gain (loss) on investment transactions	4.55	(1.67)	1.89	.42	.23
Total from investment operations	4.74	(1.50)	1.98	.44	.30
<i>Less distributions from:</i>					
Net investment income	(.15)	(.05)	—	(.06)	(.10)
Net realized gains on investment transactions	(.19)	—	—	—	—
Total distributions	(.34)	(.05)	—	(.06)	(.10)
Net asset value, end of period	\$ 16.06	\$ 11.66	\$ 13.21	\$ 11.23	\$ 10.85
Total Return (%)	42.15	(11.43)	17.63	4.05	2.80
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period (\$ millions)	354	250	194	84	95
Ratio of expenses before expense reductions (%)	.80	.81	.79	.82	.84
Ratio of expenses after expense reductions (%)	.80	.81	.79	.82	.83
Ratio of net investment income (loss) (%)	1.46	1.28	.77	.15	.69
Portfolio turnover rate (%)	71	86	57	36	72

^a On June 18, 2001, the Portfolio implemented 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly.

^b Based on average shares outstanding during the period.

Class B

Years Ended December 31,	2003	2002 ^a
Selected Per Share Data		
Net asset value, beginning of period	\$ 11.65	\$ 13.86
<i>Income (loss) from investment operations:</i>		
Net investment income (loss) ^b	.13	.17
Net realized and unrealized gain (loss) on investment transactions	4.56	(2.38)
Total from investment operations	4.69	(2.21)
<i>Less distributions from:</i>		
Net investment income	(.12)	—
Net realized gains on investment transactions	(.19)	—
Total distributions	(.31)	—
Net asset value, end of period	\$ 16.03	\$ 11.65
Total Return (%)	41.65	(15.95)**
Ratios to Average Net Assets and Supplemental Data		
Net assets, end of period (\$ millions)	32	1
Ratio of expenses (%)	1.19	1.06*
Ratio of net investment income (loss) (%)	1.07	3.01*
Portfolio turnover rate (%)	71	86

^a For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2003.

^b Based on average shares outstanding during the period.

* Annualized

** Not annualized

SVS Eagle Focused Large Cap Growth Portfolio

The portfolio delivered a total return of 26.54% (Class A shares, unadjusted for contract charges) for calendar year 2003, trailing its benchmark Russell 1000 Growth Index, which was up 29.75%. The unmanaged index measures the performance of large companies with greater-than-average growth orientation compared with the overall market. Most of the underperformance came in the second quarter, which we entered somewhat defensively positioned as we awaited more confirmation of the long-anticipated economic recovery. As the year progressed, and we became convinced the recovery was for real, we began to make up ground on the benchmark by repositioning the portfolio to take advantage of an improving economic climate. Please see the following page for standardized performance as of December 31, 2003.

We saw relative outperformance versus the benchmark from good stock selection and an overweight position in the consumer discretionary sector as well as good stock selection in financial services. We saw relative underperformance versus the benchmark from poor stock selection in both technology and health care. Our biggest winners for the year in the consumer discretionary sector include Cendant Corp. and Home Depot, Inc. In financial services, Citigroup, Inc. and American Express (not in the portfolio as of 12/31/03) were our two biggest positive contributors. On the flip side, LSI Logic Corp. in technology and Merck & Co., Inc., in health care were our biggest disappointments.

US economic fundamentals are improving as the stimulus from tax cuts, increased government spending and low interest rates continue to boost corporate growth. The majority of companies in which we invest currently have a unique combination of operating leverage and capital spending discipline that we believe will enable them to produce strong earnings growth going forward.

Ashi Parikh

Portfolio Manager

Eagle Asset Management, Inc., Subadvisor to the Portfolio

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

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

The Russell 1000 Growth Index is an unmanaged index that measures the performance of large companies with greater-than-average growth orientation compared with the overall market. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly in an index.

Portfolio management market commentary is as of December 31, 2003, and may not come to pass. This information is subject to change at any time based on market and other conditions.

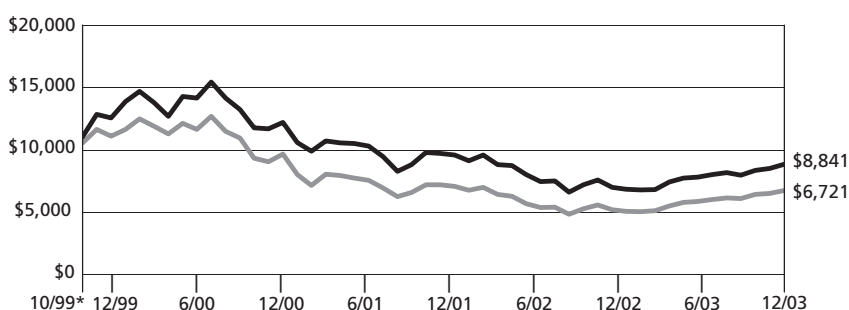
SVS Eagle Focused Large Cap Growth Portfolio

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

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Growth of an Assumed \$10,000 Investment in SVS Eagle Focused Large Cap Growth Portfolio from 10/29/1999 to 12/31/2003

- SVS Eagle Focused Large Cap Growth Portfolio — Class A
- Russell 1000 Growth Index



The Russell 1000 Growth Index is an unmanaged index composed of common stocks of larger US companies with higher price-to-book ratios and higher forecasted growth values. Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

SVS Eagle Focused Large Cap Growth Portfolio		1-Year	3-Year	Life of Portfolio*
Class A	Growth of \$10,000	\$12,654	\$7,569	\$8,841
	Average annual total return	26.54%	-8.87%	-2.91%
Russell 1000 Growth Index				
	Growth of \$10,000	\$12,975	\$7,446	\$6,721
	Average annual total return	29.75%	-9.36%	-9.10%
SVS Eagle Focused Large Cap Growth Portfolio		1-Year	Life of Class**	
Class B	Growth of \$10,000	\$12,614	\$11,288	
	Average annual total return	26.14%	8.41%	
Russell 1000 Growth Index				
	Growth of \$10,000	\$12,975	\$11,811	
	Average annual total return	29.75%	11.73%	

The growth of \$10,000 is cumulative.

* The Portfolio commenced operations on October 29, 1999. Index returns begin October 31, 1999. Total returns would have been lower for the 3-Year and Life of Portfolio periods for Class A shares if the Portfolio's expenses were not maintained.

** The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.

Information concerning portfolio holdings of the Portfolio as of a month end is available upon request no earlier than 15 days after the month end. Please call 1-800-778-1482.

SVS Eagle Focused Large Cap Growth Portfolio

	Shares	Value (\$)		Shares	Value (\$)
Common Stocks 99.0%					
Consumer Discretionary 22.4%					
Hotel Restaurants & Leisure 4.3%					
Carnival Corp.	34,600	1,374,658			
Harrah's Entertainment, Inc.	32,050	1,595,128			
International Game Technology	34,500	1,231,650			
		4,201,436			
Internet & Catalog Retail 1.7%					
eBay, Inc.*	25,450	1,643,816			
Media 14.1%					
Clear Channel Communications, Inc.	52,100	2,439,843			
Comcast Corp. "A"*	57,550	1,800,164			
EchoStar Communications Corp. "A"*	41,000	1,394,000			
Time Warner, Inc.*	166,200	2,989,938			
Viacom, Inc. "B"	74,000	3,284,120			
Walt Disney Co.	85,900	2,004,047			
		13,912,112			
Specialty Retail 2.3%					
Home Depot, Inc.	63,325	2,247,404			
Consumer Staples 2.8%					
Food & Drug Retailing					
Wal-Mart Stores, Inc.	52,000	2,758,600			
Financials 11.0%					
Banks 3.0%					
Bank of America Corp.	37,250	2,996,017			
Diversified Financial Services 8.0%					
Citigroup, Inc.	83,716	4,063,575			
Countrywide Financial Corp.	32,800	2,487,880			
Goldman Sachs Group, Inc.	13,000	1,283,490			
		7,834,945			
Health Care 15.2%					
Biotechnology 3.5%					
Biogen Idec, Inc.*	36,400	1,338,792			
Gilead Sciences, Inc.*	23,250	1,351,755			
MedImmune, Inc.*	30,000	762,000			
		3,452,547			
Pharmaceuticals 11.7%					
Johnson & Johnson	69,850	3,608,451			
Merck & Co., Inc.	36,950	1,707,090			
Pfizer, Inc.	130,050	4,594,666			
Wyeth	35,500	1,506,975			
		11,417,182			
Industrials 8.6%					
Commercial Services & Supplies 3.7%					
Cendant Corp.*	162,050	3,608,854			
Industrial Conglomerates 4.9%					
General Electric Co.	154,800	4,795,704			
Information Technology 39.0%					
Communications Equipment 6.5%					
Cisco Systems, Inc.*	183,400	4,454,786			
JDS Uniphase Corp.*	533,300	1,946,545			
		6,401,331			
Computers & Peripherals 2.9%					
Dell, Inc.*	84,500	2,869,620			
Electronic Equipment & Instruments 2.7%					
Agilent Technologies, Inc.*	55,700	1,628,668			
Flextronics International Ltd.*	65,250	968,310			
		2,596,978			
IT Consulting & Services 3.1%					
First Data Corp.	74,000	3,040,660			
Semiconductors & Semiconductor Equipment 15.0%					
Fairchild Semiconductor International, Inc.*	99,700	2,489,509			
Intel Corp.	152,950	4,924,990			
Lam Research Corp.*	62,350	2,013,905			
LSI Logic Corp.*	199,450	1,769,122			
Taiwan Semiconductor Manufacturing Co., Ltd. (ADR)	163,955	1,678,899			
Texas Instruments, Inc.	64,350	1,890,603			
		14,767,028			
Software 8.8%					
Microsoft Corp.	175,850	4,842,909			
Oracle Corp.*	162,200	2,141,040			
VERITAS Software Corp.*	44,150	1,640,614			
		8,624,563			
Total Common Stocks (Cost \$84,717,394)					97,168,797
Cash Equivalents 1.0%					
Scudder Cash Management QP Trust, 1.11% (b) (Cost \$990,522)	990,522	990,522			
Total Investment Portfolio — 100.0% (Cost \$85,707,916) (a)					98,159,319

Notes to SVS Eagle Focused Large Cap Growth Portfolio of Investments

* Non-income producing security.

(a) The cost for federal income tax purposes was \$88,987,151. At December 31, 2003, net unrealized appreciation for all securities based on tax cost was \$9,172,168. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$11,362,883 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$2,190,715.

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

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

Financial Statements

Statement of Assets and Liabilities as of December 31, 2003

Assets

Investments:	
Investments in securities, at value (cost \$84,717,394)	\$ 97,168,797
Investment in Scudder Cash Management QP Trust (cost \$990,522)	990,522
Total investments in securities, at value (cost \$85,707,916)	98,159,319
Cash	10,000
Receivable for investments sold	1,539,387
Dividends receivable	88,916
Interest receivable	1,668
Receivable for Portfolio shares sold	89,757
Total assets	99,889,047

Liabilities

Payable for investments purchased	1,236,193
Payable for Portfolio shares redeemed	204,626
Accrued management fee	83,939
Other accrued expenses and payables	59,347
Total liabilities	1,584,105
Net assets, at value	\$ 98,304,942

Net Assets

Net assets consist of:	
Accumulated net investment loss	(71)
Net unrealized appreciation (depreciation) on investments	12,451,403
Accumulated net realized gain (loss)	(25,863,085)
Paid-in capital	111,716,695
Net assets, at value	\$ 98,304,942

Class A

Net Asset Value , offering and redemption price per share (\$83,669,305 ÷ 9,695,116 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 8.63
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Class B

Net Asset Value , offering and redemption price per share (\$14,635,637 ÷ 1,703,581 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 8.59
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Statement of Operations for the year ended December 31, 2003

Investment Income

Income:	
Dividends	\$ 794,897
Interest — Scudder Cash Management QP Trust	25,602
Total Income	820,499
Expenses:	
Management fee	732,724
Custodian and accounting fees	43,552
Distribution service fees (Class B)	16,086
Record keeping fees (Class B)	8,886
Auditing	24,869
Legal	12,670
Trustees' fees and expenses	1,902
Reports to shareholders	18,417
Registration fees	741
Other	12,673
Total expenses, before expense reductions	872,520
Expense reductions	(66)
Total expenses, after expense reductions	872,454
Net investment income (loss)	(51,955)

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from investments	2,310,457
Net unrealized appreciation (depreciation) during the period on investments	16,392,143
Net gain (loss) on investment transactions	18,702,600
Net increase (decrease) in net assets resulting from operations	\$ 18,650,645

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2003	2002
Operations:		
Net investment income (loss)	\$ (51,955)	\$ (47,565)
Net realized gain (loss) on investment transactions	2,310,457	(17,302,199)
Net unrealized appreciation (depreciation) on investment transactions during the period	16,392,143	(5,056,801)
Net increase (decrease) in net assets resulting from operations	18,650,645	(22,406,565)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	13,012,448	35,550,657
Cost of shares redeemed	(8,293,606)	(11,232,095)
Net increase (decrease) in net assets from Class A share transactions	4,718,842	24,318,562
Class B		
Proceeds from shares sold	12,484,580	545,460*
Cost of shares redeemed	(113,785)	(492)*
Net increase (decrease) in net assets from Class B share transactions	12,370,795	544,968
Increase (decrease) in net assets	35,740,282	2,456,965
Net assets at beginning of period	62,564,660	60,107,695
Net assets at end of period (including accumulated net investment loss of \$71 and \$291, respectively)	\$ 98,304,942	\$ 62,564,660

Other Information

Class A		
Shares outstanding at beginning of period	9,100,995	6,353,061
Shares sold	1,735,087	4,226,797
Shares redeemed	(1,140,966)	(1,478,863)
Net increase (decrease) in Portfolio shares	594,121	2,747,934
Shares outstanding at end of period	9,695,116	9,100,995
Class B		
Shares outstanding at beginning of period	77,032	—
Shares sold	1,642,289	77,101*
Shares redeemed	(15,740)	(69)*
Net increase (decrease) in Portfolio shares	1,626,549	77,032
Shares outstanding at end of period	1,703,581	77,032

* For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

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

Financial Highlights

Class A

Years Ended December 31,	2003	2002	2001	2000 ^a	1999 ^{a,b}
Selected Per Share Data					
Net asset value, beginning of period	6.82	\$ 9.46	\$ 11.40	\$ 12.84	\$ 10.00
<i>Income (loss) from investment operations:</i>					
Net investment income (loss) ^c	— ^{***}	(.01)	(.02)	(.05)	— ^{***}
Net realized and unrealized gain (loss) on investment transactions	1.81	(2.63)	(1.92)	(1.04)	2.84
Total from investment operations	1.81	(2.64)	(1.94)	(1.09)	2.84
<i>Less distributions from:</i>					
Net realized gains on investment transactions	—	—	—	(.35)	—
Net asset value, end of period	\$ 8.63	\$ 6.82	\$ 9.46	\$ 11.40	\$ 12.84
Total Return (%)	26.54	(27.91)	(17.02)	(9.02) ^d	28.40 ^{d**}

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	84	62	60	28	3
Ratio of expenses before expense reductions (%)	1.10	1.03	1.13	1.33	7.49*
Ratio of expenses after expense reductions (%)	1.10	1.03	1.11	1.02	1.10*
Ratio of net investment income (loss) (%)	(.04)	(.08)	(.21)	(.37)	(.19)*
Portfolio turnover rate (%)	143	123	98	323	336*

^a On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly.

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

^c Based on average shares outstanding during the period.

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

* Annualized ** Not annualized

*** Amount is less than \$.005

Class B

Years Ended December 31,	2003	2002 ^a
Selected Per Share Data		
Net asset value, beginning of period	\$ 6.81	\$ 7.61
<i>Income (loss) from investment operations:</i>		
Net investment income (loss) ^b	(.04)	.01
Net realized and unrealized gain (loss) on investment transactions	1.82	(.81)
Total from investment operations	1.78	(.80)
Net asset value, end of period	\$ 8.59	\$ 6.81
Total Return (%)	26.14	(10.51) ^{**}

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	15	.5
Ratio of expenses (%)	1.49	1.30*
Ratio of net investment income (loss) (%)	(.43)	.21*
Portfolio turnover rate (%)	143	123

^a For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

^b Based on average shares outstanding during the period.

* Annualized ** Not annualized

SVS Focus Value+Growth Portfolio

The portfolio performed well in 2003, posting a total return of 32.87% (Class A shares, unadjusted for contract charges), versus a 28.68% return by the Standard & Poor's 500 (S&P 500) index. Please see the following page for standardized performance as of December 31, 2003.

The value sleeve gained, helped most by its tobacco and retail stocks. After some extreme volatility, fears of the potential impact of litigation against big tobacco companies subsided and led to a strong rally in Altria Group, Inc., one of the sleeve's largest holdings and RJ Reynolds Tobacco Holdings, Inc. The value sleeve's retailers — Best Buy Co., Inc., Home Depot, Inc. and Staples, Inc. — also posted strong gains as they added market share in their respective consumer niches. Mortgage provider Freddie Mac was the primary detractor from performance. The stock plummeted in June, after its financials came under scrutiny and it was revealed that the company had understated earnings. It has since made up much of its lost ground but was down for the full year. Pharmaceutical stocks also hurt performance. Dreman remains committed to both Freddie Mac and the value sleeve's pharmaceutical stocks, as he believes that their setbacks are temporary.

Information technology, consumer discretionary and financials were major contributors to the growth sleeve's performance. The growth sleeve's semiconductor and semiconductor equipment stocks improved performance. Semiconductor stocks performed exceptionally well, as many companies have improved their competitive position by reducing costs. Financials also gained with the strongest performance coming from capital markets stocks such as Merrill Lynch & Co., Inc. In the consumer area Univision Communications, Inc., Starbucks Corp. and Tiffany & Co. advanced.

David N. Dreman
E. James Hutchinson

Co-Managers

Dreman Value Management LLC

(Subadvisor for the Value Portion of the Portfolio)

Spiros Segalas
Kathleen McCarragher

Co-Managers

Jennison Associates LLC

(Subadvisor for the Growth Portion of the Portfolio)

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Risk Considerations

This portfolio is subject to stock market risk. It is non-diversified and can take larger positions in fewer companies, increasing its overall potential risk. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

The Standard & Poor's (S&P) 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly into an index.

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SVS Focus Value+Growth Portfolio

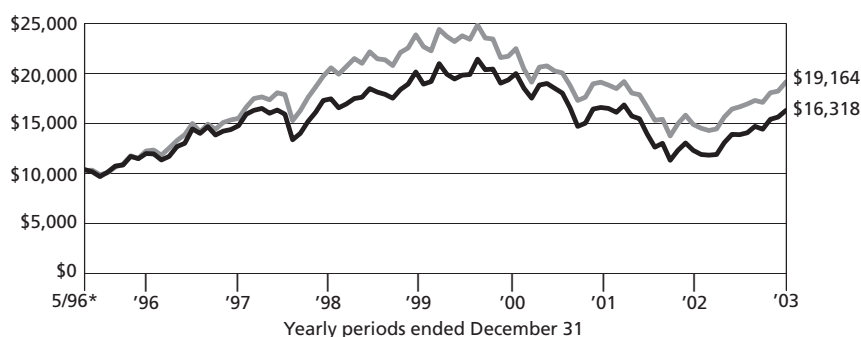
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This Portfolio is subject to stock market risk. It is non-diversified and can take larger positions in fewer companies, increasing its overall potential risk. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The 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 Portfolio would be lower.

Growth of an Assumed \$10,000 Investment in SVS Focus Value+Growth Portfolio from 5/1/1996 to 12/31/2003

- SVS Focus Value+Growth Portfolio — Class A
- S&P 500 Index



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

Comparative Results

SVS Focus Value+Growth Portfolio		1-Year	3-Year	5-Year	Life of Portfolio*
Class A	Growth of \$10,000	\$13,287	\$8,434	\$9,443	\$16,318
	Average annual total return	32.87%	-5.52%	-1.14%	6.60%
S&P 500 Index					
Growth of \$10,000		\$12,868	\$8,833	\$9,718	\$19,164
Average annual total return		28.68%	-4.05%	-0.57%	8.85%
SVS Focus Value+Growth Portfolio					Life of Class**
Class B	Growth of \$10,000	\$13,239			\$11,870
	Average annual total return	32.39%			12.11%
S&P 500 Index					
Growth of \$10,000		\$12,868			\$11,543
Average annual total return		28.68%			10.04%

The growth of \$10,000 is cumulative.

* The Portfolio commenced operations on May 1, 1996. Index returns begin April 30, 1996.

** The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.

Information concerning portfolio holdings of the Portfolio as of a month end is available upon request no earlier than 15 days after the month end. Please call 1-800-778-1482.

SVS Focus Value+Growth Portfolio

	Shares	Value (\$)		Shares	Value (\$)
Common Stocks 96.2%					
Consumer Discretionary 17.4%					
Hotel Restaurants & Leisure 2.5%					
Starbucks Corp.*	98,700	3,263,022			
Media 5.8%					
Univision Communications, Inc. "A"*	92,700	3,679,263			
Viacom, Inc. "B"	82,300	3,652,474			
		<u>7,331,737</u>			
Specialty Retail 9.1%					
Bed Bath & Beyond, Inc.*	75,700	3,281,595			
Best Buy Co., Inc.	4,100	214,184			
Borders Group, Inc.	33,850	741,992			
Home Depot, Inc.	61,265	2,174,295			
Staples, Inc.*	65,440	1,786,512			
Tiffany & Co.	73,500	3,322,200			
		<u>11,520,778</u>			
Consumer Staples 8.1%					
Tobacco					
Altria Group, Inc.	106,300	5,779,677			
R.J. Reynolds Tobacco Holdings, Inc.	12,825	745,774			
UST, Inc.	103,820	3,705,336			
		<u>10,230,787</u>			
Energy 4.4%					
Energy Equipment & Services 2.8%					
BJ Services Co.*	100,100	3,593,590			
Oil & Gas 1.6%					
Devon Energy Corp.	20,895	1,196,448			
Kerr-McGee Corp.	16,550	769,409			
		<u>1,965,857</u>			
Financials 28.9%					
Banks 7.2%					
FleetBoston Financial Corp.	47,300	2,064,645			
PNC Financial Services Group	18,910	1,034,944			
Sovereign Bancorp, Inc.	58,310	1,384,863			
US Bancorp.	31,300	932,114			
Washington Mutual, Inc.	91,951	3,689,074			
		<u>9,105,640</u>			
Capital Markets 5.2%					
Merrill Lynch & Co., Inc.	57,700	3,384,105			
State Street Corp.	61,000	3,176,880			
		<u>6,560,985</u>			
Consumer Financials 2.8%					
American Express Co.	75,500	3,641,365			
Diversified Financial Services 13.7%					
Citigroup, Inc.	66,700	3,237,618			
Fannie Mae	92,750	6,961,815			
			Freddie Mac	122,550	7,147,116
					<u>17,346,549</u>
Health Care 14.0%					
Biotechnology 5.5%					
Amgen, Inc.*	52,700	3,256,860			
Genentech, Inc.*	40,300	3,770,871			
		<u>7,027,731</u>			
Health Care Equipment & Supplies 0.5%					
Becton, Dickinson and Co.	14,500	596,530			
Health Care Providers & Services 2.0%					
HCA, Inc.	16,575	712,062			
Laboratory Corp. of America Holdings*	21,070	778,537			
Medco Health Solutions, Inc.*	6,687	227,291			
Quest Diagnostics, Inc.	10,720	783,739			
		<u>2,501,629</u>			
Pharmaceuticals 6.0%					
Bristol-Myers Squibb Co.	134,050	3,833,830			
Merck & Co., Inc.	55,450	2,561,790			
Pfizer, Inc.	17,100	604,143			
Schering-Plough Corp.	32,960	573,174			
		<u>7,572,937</u>			
Industrials 3.2%					
Industrial Conglomerates					
General Electric Co.	107,100	3,317,958			
Tyco International Ltd.	28,150	745,975			
		<u>4,063,933</u>			
Information Technology 19.1%					
Communications Equipment 2.9%					
Cisco Systems, Inc.*	151,100	3,670,219			
Electronic Equipment & Instruments 3.0%					
Agilent Technologies, Inc.*	128,700	3,763,188			
IT Consulting & Services 3.3%					
Electronic Data Systems Corp.	171,875	4,217,812			
Semiconductors & Semiconductor Equipment 6.4%					
Intel Corp.	101,100	3,255,420			
International Rectifier Corp.*	37,500	1,852,875			
Texas Instruments, Inc.	102,900	3,023,202			
		<u>8,131,497</u>			
Software 3.5%					
Electronic Arts, Inc.*	28,500	1,361,730			
Microsoft Corp.	111,300	3,065,202			
		<u>4,426,932</u>			

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

	Shares	Value (\$)
Utilities 1.1%		
Gas Utilities 0.8%		
El Paso Corp.	123,635	1,012,571
Multi-Utilities & Unregulated Power 0.3%		
Reliant Resources, Inc.*	54,050	397,808
Total Common Stocks (Cost \$107,539,582)		121,943,097

Cash Equivalents 3.8%

Scudder Cash Management QP Trust, 1.11% (b) (Cost \$4,806,615)	4,806,615	4,806,615
Total Investment Portfolio — 100.0% (Cost \$112,346,197) (a)		126,749,712

Notes to SVS Focus Value+Growth Portfolio of Investments

* Non-income producing security.

(a) The cost for federal income tax purposes was \$114,315,098. At December 31, 2003, net unrealized appreciation for all securities based on tax cost was \$12,434,614. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$17,656,829 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$5,222,215.

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

At December 31, 2003, open futures contracts were as follows:

Futures	Expiration Date	Contracts	Aggregate Face Value (\$)	Value (\$)	Unrealized Appreciation/ (Depreciation) (\$)
S&P 500 Index Future	3/18/2004	7	1,879,391	1,943,550	64,159

Financial Statements

Statement of Assets and Liabilities as of December 31, 2003

Assets

Investments:	
Investments in securities, at value (cost \$107,539,582)	\$ 121,943,097
Investment in Scudder Cash Management QP Trust (cost \$4,806,615)	4,806,615
Total investments in securities, at value (cost \$112,346,197)	126,749,712
Margin deposit	117,074
Receivable for investments sold	1,840,920
Dividends receivable	225,601
Interest receivable	5,122
Other assets	2,763
Total assets	128,941,192

Liabilities

Payable for investment purchased	1,727,436
Payable for Portfolio shares redeemed	2,780
Accrued management fee	77,302
Other accrued expenses and payables	80,829
Total liabilities	1,888,347

Net assets, at value **\$ 127,052,845**

Net Assets

Net assets consist of:	
Undistributed net investment income	954,315
Net unrealized appreciation (depreciation) on Investments	14,403,515
Futures	64,159
Accumulated net realized gain (loss)	(34,406,938)
Paid-in capital	146,037,794
Net assets, at value	\$ 127,052,845

Class A

Net Asset Value, offering and redemption price per share (\$120,780,824 ÷ 9,513,858 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized) **\$ 12.70**

Class B

Net Asset Value, offering and redemption price per share (\$6,272,021 ÷ 495,365 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized) **\$ 12.66**

Statement of Operations for the year ended December 31, 2003

Investment Income

Income:	
Dividends	\$ 1,895,681
Interest — Scudder Cash Management QP Trust	26,944
Total Income	1,922,625
Expenses:	
Management fee	800,121
Custodian fees	12,753
Auditing	45,088
Distribution service fees (Class B)	8,341
Record keeping fees (Class B)	5,036
Legal	9,858
Trustees' fees and expenses	10,611
Reports to shareholders	15,746
Other	11,395
Total expenses, before expense reductions	918,949
Expense reductions	(6,340)
Total expenses, after expense reductions	912,609
Net investment income (loss)	1,010,016

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from:	
Investments	(767,438)
Futures	5,050
	(762,388)
Net unrealized appreciation (depreciation) during the period on:	
Investments	30,700,751
Futures	64,159
	30,764,910
Net gain (loss) on investment transactions	30,002,522
Net increase (decrease) in net assets resulting from operations	\$ 31,012,538

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2003	2002
Operations:		
Net investment income (loss)	\$ 1,010,016	\$ 880,908
Net realized gain (loss) on investment transactions	(762,388)	(20,649,623)
Net unrealized appreciation (depreciation) on investment transactions during the period	30,764,910	(17,574,809)
Net increase (decrease) in net assets resulting from operations	31,012,538	(37,343,524)
Distributions to shareholders from:		
Net investment income		
Class A	(861,563)	(658,082)
Class B	(12,687)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	11,072,613	16,876,950
Reinvestment of distributions	861,563	658,082
Cost of shares redeemed	(17,513,556)	(21,961,063)
Net increase (decrease) in net assets from Class A share transactions	(5,579,380)	(4,426,031)
Class B		
Proceeds from shares sold	5,121,184	389,225*
Reinvestment of distributions	12,687	—*
Cost of shares redeemed	(406,433)	(409)*
Net increase (decrease) in net assets from Class B share transactions	4,727,438	388,816
Increase (decrease) in net assets	29,286,346	(42,038,821)
Net assets at beginning of period	97,766,499	139,805,320
Net assets at end of period (including undistributed net investment income of \$954,315 and \$818,549, respectively)	\$ 127,052,845	\$ 97,766,499

Other Information

Class A		
Shares outstanding at beginning of period	10,089,997	10,690,065
Shares sold	983,070	1,436,043
Shares issued to shareholders in reinvestment of distributions	93,142	49,742
Shares redeemed	(1,652,351)	(2,085,853)
Net increase (decrease) in Portfolio shares	(576,139)	(600,068)
Shares outstanding at end of period	9,513,858	10,089,997
Class B		
Shares outstanding at beginning of period	39,304	—
Shares sold	491,329	39,344*
Shares issued to shareholders in reinvestment of distributions	1,372	—*
Shares redeemed	(36,640)	(40)*
Net increase (decrease) in Portfolio shares	456,061	39,304
Shares outstanding at end of period	495,365	39,304

* For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

Financial Highlights

Class A

Years Ended December 31,	2003	2002	2001	2000 ^a	1999 ^a
Selected Per Share Data					
Net asset value, beginning of period	\$ 9.65	\$ 13.08	\$ 16.55	\$ 18.96	\$ 16.71
<i>Income (loss) from investment operations:</i>					
Net investment income (loss) ^b	.10	.08	.09	.12	.08
Net realized and unrealized gain (loss) on investment transactions	3.04	(3.45)	(2.41)	(.73)	2.62
Total from investment operations	3.14	(3.37)	(2.32)	(.61)	2.70
<i>Less distributions from:</i>					
Net investment income	(.09)	(.06)	(.10)	(.10)	(.10)
Net realized gains on investment transactions	—	—	(1.05)	(1.70)	(.35)
Total distributions	(.09)	(.06)	(1.15)	(1.80)	(.45)
Net asset value, end of period	\$ 12.70	\$ 9.65	\$ 13.08	\$ 16.55	\$ 18.96
Total Return (%)	32.87 ^c	(25.89)	(14.35)	(3.90)	16.52
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period (\$ millions)	121	97	140	153	172
Ratio of expenses before expense reductions (%)	.85	.81	.79	.81	.83
Ratio of expenses after expense reductions (%)	.84	.81	.79	.81	.82
Ratio of net investment income (loss) (%)	.96	.73	.64	.66	.46
Portfolio turnover rate (%)	82	109	180	39	102

^a On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to June 30, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly.

^b Based on average shares outstanding during the period.

^c Total returns would have been lower had certain expenses not been reduced.

Class B

Years Ended December 31,	2003	2002 ^a
Selected Per Share Data		
Net asset value, beginning of period	\$ 9.63	\$ 10.74
<i>Income (loss) from investment operations:</i>		
Net investment income (loss) ^b	.05	.08
Net realized and unrealized gain (loss) on investment transactions	3.04	(1.19)
Total from investment operations	3.09	(1.11)
<i>Less distributions from:</i>		
Net investment income	(.06)	—
Net asset value, end of period	\$ 12.66	\$ 9.63
Total Return (%)	32.39 ^c	(10.34) ^{**}
Ratios to Average Net Assets and Supplemental Data		
Net assets, end of period (\$ millions)	6	.4
Ratio of expenses before expense reductions (%)	1.25	1.06*
Ratio of expenses after expense reductions (%)	1.24	1.06*
Ratio of net investment income (loss) (%)	.56	1.64*
Portfolio turnover rate (%)	82	109

^a For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

^b Based on average shares outstanding during the period.

^c Total returns would have been lower had certain expenses not been reduced.

* Annualized

** Not annualized

SVS Index 500 Portfolio

For the 12 months ended December 31, 2003, the portfolio produced a total return of 27.93% (Class A shares, unadjusted for contract charges), compared with a 28.68% return for the benchmark. In a welcome turnabout from the past three years, US equities gained ground for the 12 months ended December 31, 2003. During the first quarter, the Standard & Poor's 500 (S&P 500) index declined, as fears surrounding the coming war with Iraq heightened and economic activity slowed. During the second quarter, the S&P 500 index experienced its largest single quarterly gain in more than four years. In addition to positive corporate earnings announcements, the equity markets were strengthened by a low-interest-rate environment, declining bond investment yields, a \$350 billion US tax cut, an accommodative Federal Reserve Board and the conclusion of major military operations in Iraq. Please see the following page for standardized performance as of December 31, 2003.

Given that the portfolio tracks or mirrors the index, the following index discussion also applies to the portfolio. Buoyed by robust corporate earnings, the S&P 500 index continued its advance during the second half of 2003. The US economy exhibited signs of improvement, as evidenced by the continual upward revisions to the gross domestic product growth rate, and business spending increased sharply, with significant increases in technology spending. Information technology and financials made the greatest contributions to the index's annual returns. The only sector to generate single-digit returns for the year was telecommunication services. The best annual total returns among the S&P 500 index stocks came from Avaya, Inc., Williams Companies, Inc. and Dynege, Inc. The worst-performing individual stocks based on total return included Winn-Dixie Stores, Inc., Cresset Precious Metal and Mirant. (The latter two stocks were not in the portfolio as of 12/31/03.) There were nine additions to and deletions from the S&P 500 index for the year.

Patrick Cannon

Lead Manager

Northern Trust Investments, Inc., Subadvisor to the Portfolio

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

The portfolio may not be able to mirror the S&P 500 index closely enough to track its performance for several reasons, including the portfolio's cost to buy and sell securities, as well as the flow of money into and out of the portfolio. This portfolio is subject to stock market risk, meaning stocks in the portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Additionally, derivatives may be more volatile and less liquid than traditional securities and the portfolio could suffer losses on its derivatives positions. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

"Standard & Poor's," "S&P," "S&P 500," "Standard & Poor's 500" and "500" are trademarks of The McGraw-Hill Companies, Inc., and have been licensed for use by Deutsche Asset Management. This portfolio is not sponsored, endorsed, sold or promoted by Standard & Poor's, and Standard & Poor's makes no representation regarding the advisability of investing in the portfolio.

The Standard & Poor's (S&P) 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of December 31, 2003, and may not come to pass. This information is subject to change at any time based on market and other conditions.

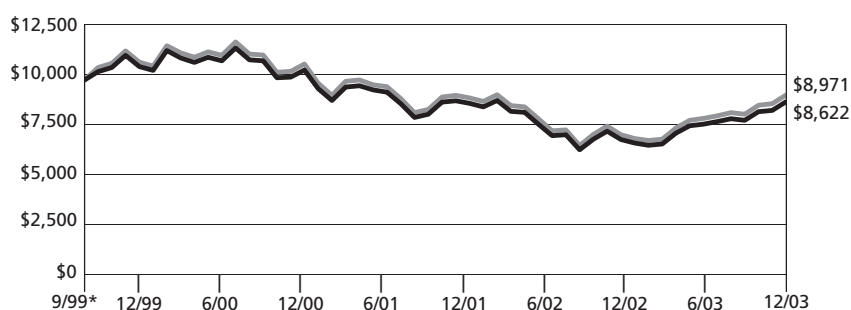
SVS Index 500 Portfolio

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

This Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Additionally, derivatives may be more volatile and less liquid than traditional securities and the Portfolio could suffer losses on its derivatives positions. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

Growth of an Assumed \$10,000 Investment in SVS Index 500 Portfolio from 9/1/1999 to 12/31/2003

- SVS Index 500 Portfolio — Class A
- S&P 500 Index



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

Comparative Results

SVS Index 500 Portfolio	1-Year	3-Year	Life of Portfolio*
Class A			
Growth of \$10,000	\$12,793	\$8,738	\$8,622
Average annual total return	27.93%	-4.40%	-3.37%
S&P 500 Index			
Growth of \$10,000	\$12,868	\$8,833	\$8,971
Average annual total return	28.68%	-4.05%	-2.48%
SVS Index 500 Portfolio	1-Year	Life of Class**	
Class B			
Growth of \$10,000	\$12,757	\$11,660	
Average annual total return	27.57%	10.78%	
S&P 500 Index			
Growth of \$10,000	\$12,868	\$11,543	
Average annual total return	28.68%	10.04%	

The growth of \$10,000 is cumulative.

* The Portfolio commenced operations on September 1, 1999. Index returns begin August 31, 1999. Total returns would have been lower for the 3-Year and Life of Portfolio periods for Class A shares if the Portfolio's expenses were not maintained.

** The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.

Information concerning portfolio holdings of the Portfolio as of a month end is available upon request no earlier than 15 days after the month end. Please call 1-800-778-1482.

SVS Index 500 Portfolio

	Shares	Value (\$)		Shares	Value (\$)
Common Stocks 98.3%					
Consumer Discretionary 11.0%					
Auto Components 0.2%					
Cooper Tire & Rubber Co.	2,349	50,222			
Dana Corp.	4,757	87,291			
Delphi Corp.	17,883	182,585			
Goodyear Tire & Rubber Co.	5,620	44,173			
Johnson Controls, Inc.	2,815	326,878			
Visteon Corp.	3,894	40,536			
		731,685			
Automobiles 0.7%					
Ford Motor Co.	60,052	960,832			
General Motors Corp.	19,091	1,019,460			
Harley-Davidson, Inc.	10,508	499,445			
		2,479,737			
Distributors 0.1%					
Genuine Parts Co.	5,509	182,899			
Hotel Restaurants & Leisure 1.2%					
Carnival Corp. "A"	21,390	849,825			
Darden Restaurants, Inc.	5,282	111,133			
Harrah's Entertainment, Inc.	3,419	170,163			
Hilton Hotels Corp.	11,840	202,819			
International Game Technology	10,860	387,702			
Marriott International, Inc. "A"	7,155	330,561			
McDonald's Corp.	41,677	1,034,840			
Starbucks Corp.*	13,745	454,410			
Starwood Hotels & Resorts Worldwide, Inc.	7,303	262,689			
Wendy's International, Inc.	3,611	141,696			
YUM! Brands, Inc.*	9,054	311,457			
		4,257,295			
Household Durables 0.5%					
American Greetings Corp. "A"*	2,100	45,927			
Black & Decker Corp.	2,494	123,004			
Centex Corp.	2,275	244,904			
Fortune Brands, Inc.	4,509	322,348			
KB Home	1,759	127,563			
Leggett & Platt, Inc.	6,157	133,176			
Maytag Corp.	2,548	70,962			
Newell Rubbermaid, Inc.	8,646	196,870			
Pulte Homes, Inc.	1,895	177,410			
Snap-On, Inc.	1,893	61,030			
The Stanley Works	2,685	101,681			
Tupperware Corp.	1,809	31,368			
Whirlpool Corp.	2,199	159,757			
		1,796,000			
Internet & Catalog Retail 0.4%					
eBay, Inc.*	20,918	1,351,094			
Leisure Equipment & Products 0.2%					
Brunswick Corp.	2,921	92,975			
Eastman Kodak Co.	8,959	229,977			
Hasbro, Inc.	5,527	117,615			
Mattel, Inc.	14,465	278,741			
		719,308			
Media 4.0%					
Clear Channel Communications, Inc.	19,532	914,684			
Comcast Corp. "A"*	74,488	2,448,421			
Dow Jones & Co., Inc.	2,620	130,607			
Gannett Co., Inc.	9,404	838,461			
Interpublic Group of Companies, Inc.*	12,299	191,864			
Knight-Ridder, Inc.	2,534	196,056			
McGraw-Hill, Inc.	6,269	438,328			
Meredith Corp.	1,600	78,096			
New York Times Co. "A"	4,661	222,749			
Omnicom Group, Inc.	5,931	517,954			
Time Warner, Inc.*	146,377	2,633,322			
Tribune Co.	9,888	510,221			
Univision Communications, Inc. "A"*	9,900	392,931			
Viacom, Inc. "B"	56,654	2,514,304			
Walt Disney Co.	68,388	1,595,492			
		13,623,490			
Multiline Retail 1.0%					
Big Lots, Inc.*	3,692	52,463			
Dillard's, Inc. "A"	2,651	43,635			
Dollar General Corp.	10,512	220,647			
Family Dollar Stores, Inc.	5,379	192,999			
Federated Department Stores, Inc.	6,772	319,164			
J.C. Penny Co., Inc.	8,567	225,141			
Kohl's Corp.*	10,641	478,207			
Nordstrom, Inc.	4,338	148,793			
Sears, Roebuck & Co.	8,189	372,518			
Target Corp.	30,700	1,178,880			
The May Department Stores Co.	9,100	264,537			
		3,496,984			
Specialty Retail 2.4%					
AutoNation, Inc.*	8,500	156,145			
AutoZone, Inc.*	3,142	267,730			
Bed Bath & Beyond, Inc.*	10,305	446,722			
Best Buy Co., Inc.	10,084	526,788			
Circuit City Stores, Inc.	8,101	82,063			
Home Depot, Inc.	74,428	2,641,450			
Limited Brands	16,381	295,349			
Lowe's Companies, Inc.	25,642	1,420,310			
Office Depot, Inc.*	9,903	165,479			
RadioShack Corp.	5,270	161,684			
Sherwin-Williams Co.	4,504	156,469			
Staples, Inc.*	16,991	463,854			
The Gap, Inc.	28,718	666,545			
Tiffany & Co.	4,600	207,920			
TJX Companies, Inc.	17,984	396,547			
Toys "R" Us, Inc.*	6,792	85,851			
		8,140,906			
Textiles, Apparel & Luxury Goods 0.3%					
Jones Apparel Group, Inc.	4,066	143,245			
Liz Claiborne, Inc.	3,466	122,904			
NIKE, Inc. "B"	8,806	602,859			
Reebok International Ltd.	1,918	75,416			
VF Corp.	3,421	147,924			
		1,092,348			

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

	Shares	Value (\$)		Shares	Value (\$)
Consumer Staples 10.8%					
Beverages 2.6%					
Adolph Coors Co. "B"	1,168	65,525	Nabors Industries Ltd.*	4,598	190,817
Anheuser-Busch Companies, Inc.	27,359	1,441,272	Noble Corp.*	4,300	153,854
Brown-Forman Corp. "B"	1,890	176,621	Rowan Companies, Inc.*	3,518	81,512
Coca-Cola Co.	81,414	4,131,760	Schlumberger Ltd.	19,082	1,044,167
Coca-Cola Enterprises, Inc.	14,176	310,029	Transocean, Inc.*	10,224	245,479
Pepsi Bottling Group, Inc.	8,400	203,112			2,638,161
PepsiCo, Inc.	57,507	2,680,976	Oil & Gas 4.9%		
		9,009,295	Amerada Hess Corp.	3,558	189,179
Food & Drug Retailing 3.4%			Anadarko Petroleum Corp.	7,788	397,266
Albertsons, Inc.	11,504	260,566	Apache Corp.	5,056	410,042
Costco Wholesale Corp.*	15,758	585,882	Ashland, Inc.	2,215	97,593
CVS Corp.	12,384	447,310	Burlington Resources, Inc.	6,314	349,669
Kroger Co.*	24,054	445,240	ChevronTexaco Corp.	34,959	3,020,108
Safeway, Inc.*	15,795	346,068	ConocoPhillips	23,068	1,512,568
Supervalu, Inc.	4,270	122,079	Devon Energy Corp.	7,913	453,098
Sysco Corp.	20,424	760,386	EOG Resources, Inc.	3,639	168,013
Wal-Mart Stores, Inc.	141,585	7,511,084	ExxonMobil Corp.	215,857	8,850,137
Walgreen Co.	34,391	1,251,145	Kerr-McGee Corp.	3,170	147,373
Winn-Dixie Stores, Inc.	4,557	45,342	Marathon Oil Corp.	9,622	318,392
		11,775,102	Occidental Petroleum Corp.	13,784	582,236
Food Products 1.2%			Sunoco, Inc.	2,502	127,977
Archer-Daniels-Midland Co.	20,271	308,525	Unocal Corp.	8,059	296,813
Campbell Soup Co.	12,899	345,693			16,920,464
ConAgra Foods, Inc.	16,822	443,933	Financials 20.3%		
General Mills, Inc.	13,208	598,322	Banks 7.2%		
H.J. Heinz Co.	11,059	402,879	AmSouth Bancorp.	11,045	270,602
Hershey Foods Corp.	4,076	313,811	Bank of America Corp.	48,258	3,881,391
Kellogg Co.	13,821	526,304	Bank of New York Co., Inc.	26,593	880,760
McCormick & Co, Inc.	4,500	135,450	Bank One Corp.	38,115	1,737,663
Sara Lee Corp.	24,406	529,854	BB&T Corp.	16,642	643,047
William Wrigley Jr. Co.	7,070	397,405	Charter One Financial, Inc.	7,090	244,959
		4,002,176	Comerica, Inc.	5,546	310,909
Household Products 1.9%			First Third Bancorp.	19,506	1,152,804
Clorox Co.	6,830	331,665	Fifth Tennessee National Corp.	4,000	176,400
Colgate-Palmolive Co.	18,328	917,316	FleetBoston Financial Corp.	35,334	1,542,329
Kimberly-Clark Corp.	17,453	1,031,298	Golden West Financial Corp.	4,803	495,622
Procter & Gamble Co.	41,919	4,186,870	Huntington Bancshares, Inc.	7,310	164,475
		6,467,149	KeyCorp.	12,960	379,987
Personal Products 0.5%			Marshall & Ilsley Corp.	7,100	271,575
Alberto-Culver Co. "B"	1,900	119,852	Mellon Financial Corp.	15,073	483,994
Avon Products, Inc.	7,453	503,003	National City Corp.*	18,970	643,842
Gillette Co.	34,488	1,266,744	North Fork Bancorp., Inc.	4,700	190,209
		1,889,599	Northern Trust Corp.	7,049	327,215
Tobacco 1.2%			PNC Financial Services Group	8,637	472,703
Altria Group, Inc.	66,143	3,599,502	Regions Financial Corp.	6,964	259,061
R.J. Reynolds Tobacco Holdings, Inc.	2,965	172,415	SouthTrust Corp.	10,638	348,182
UST, Inc.	5,211	185,981	SunTrust Banks, Inc.	9,931	710,066
		3,957,898	Synovus Financial Corp.	9,482	274,219
Energy 5.7%			Union Planters Corp.	6,226	196,057
Energy Equipment & Services 0.8%			US Bancorp.	64,643	1,925,069
Baker Hughes, Inc.	10,532	338,709	Wachovia Corp.	44,676	2,081,455
BJ Services Co.*	6,269	225,057	Washington Mutual, Inc.	29,430	1,180,732
Halliburton Co.	13,791	358,566	Wells Fargo & Co.	55,487	3,267,629
			Zions Bancorp.	2,800	171,724
					24,684,680

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

	Shares	Value (\$)		Shares	Value (\$)
Capital Markets 0.7%			Real Estate 0.4%		
Merrill Lynch & Co., Inc.	30,012	1,760,204	Apartment Investment & Management Co. (REIT)	3,000	103,500
State Street Corp.	10,290	535,903	Equity Office Properties Trust (REIT)	12,500	358,125
		2,296,107	Equity Residential (REIT)	8,600	253,786
Consumer Finance 0.6%			Plum Creek Timber Co., Inc. (REIT)	5,800	176,610
American Express Co.	42,980	2,072,925	ProLogis (REIT)	5,700	182,913
Diversified Financial Services 6.8%			Simon Property Group, Inc. (REIT)	6,153	285,130
Bear Stearns Companies, Inc.	3,542	283,183			1,360,064
Capital One Finance Corp.	7,151	438,285	Health Care 13.1%		
Charles Schwab Corp.	42,521	503,449	Biotechnology 1.1%		
Citigroup, Inc.	167,506	8,130,741	Amgen, Inc.*	41,797	2,583,055
Countrywide Financial Corp.	5,641	427,895	Biogen Idec, Inc.*	10,233	376,370
Fannie Mae	32,371	2,429,767	Chiron Corp.*	6,576	374,766
Federated Investors, Inc. "B"	3,500	102,760	Genzyme Corp. (General Division)*	7,613	375,626
Franklin Resources, Inc.	8,873	461,928	MedImmune, Inc.*	8,786	223,164
Freddie Mac	22,236	1,296,803			3,932,981
Goldman Sachs Group, Inc.	15,371	1,517,579	Health Care Equipment & Supplies 2.0%		
J.P. Morgan Chase & Co.	65,327	2,399,461	Applera Corp. — Applied Biosystems Group	6,641	137,535
Janus Capital Group, Inc.	7,656	125,635	Bausch & Lomb, Inc.	1,782	92,486
Lehman Brothers Holdings, Inc.	8,683	670,501	Baxter International, Inc.	19,118	583,481
MBNA Corp.	41,061	1,020,366	Becton, Dickinson and Co.	9,116	375,032
Moody's Corp.	4,694	284,222	Biomet, Inc.	9,171	333,916
Morgan Stanley	36,154	2,092,232	Boston Scientific Corp.*	26,263	965,428
Principal Financial Group, Inc.	10,200	337,314	C.R. Bard, Inc.	1,658	134,713
Provident Financial Corp.*	9,214	107,251	Guidant Corp.	10,175	612,535
SLM Corp.	15,570	586,678	Medtronic, Inc.	40,495	1,968,462
T. Rowe Price Group, Inc.	4,777	226,477	Millipore Corp.*	1,531	65,910
		23,442,527	St. Jude Medical, Inc.*	5,430	333,130
Insurance 4.6%			Stryker Corp.	6,299	535,478
ACE Ltd.	8,600	356,212	Zimmer Holdings, Inc.*	7,911	556,934
AFLAC, Inc.	16,112	582,932			6,695,040
Allstate Corp.	24,120	1,037,642	Health Care Providers & Services 1.8%		
AMBAC Financial Group, Inc.	3,367	233,636	Aetna, Inc.	4,850	327,763
American International Group, Inc.	84,817	5,621,671	AmerisourceBergen Corp.	3,544	198,996
Aon Corp.	9,683	231,811	Anthem, Inc.*	4,929	369,675
Chubb Corp.	5,887	400,905	Cardinal Health, Inc.	14,131	864,252
Cincinnati Financial Corp.	5,081	212,792	CIGNA Corp.	4,845	278,587
Hartford Financial Services Group, Inc.	9,847	581,269	Express Scripts, Inc. "A"*	2,942	195,437
Jefferson-Pilot Corp.	4,473	226,558	HCA, Inc.	16,974	729,203
John Hancock Financial Services, Inc.	9,044	339,150	Health Management Associates, Inc. "A"	7,500	180,000
Lincoln National Corp.	5,601	226,112	Humana, Inc.*	5,200	118,820
Loews Corp.	5,734	283,546	IMS Health, Inc.	7,616	189,334
Marsh & McLennan Companies, Inc.	18,188	871,023	Manor Care, Inc.	2,838	98,110
MBIA, Inc.	4,425	262,093	McKesson Corp.	10,252	329,704
MetLife, Inc.	26,027	876,329	Medco Health Solutions, Inc.*	8,531	289,969
MGIC Investment Corp.	3,177	180,898	Quest Diagnostics, Inc.	3,291	240,605
Progressive Corp.	6,711	560,973	Tenet Healthcare Corp.*	14,522	233,078
Prudential Financial, Inc.	18,934	790,873	UnitedHealth Group, Inc.	18,908	1,100,067
Safeco Corp.	4,405	171,487	WellPoint Health Networks, Inc.*	4,614	447,512
St. Paul Companies, Inc.	8,292	328,778			6,191,112
Torchmark Corp.	3,589	163,443	Pharmaceuticals 8.2%		
Travelers Property Casualty Corp. "B"	31,359	532,162	Abbott Laboratories	51,879	2,417,561
UnumProvident Corp.	9,316	146,913	Allergan, Inc.	4,091	314,230
XL Capital Ltd. "A"	4,894	379,530	Bristol-Myers Squibb Co.	64,659	1,849,247
		15,598,738	Eli Lilly & Co.	37,124	2,610,931

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

	Shares	Value (\$)		Shares	Value (\$)
Forest Laboratories, Inc.*	11,420	705,756	Rockwell Automation, Inc.	5,756	204,914
Johnson & Johnson	96,308	4,975,271	Thomas & Betts Corp.*	2,127	48,687
King Pharmaceuticals, Inc.*	7,698	117,471			1,577,193
Merck & Co., Inc.	72,589	3,353,612	Industrial Conglomerates 4.2%		
Pfizer, Inc.	249,623	8,819,181	3M Co.	25,048	2,129,831
Schering-Plough Corp.	48,875	849,936	General Electric Co.	328,467	10,175,908
Watson Pharmaceuticals, Inc.*	4,059	186,714	Textron, Inc.	4,143	236,399
Wyeth	44,170	1,875,017	Tyco International Ltd.	64,354	1,705,381
		28,074,927			14,247,519
Industrials 10.7%			Machinery 1.4%		
Aerospace & Defense 1.8%			Caterpillar, Inc.	10,949	908,986
Boeing Co.	28,273	1,191,424	Crane Co.	1,914	58,836
General Dynamics Corp.	6,180	558,610	Cummins, Inc.*	1,262	61,762
Goodrich Corp.	3,732	110,803	Danaher Corp.	5,377	493,340
Honeywell International, Inc.	29,147	974,384	Deere & Co.	8,315	540,891
Lockheed Martin Corp.	15,222	782,411	Dover Corp.	6,378	253,525
Northrop Grumman Corp.	5,714	546,258	Eaton Corp.	2,316	250,082
Raytheon Co.	12,997	390,430	Illinois Tool Works, Inc.	10,623	891,376
Rockwell Collins, Inc.	5,756	172,853	Ingersoll-Rand Co. "A"	5,411	367,299
United Technologies Corp.	15,808	1,498,124	ITT Industries, Inc.	2,919	216,619
		6,225,297	Navistar International Corp.*	2,121	101,575
Air Freight & Logistics 1.0%			PACCAR, Inc.	4,201	357,589
FedEx Corp.	9,396	634,230	Pall Corp.	3,953	106,059
Ryder System, Inc.	2,152	73,491	Parker-Hannifin Corp.	3,598	214,081
United Parcel Service, Inc. "B"	37,340	2,783,697			4,822,020
		3,491,418	Road & Rail 0.5%		
Airlines 0.1%			Burlington Northn Santa Fe Corp.	11,679	377,816
Delta Air Lines, Inc.	4,770	56,334	CSX Corp.	6,674	239,864
Southwest Airlines Co.	25,025	403,903	Norfolk Southn Corp.	12,285	290,540
		460,237	Union Pacific Corp.	8,961	622,610
Building Products 0.2%					1,530,830
American Standard Companies, Inc.*	2,300	231,610	Trading Companies & Distributors 0.0%		
Masco Corp.	14,726	403,640	W.W. Grainger, Inc.	2,874	136,199
		635,250	Information Technology 17.5%		
Commercial Services & Supplies 1.0%			Communications Equipment 2.8%		
Allied Waste Industries, Inc.*	10,439	144,893	ADC Telecommunications, Inc.*	31,974	94,963
Apollo Group, Inc. "A"*	5,500	374,000	Andrew Corp.*	4,880	56,169
Avery Dennison Corp.	3,515	196,910	Avaya, Inc.*	14,911	192,948
Cendant Corp.*	34,452	767,246	CIENA Corp.*	17,877	118,703
Cintas Corp.	5,400	270,702	Cisco Systems, Inc.*	225,868	5,486,334
Deluxe Corp.	1,709	70,633	Comverse Technologies, Inc.*	7,189	126,454
Equifax Inc	4,524	110,838	Corning, Inc.*	41,834	436,329
H&R Block, Inc.	5,676	314,280	JDS Uniphase Corp.*	50,936	185,916
Monster Worldwide, Inc.*	3,949	86,720	Lucent Technologies, Inc.*	131,715	374,071
Pitney Bowes, Inc.	7,391	300,223	Motorola, Inc.	74,567	1,049,158
R.R. Donnelley & Sons Co.	3,664	110,470	QUALCOMM, Inc.	25,573	1,379,152
Robert Half International, Inc.*	5,500	128,370	Scientific-Atlanta, Inc.	4,768	130,166
Waste Management, Inc.	19,504	577,318	Tellabs, Inc.*	13,224	111,478
		3,452,603			9,741,841
Construction & Engineering 0.0%			Computers & Peripherals 3.8%		
Fluor Corp.	2,625	104,055	Apple Computer, Inc.*	12,825	274,070
Electrical Equipment 0.5%			Dell, Inc.*	84,839	2,881,133
American Power Conversion Corp.	7,510	183,619	EMC Corp.*	78,670	1,016,416
Cooper Industries, Inc. "A"	2,951	170,951	Gateway, Inc.	10,377	47,734
Emerson Electric Co.	14,517	939,976	Hewlett-Packard Co.	100,993	2,319,809
Power-One, Inc.*	2,682	29,046	International Business Machines Corp.	56,245	5,212,787

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

	Shares	Value (\$)
Lexmark International, Inc.*	4,070	320,065
NCR Corp.*	2,994	116,167
Network Appliance, Inc.*	11,911	244,533
Sun Microsystems, Inc.*	103,574	465,047
		12,897,761

Electronic Equipment & Instruments 0.5%

Agilent Technologies, Inc.*	14,748	431,231
Jabil Circuit, Inc.*	6,300	178,290
Molex, Inc.	5,991	209,026
PerkinElmer, Inc.	4,020	68,621
Sanmina-SCI Corp.*	18,061	227,749
Soletron Corp.*	26,440	156,261
Symbol Technologies, Inc.	7,350	124,142
Tektronix, Inc.	2,824	89,238
Thermo Electron Corp.*	5,205	131,166
Waters Corp.*	3,900	129,324

1,745,048

Internet Software & Services 0.3%

Yahoo!, Inc.*	21,318	962,934
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IT Consulting & Services 1.2%

Automatic Data Processing, Inc.	20,348	805,984
Computer Sciences Corp.*	5,836	258,126
Concord EFS, Inc.*	15,514	230,228
Convergys Corp.*	4,447	77,645
Electronic Data Systems Corp.	16,809	412,493
First Data Corp.	23,552	967,752
Fiserv, Inc.*	7,005	276,767
Paychex, Inc.	13,034	484,864
Sabre Holdings Corp.	4,362	94,176
SunGard Data Systems, Inc.*	9,000	249,390
Unisys Corp.*	10,480	155,628

4,013,053

Office Electronics 0.1%

Xerox Corp.*	27,466	379,031
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Semiconductors & Semiconductor Equipment 4.2%

Advanced Micro Devices, Inc.*	12,339	183,851
Altera Corp.*	13,397	304,112
Analog Devices, Inc.	11,428	521,688
Applied Materials, Inc.*	53,243	1,195,305
Applied Micro Circuits Corp.*	9,700	58,006
Broadcom Corp. "A"*	9,352	318,810
Intel Corp.	213,734	6,882,235
KLA-Tencor Corp.*	6,622	388,513
Linear Technology Corp.	10,866	457,133
LSI Logic Corp.*	12,113	107,442
Maxim Integrated Products, Inc.	10,190	507,462
Micron Technology, Inc.*	19,103	257,317
National Semiconductor Corp.*	6,467	254,864
Novellus Systems, Inc.*	5,475	230,224
NVIDIA Corp.*	5,867	136,408
PMC-Sierra, Inc.*	6,355	128,053
QLogic Corp.*	3,445	177,762
Teradyne, Inc.*	5,974	152,038
Texas Instruments, Inc.	55,857	1,641,079
Xilinx, Inc.*	11,305	437,956

14,340,258

Software 4.6%

Adobe Systems, Inc.	8,138	319,823
Autodesk, Inc.	4,424	108,742
BMC Software, Inc.*	7,308	136,294
Citrix Systems, Inc.*	5,264	111,650
Computer Associates International, Inc.	18,165	496,631
Compuware Corp.*	12,246	73,966
Electronic Arts, Inc.*	9,200	439,576
Intuit, Inc.*	7,143	377,936
Mercury Interactive Corp.*	3,205	155,891
Microsoft Corp.	352,788	9,715,782
Novell, Inc.*	13,417	141,147
Oracle Corp.*	172,722	2,279,931
Parametric Technology Corp.*	7,591	29,909
PeopleSoft, Inc.*	11,264	256,819
Siebel Systems, Inc.*	15,259	211,642
Symantec Corp.*	9,400	325,710
VERITAS Software Corp.*	14,446	536,813

15,718,262

Materials 3.0%

Chemicals 1.5%

Air Products & Chemicals, Inc.	7,864	415,455
Dow Chemical Co.	30,989	1,288,213
E.I. du Pont de Nemours & Co.	33,588	1,541,353
Eastman Chemical Co.	2,443	96,572
Ecolab, Inc.	8,186	224,051
Engelhard Corp.	4,000	119,800
Great Lakes Chemical Corp.	1,600	43,504
Hercules, Inc.*	3,507	42,785
International Flavors & Fragrances, Inc.	3,011	105,144
Monsanto Co.	8,320	239,450
PPG Industries, Inc.	5,305	339,626
Praxair, Inc.	10,068	384,598
Rohm & Haas Co.	6,826	291,538
Sigma-Aldrich Corp.	2,268	129,684

5,261,773

Construction Materials 0.1%

Vulcan Materials Co.	3,210	152,700
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Containers & Packaging 0.2%

Ball Corp.	1,800	107,226
Bemis Co., Inc.	1,656	82,800
Pactiv Corp.*	4,998	119,452
Sealed Air Corp.*	2,695	145,907
Temple-Inland, Inc.	1,768	110,801

566,186

Metals & Mining 0.7%

Alcoa, Inc.	27,791	1,056,058
Allegheny Technologies, Inc.	2,567	33,936
Freeport-McMoRan Copper & Gold, Inc. "B"	6,066	255,560
Newmont Mining Corp.	13,675	664,742
Nucor Corp.	2,476	138,656
Phelps Dodge Corp.*	2,754	209,552
United States Steel Corp.	4,050	141,831
Worthington Industries, Inc.	2,726	49,150

2,549,485

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

	Shares	Value (\$)
Paper & Forest Products 0.5%		
Boise Cascade Corp.	3,841	126,215
Georgia-Pacific Corp.	7,941	243,551
International Paper Co.	16,290	702,262
Louisiana-Pacific Corp.*	3,380	60,434
MeadWestvaco Corp.	6,393	190,192
Weyerhaeuser Co.	6,832	437,248
		<u>1,759,902</u>

Telecommunication Services 3.4%

Diversified Telecommunication Services 2.8%

ALLTEL Corp.	9,747	454,015
AT&T Corp.	26,672	541,442
BellSouth Corp.	61,811	1,749,251
CenturyTel, Inc.	4,533	147,867
Citizens Communications Co. "B"*	9,100	113,022
Qwest Communications International, Inc.*	51,368	221,910
SBC Communications, Inc.	110,359	2,877,059
Sprint Corp. (FON Group)	27,878	457,757
Verizon Communications, Inc.	89,464	3,138,397
		<u>9,700,720</u>

Wireless Telecommunication Services 0.6%

AT&T Wireless Services, Inc.*	91,734	732,955
Nextel Communications, Inc. "A"*	35,866	1,006,400
Sprint Corp. (PCS Group)*	32,720	183,886
		<u>1,923,241</u>

Utilities 2.8%

Electric Utilities 2.0%

Allegheny Energy, Inc.*	4,010	51,168
Ameren Corp.	5,097	234,462
American Electric Power Co.	12,380	377,714
CenterPoint Energy, Inc.	9,765	94,623
ClEnergy Corp.	5,549	215,357
CMS Energy Corp.*	5,056	43,077
Consolidated Edison, Inc.	7,044	302,963
Dominion Resources, Inc.	11,410	728,300
DTE Energy Co.	5,346	210,632
Edison International	10,367	227,348
Entergy Corp.	8,278	472,922
Exelon Corp.	11,348	753,053
FirstEnergy Corp.	10,262	361,222
FPL Group, Inc.	6,760	442,239

	Shares	Value (\$)
PG&E Corp.*	13,471	374,090
Pinnacle West Capital Corp.	2,908	116,378
PPL Corp.	5,579	244,081
Progress Energy, Inc.	7,623	345,017
Southern Co.	22,698	686,615
TECO Energy, Inc.	5,400	77,814
TXU Corp.	9,926	235,445
Xcel Energy, Inc.	12,487	212,029
		<u>6,806,549</u>

Gas Utilities 0.3%

El Paso Corp.	19,141	156,765
KeySpan Corp.	5,032	185,178
Kinder Morgan, Inc.	3,864	228,362
NICOR, Inc.	1,406	47,860
NiSource, Inc.	8,351	183,221
Peoples Energy Corp.	1,128	47,421
Sempra Energy	6,987	210,029
		<u>1,058,836</u>

Multi-Utilities & Unregulated Power 0.5%

AES Corp.*	19,771	186,638
Calpine Corp.*	13,901	66,864
Constellation Energy Group, Inc.	5,310	207,940
Duke Energy Corp.	31,569	645,586
Dynegy, Inc. "A"	8,980	38,434
Public Service Enterprise Group, Inc.	7,074	309,841
Williams Companies, Inc.	16,019	157,307
		<u>1,612,610</u>

Total Common Stocks (Cost \$326,082,688) 336,753,502

Principal Amount (\$)	Value (\$)
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US Government Backed 0.1%

US Treasury Bill, 0.87%**, 1/22/2004 (Cost \$439,769) (c)	440,000	439,802
	<u>Shares</u>	<u>Value (\$)</u>

Cash Equivalent 1.6%

Scudder Cash Management QP Trust, 1.11% (b) (Cost \$5,391,894)	5,391,894	5,391,894
Total Investment Portfolio — 100.0% (Cost \$331,914,351) (a)		342,585,198

Notes to SVS Index 500 Portfolio of Investments

* Non-income producing security.

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

(a) The cost for federal income tax purposes was \$350,399,873. At December 31, 2003, net unrealized depreciation for all securities based on tax cost was \$7,814,675. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$40,681,818 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$48,496,493.

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

(c) At December 31, 2003, this security, in part or in whole, has been segregated to cover initial margin requirements for open futures contracts.

At December 31, 2003, open futures contracts were as follows:

Futures	Expiration Date	Contracts	Aggregated Face Value (\$)	Value (\$)	Net Unrealized Appreciation (Depreciation) (\$)
S&P 500 Index Future	3/18/2004	5,500	5,937,944	6,108,300	170,356

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

Financial Statements

Statement of Assets and Liabilities as of December 31, 2003

Assets

Investments:	
Investments in securities, at value (cost \$326,522,457)	\$ 337,193,304
Investment in Scudder Cash Management QP Trust (cost \$5,391,894)	5,391,894
Total investments in securities, at value (cost \$331,914,351)	342,585,198
Dividends receivable	448,063
Interest receivable	5,422
Receivable for Portfolio shares sold	186,664
Receivable for daily variation margin on open futures contracts	4,918
Other assets	6,829
Total assets	343,237,094

Liabilities

Due to custodian bank	131
Payable for Portfolio shares redeemed	896,829
Accrued management fee	93,371
Other accrued expenses and payables	155,365
Total liabilities	1,145,696
Net assets, at value	\$ 342,091,398

Net Assets

Net assets consist of:	
Undistributed net investment income	3,279,886
Net unrealized appreciation (depreciation) on:	
Investments	10,670,847
Futures	170,356
Accumulated net realized gain (loss)	(35,500,898)
Paid-in capital	363,471,207
Net assets, at value	\$ 342,091,398

Class A

Net Asset Value , offering and redemption price per share (\$308,695,328 ÷ 36,967,597 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 8.35
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Class B

Net Asset Value , offering and redemption price per share (\$33,396,070 ÷ 4,013,326 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 8.32
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Statement of Operations for the year ended December 31, 2003

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$236)	\$ 4,874,445
Interest	1,677
Interest — Scudder Cash Management QP Trust	48,869
Total Income	4,924,991
Expenses:	
Management fee	1,002,180
Custodian and accounting fees	207,001
Distribution service fees (Class B)	34,789
Record keeping fees (Class B)	19,439
Auditing	58,232
Legal	14,727
Trustees' fees and expenses	4,398
Reports to shareholders	43,540
Registration fees	30
Other	16,295
Total expenses, before expense reductions	1,400,631
Expense reductions	(26)
Total expenses, after expense reductions	1,400,605
Net investment income (loss)	3,524,386

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from:	
Investments	(13,144,367)
Futures	963,582
	(12,180,785)
Net unrealized appreciation (depreciation) during the period on:	
Investments	79,013,535
Futures	203,884
	79,217,419
Net gain (loss) on investment transactions	67,036,634
Net increase (decrease) in net assets resulting from operations	\$ 70,561,020

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2003	2002
Operations:		
Net investment income (loss)	\$ 3,524,386	\$ 2,812,725
Net realized gain (loss) on investment transactions	(12,180,785)	(16,252,217)
Net unrealized appreciation (depreciation) on investment transactions during the period	79,217,419	(50,530,051)
Net increase (decrease) in net assets resulting from operations	70,561,020	(63,969,543)
Distributions to shareholders from:		
Net investment income		
Class A	(2,840,811)	(1,192,208)
Class B	(39,707)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	64,041,270	119,237,391
Reinvestment of distributions	2,840,811	1,192,208
Cost of shares redeemed	(54,166,484)	(42,059,224)
Net increase (decrease) in net assets from Class A share transactions	12,715,597	78,370,375
Class B		
Proceeds from shares sold	30,974,956	1,181,765*
Reinvestment of distributions	39,707	—*
Cost of shares redeemed	(3,018,857)	(528)*
Net increase (decrease) in net assets from Class B share transactions	27,995,806	1,181,237
Increase (decrease) in net assets	108,391,905	14,389,861
Net assets at beginning of period	233,699,493	219,309,632
Net assets at end of period (including undistributed net investment income of \$3,279,886 and \$2,667,640, respectively)	\$ 342,091,398	\$ 233,699,493

Other Information

Class A		
Shares outstanding at beginning of period	35,202,430	25,657,004
Shares sold	8,891,513	15,320,978
Shares issued to shareholders in reinvestment of distributions	450,208	139,931
Shares redeemed	(7,576,554)	(5,915,483)
Net increase (decrease) in Portfolio shares	1,765,167	9,545,426
Shares outstanding at end of period	36,967,597	35,202,430
Class B		
Shares outstanding at beginning of period	175,906	—
Shares sold	4,214,305	175,980*
Shares issued to shareholders in reinvestment of distributions	6,293	—*
Shares redeemed	(383,178)	(74)*
Net increase (decrease) in Portfolio shares	3,837,420	175,906
Shares outstanding at end of period	4,013,326	175,906

* For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

Financial Highlights

Class A

Years Ended December 31,	2003	2002	2001	2000 ^a	1999 ^{a,b}
Selected Per Share Data					
Net asset value, beginning of period	\$ 6.61	\$ 8.55	\$ 9.78	\$ 10.96	\$ 10.00
<i>Income (loss) from investment operations:</i>					
Net investment income (loss) ^c	.09	.09	.08	.10	.10
Net realized and unrealized gain (loss) on investment transactions	1.73	(1.99)	(1.26)	(1.18)	.86
Total from investment operations	1.82	(1.90)	(1.18)	(1.08)	.96
<i>Less distributions from:</i>					
Net investment income	(.08)	(.04)	(.05)	(.05)	—
Net realized gains on investment transactions	—	—	—	(.05)	—
Total distributions	(.08)	(.04)	(.05)	(.10)	—
Net asset value, end of period	\$ 8.35	\$ 6.61	\$ 8.55	\$ 9.78	\$ 10.96
Total Return (%)	27.93	(22.34)	(12.05) ^d	(9.93) ^d	9.55 ^{d**}

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	309	233	219	102	32
Ratio of expenses before expense reductions (%)	.49	.48	.65	.88	.84*
Ratio of expenses after expense reductions (%)	.49	.48	.55	.54	.55*
Ratio of net investment income (loss) (%)	1.31	1.16	.88	.90	3.72*
Portfolio turnover rate (%)	8	6	13	20	1*

^a On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly.

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

^c Based on average shares outstanding during the period.

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

* Annualized ** Not annualized

Class B

Years Ended December 31,	2003	2002 ^a
Selected Per Share Data		
Net asset value, beginning of period	\$ 6.59	\$ 7.21
<i>Income (loss) from investment operations:</i>		
Net investment income (loss) ^b	.06	.05
Net realized and unrealized gain (loss) on investment transactions	1.74	(.67)
Total from investment operations	1.80	(.62)
<i>Less distributions from:</i>		
Net investment income	(.07)	—
Net asset value, end of period	\$ 8.32	\$ 6.59
Total Return (%)	27.57	(8.60)**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	33	1
Ratio of expenses (%)	.88	.69*
Ratio of net investment income (loss) (%)	.92	1.42*
Portfolio turnover rate (%)	8	6

^a For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

^b Based on average shares outstanding during the period.

* Annualized ** Not annualized

SVS INVESCO Dynamic Growth Portfolio

The financial markets experienced volatility in the first quarter of 2003 as geopolitical tensions escalated and combat began in Iraq. However, by the second quarter, the major stock indices began a steep climb, and they finished the year with significant gains. For the first time in three years, the major equity markets posted gains.

Given the markets' renewed appetite for more aggressive investments, the portfolio's emphasis on mid-cap growth stocks worked to its advantage. The portfolio enjoyed a total return of 35.53% (Class A shares, unadjusted for contract charges) in 2003, versus a 42.71% return for its benchmark, the Russell Midcap Growth Index. Please see the following page for standardized performance as of December 31, 2003.

Throughout the year, we increased the portfolio's exposure to cyclical technology, industrials and wireless telecommunications stocks to achieve as much participation in the rally as possible, given our investment style. We also increased exposure to consumer discretionary stocks, particularly restaurants and higher-growth leisure companies. In health care, good stock selection benefited the portfolio, particularly in areas such as biotech and specialty pharmaceuticals. Information technology had the largest positive impact on the portfolio, and it garnered particularly good performance from software stocks such as VERITAS Software Corp. and Amdocs Ltd. While telecommunications services performed well for the portfolio, several stocks within the industry detracted from performance, including AT&T Wireless and Sprint Corp. (Not in the portfolio as of 12/31/03.) In 2004, we are confident about the portfolio's positioning based on continued cyclical improvement in the economy.

Timothy J. Miller

Portfolio Manager

INVESCO, Subadvisor to the Portfolio

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

Stocks of medium-sized companies involve greater risk as they often have limited product lines, markets, or financial resources and may be sensitive to erratic and abrupt market movements more so than securities of larger, more-established companies. Additionally, the portfolio may also focus its investments on certain industry sectors, thereby increasing its vulnerability to any single industry or regulatory development. All of these factors may result in greater share price volatility. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

The Russell Midcap Growth Index is an unmanaged, capitalization-weighted index of medium and medium/small companies in the Russell 1000 Index chosen for their growth orientation. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of December 31, 2003, and may not come to pass. This information is subject to change at any time based on market and other conditions.

SVS INVESCO Dynamic Growth Portfolio

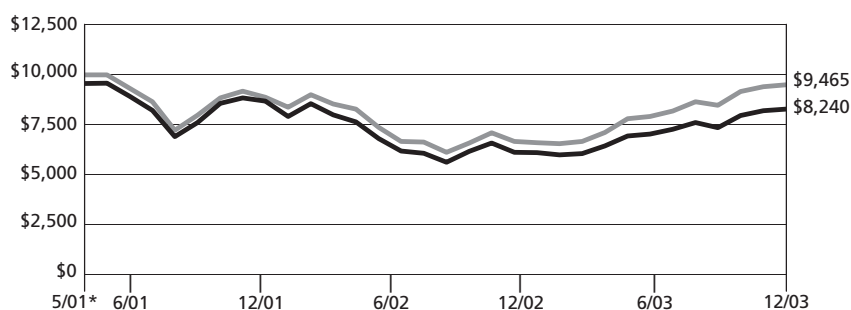
All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Stocks of medium-sized companies involve greater risk as they often have limited product lines, markets, or financial resources and may be sensitive to erratic and abrupt market movements more so than securities of larger, more-established companies. Additionally, the Portfolio may also focus its investments on certain industry sectors, thereby increasing its vulnerability to any single industry or regulatory development. All of these factors may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The 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 Portfolio would be lower.

Growth of an Assumed \$10,000 Investment in SVS INVESCO Dynamic Growth Portfolio from 5/1/2001 to 12/31/2003

- SVS INVESCO Dynamic Growth Portfolio — Class A
- Russell Midcap Growth Index



Russell Midcap Growth Index is an unmanaged index composed of common stocks of midcap companies with higher price-to-book ratios and higher forecasted growth values. Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

SVS INVESCO Dynamic Growth Portfolio	1-Year	Life of Portfolio*
Class A		
Growth of \$10,000	\$13,553	\$8,240
Average annual total return	35.53%	-7.00%
Russell Midcap Growth Index		
Growth of \$10,000	\$14,271	\$9,465
Average annual total return	42.71%	-2.04%
SVS INVESCO Dynamic Growth Portfolio	1-Year	Life of Class**
Class B		
Growth of \$10,000	\$13,526	\$12,611
Average annual total return	35.26%	16.72%
Russell Midcap Growth Index		
Growth of \$10,000	\$14,271	\$12,902
Average annual total return	42.71%	18.52%

The growth of \$10,000 is cumulative.

* The Portfolio commenced operations on May 1, 2001. Index returns begin April 30, 2001.

** The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.

Information concerning portfolio holdings of the Portfolio as of a month end is available upon request no earlier than 15 days after the month end. Please call 1-800-778-1482.

SVS INVESCO Dynamic Growth Portfolio

	Shares	Value (\$)		Shares	Value (\$)
Common Stocks 95.9%					
Consumer Discretionary 20.2%					
Hotel Restaurants & Leisure 6.1%					
Applebee's International, Inc.	5,400	212,058			
CBRL Group, Inc.	11,400	436,164			
Hilton Hotels Corp.	29,600	507,048			
International Game Technology	5,500	196,350			
Mandalay Resort Group	11,600	518,752			
P.F. Chang's China Bistro, Inc.*	100	5,088			
Starbucks Corp.*	5,700	188,442			
Starwood Hotels & Resorts Worldwide, Inc.	5,000	179,850			
Station Casinos, Inc.	5,200	159,276			
		2,403,028			
Household Durables 1.1%					
D.R. Horton, Inc.	2,700	116,802			
Pulte Homes, Inc.	3,600	337,032			
		453,834			
Leisure Equipment & Products 0.6%					
Marvel Enterprises, Inc.*	7,700	224,147			
Media 6.4%					
Cox Communications, Inc. "A"*	16,800	578,760			
Cox Radio, Inc. "A"*	16,200	408,726			
EchoStar Communications Corp. "A"*	13,350	453,900			
Lamar Advertising Co.*	7,100	264,972			
Omnicom Group, Inc.	4,100	358,053			
Univision Communications, Inc. "A"*	11,200	444,528			
		2,508,939			
Multiline Retail 1.1%					
Kohl's Corp.*	2,800	125,832			
Ross Stores, Inc.	11,800	311,874			
		437,706			
Specialty Retail 3.5%					
Advance Auto Parts, Inc.*	3,200	260,480			
Staples, Inc.*	18,100	494,130			
Tiffany & Co.	6,400	289,280			
TJX Companies, Inc.	14,600	321,930			
		1,365,820			
Textiles, Apparel & Luxury Goods 1.4%					
NIKE, Inc. "B"	4,400	301,224			
Polo Ralph Lauren Corp.	9,500	273,600			
		574,824			
Consumer Staples 0.6%					
Beverages 0.3%					
Constellation Brands, Inc. "A"*	4,100	135,013			
Food Products 0.3%					
Bunge Ltd.	3,300	108,636			
Energy 3.6%					
Energy Equipment & Services 0.9%					
Smith International, Inc.*	9,200	381,984			
Oil & Gas 2.7%					
Apache Corp.	3,851	312,316			
Murphy Oil Corp.	6,500	424,515			
Talisman Energy, Inc.	5,600	316,960			
		1,053,791			
Financials 6.7%					
Banks 0.9%					
Northern Trust Corp.	5,700	264,594			
Synovus Financial Corp.	2,400	69,408			
		334,002			
Diversified Financial Services 3.6%					
Ameritrade Holding Corp.*	8,300	116,781			
Franklin Resources, Inc.	7,500	390,450			
Legg Mason, Inc.	6,100	470,798			
Lehman Brothers Holdings, Inc.	2,322	179,305			
T. Rowe Price Group, Inc.	5,900	279,719			
		1,437,053			
Insurance 2.2%					
AFLAC, Inc.	200	7,236			
AMBAC Financial Group, Inc.	3,700	256,743			
PMI Group Inc.	7,400	275,502			
Safeco Corp.	8,300	323,119			
		862,600			
Health Care 16.7%					
Biotechnology 3.3%					
Chiron Corp.*	4,800	273,552			
Genzyme Corp. (General Division)*	5,400	266,436			
Gilead Sciences, Inc.*	8,200	476,748			
Invitrogen Corp.*	3,800	266,000			
		1,282,736			
Health Care Equipment & Supplies 5.0%					
Alcon, Inc.	7,100	429,834			
Biomet, Inc.	5,400	196,614			
Boston Scientific Corp.*	8,700	319,812			
C.R. Bard, Inc.	900	73,125			
Stryker Corp.	1,300	110,513			
Varian Medical Systems, Inc.*	4,300	297,130			
Zimmer Holdings, Inc.*	7,700	542,080			
		1,969,108			
Health Care Providers & Services 4.0%					
AdvancePCS*	4,500	236,970			
Aetna, Inc.	5,600	378,448			
Anthem, Inc.*	4,000	300,000			
Caremark Rx, Inc.*	7,600	192,508			
Health Management Associates, Inc. "A"	6,100	146,400			
Medco Health Solutions, Inc.*	4,800	163,152			
WellPoint Health Networks, Inc.*	1,600	155,184			
		1,572,662			
Pharmaceuticals 4.4%					
Barr Laboratories, Inc.*	3,300	253,935			
Pharmaceutical Resources, Inc.*	1,700	110,755			
Shire Pharmaceuticals Group PLC*	17,900	519,995			

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

	Shares	Value (\$)
Teva Pharmaceutical Industries Ltd. (ADR)	9,600	544,416
Valeant Pharmaceuticals International	12,400	311,860
		1,740,961
Industrials 12.9%		
Air Freight & Couriers 0.2%		
C.H. Robinson Worldwide, Inc.	1,900	72,029
Commercial Services & Supplies 8.0%		
Apollo Group, Inc. "A"*	8,340	567,120
Career Education Corp.*	7,800	312,546
Cintas Corp.	3,200	160,416
DST Systems, Inc.	8,400	350,784
Hewitt Associates, Inc. "A"	7,700	230,230
Manpower, Inc.	13,200	621,456
Republic Services, Inc.	16,900	433,147
Robert Half International, Inc.*	21,250	495,975
		3,171,674
Machinery 3.8%		
Cummins, Inc.*	1,700	83,198
Eaton Corp.	3,500	377,930
Illinois Tool Works, Inc.	2,200	184,602
Ingersoll-Rand Co. "A"	3,700	251,156
Navistar International Corp.*	5,700	272,973
PACCAR, Inc.	3,700	314,944
		1,484,803
Trading Companies & Distributors 0.9%		
Fastenal Co.	7,000	349,580
Information Technology 30.9%		
Communications Equipment 5.1%		
Advanced Fibre Communications, Inc.*	9,400	189,410
Alcatel SA (ADR)*	9,900	127,215
Comverse Technologies, Inc.*	22,900	402,811
Corning, Inc.*	27,800	289,954
Emulex Corp.*	14,300	381,524
Foundry Networks, Inc.*	13,400	366,624
Juniper Networks, Inc.*	13,663	255,225
		2,012,763
Computers & Peripherals 1.8%		
Lexmark International, Inc.*	5,900	463,976
Network Appliance, Inc.*	11,900	244,307
		708,283
Electronic Equipment & Instruments 3.8%		
Amphenol Corp. "A"*	5,300	338,829
Jabil Circuit, Inc.*	7,500	212,250
Molex, Inc.	10,300	359,367
Sanmina-SCI Corp.*	18,500	233,285
Solectron Corp.*	36,400	215,124
Vishay Intertechnology, Inc.*	6,700	153,430
		1,512,285
Internet Software & Services 1.1%		
VeriSign, Inc.*	27,400	446,620

	Shares	Value (\$)
IT Consulting & Services 1.7%		
Computer Sciences Corp.*	7,200	318,456
Fiserv, Inc.*	8,300	327,933
		646,389
Office Electronics 0.2%		
Zebra Technologies Corp. "A"*	1,300	86,281
Semiconductors & Semiconductor Equipment 7.6%		
Altera Corp.*	5,533	125,599
ASML Holding NV*	11,000	220,550
Donaldson Co., Inc.	700	41,412
KLA-Tencor Corp.*	7,000	410,690
Lam Research Corp.*	9,730	314,279
Linear Technology Corp.	10,250	431,217
Maxim Integrated Products, Inc.	6,500	323,700
Microchip Technology, Inc.	15,450	515,412
Novellus Systems, Inc.*	5,400	227,070
Xilinx, Inc.*	10,300	399,022
		3,008,951
Software 9.6%		
Adobe Systems, Inc.	5,400	212,220
Amdocs Ltd.*	13,900	312,472
BEA Systems, Inc.*	25,300	311,190
CDW Corp.	7,050	407,208
Cognos, Inc.*	8,600	263,332
Fair, Isaac & Co., Inc.	3,800	186,808
FileNet Corp.*	5,200	140,816
Intuit, Inc.*	7,600	402,116
Mercury Interactive Corp.*	2,100	102,144
PeopleSoft, Inc.*	4,300	98,040
Siebel Systems, Inc.*	32,300	448,001
Symantec Corp.*	13,600	471,240
VERITAS Software Corp.*	11,469	426,188
		3,781,775
Materials 1.6%		
Chemicals 0.8%		
Praxair, Inc.	7,000	267,400
Rohm & Haas Co.	800	34,168
		301,568
Containers & Packaging 0.8%		
Ball Corp.	5,500	327,635
Telecommunication Services 1.4%		
Wireless Telecommunication Services		
Nextel Communications, Inc. "A"*	11,000	308,660
Nextel Partners, Inc. "A"*	18,400	247,480
		556,140
Other 1.3%		
Semiconductor HOLDRs Trust	3,500	144,900
Software HOLDRs Trust	9,300	353,679
		498,579
Total Common Stocks (Cost \$29,330,723)		37,812,199

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

	Shares	Value (\$)
Cash Equivalents 4.1%		
Scudder Cash Management QP Trust, 1.11% (b) (Cost \$1,622,522)	1,622,522	1,622,522
Total Investment Portfolio — 100.0% (Cost \$30,953,245) (a)		39,434,721

Notes to SVS INVESCO Dynamic Growth Portfolio of Investments

* *Non-income producing security.*

(a) *The cost for federal income tax purposes was \$31,504,273. At December 31, 2003, net unrealized appreciation for all securities based on tax cost was \$7,930,448. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$8,040,334 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$109,886.*

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

HOLDERS: Holding Company Depositary Receipts

Financial Statements

Statement of Assets and Liabilities as of December 31, 2003

Assets

Investments:	
Investments in securities, at value (cost \$29,330,723)	\$ 37,812,199
Investment in Scudder Cash Management QP Trust (cost \$1,622,522)	1,622,522
Total investments in securities, at value (cost \$30,953,245)	39,434,721
Cash	10,000
Receivable for investments sold	231,822
Dividends receivable	19,780
Interest receivable	1,313
Receivable for Portfolio shares sold	4,713
Foreign taxes recoverable	863
Due from Advisor	13,737
Other assets	766
Total assets	39,717,715

Liabilities

Payable for investments purchased	461,857
Payable for Portfolio shares redeemed	75,942
Other accrued expenses and payables	66,277
Total liabilities	604,076
Net assets, at value	\$ 39,113,639

Net Assets

Net assets consist of:	
Accumulated net investment loss	(208)
Net unrealized appreciation (depreciation) on investments	8,481,476
Foreign currency related transactions	3
Accumulated net realized gain (loss)	(7,420,152)
Paid-in capital	38,052,520
Net assets, at value	\$ 39,113,639

Class A

Net Asset Value , offering and redemption price per share (\$34,490,378 ÷ 4,185,184 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 8.24
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Class B

Net Asset Value , offering and redemption price per share (\$4,623,261 ÷ 562,802 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 8.21
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Statement of Operations for the year ended December 31, 2003

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$1,622)	\$ 119,477
Interest — Scudder Cash Management QP Trust	16,421
Total Income	135,898
Expenses:	
Management fee	304,792
Custodian and accounting fees	82,024
Distribution service fees (Class B)	5,499
Record keeping fees (Class B)	3,087
Auditing	40,649
Legal	7,752
Trustees' fees and expenses	718
Reports to shareholders	4,780
Other	3,278
Total expenses, before expense reductions	452,579
Expense reductions	(48,791)
Total expenses, after expense reductions	403,788
Net investment income (loss)	(267,890)

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from:	
Investments	787,891
Foreign currency related transactions	(231)
	787,660
Net unrealized appreciation (depreciation) during the period on:	
Investments	8,947,745
Foreign currency related transactions	3
	8,947,748
Net gain (loss) on investment transactions	9,735,408
Net increase (decrease) in net assets resulting from operations	\$ 9,467,518

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2003	2002
Operations:		
Net investment income (loss)	\$ (267,890)	\$ (181,519)
Net realized gain (loss) on investment transactions	787,660	(7,471,026)
Net unrealized appreciation (depreciation) on investment transactions during the period	8,947,748	(2,081,578)
Net increase (decrease) in net assets resulting from operations	9,467,518	(9,734,123)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	4,799,111	19,978,320
Cost of shares redeemed	(4,360,153)	(8,084,086)
Net increase (decrease) in net assets from Class A share transactions	438,958	11,894,234
Class B		
Proceeds from shares sold	3,887,012	98,567*
Cost of shares redeemed	(110,618)	(140)*
Net increase (decrease) in net assets from Class B share transactions	3,776,394	98,427
Increase (decrease) in net assets	13,682,870	2,258,538
Net assets at beginning of period	25,430,769	23,172,231
Net assets at end of period (including accumulated net investment loss of \$208 and \$185, respectively)	\$ 39,113,639	\$ 25,430,769

Other Information

Class A		
Shares outstanding at beginning of period	4,165,073	2,632,079
Shares sold	671,597	2,642,531
Shares redeemed	(651,486)	(1,109,537)
Net increase (decrease) in Portfolio shares	20,111	1,532,994
Shares outstanding at end of period	4,185,184	4,165,073
Class B		
Shares outstanding at beginning of period	15,737	—
Shares sold	562,002	15,759*
Shares redeemed	(14,937)	(22)*
Net increase (decrease) in Portfolio shares	547,065	15,737
Shares outstanding at end of period	562,802	15,737

* For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

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

Financial Highlights

Class A

Years Ended December 31,	2003	2002	2001 ^a
Selected Per Share Data			
Net asset value, beginning of period	\$ 6.08	\$ 8.80	\$ 10.00
<i>Income (loss) from investment operations:</i>			
Net investment income (loss) ^b	(.06)	(.05)	(.02)
Net realized and unrealized gain (loss) on investment transactions	2.22	(2.67)	(1.18) ^c
Total from investment operations	2.16	(2.72)	(1.20)
Net asset value, end of period	\$ 8.24	\$ 6.08	\$ 8.80
Total Return (%)	35.53 ^d	(30.91)	(12.00) ^{d**}

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	34	25	23
Ratio of expenses before expense reductions (%)	1.46	1.14	1.97*
Ratio of expenses after expense reductions (%)	1.30	1.14	1.30*
Ratio of net investment income (loss) (%)	(.85)	(.71)	(.40)*
Portfolio turnover rate (%)	115	79	40*

^a For the period from May 1, 2001 (commencement of operations) to December 31, 2001.

^b Based on average shares outstanding during the period.

^c The amount of net realized and unrealized gain shown for a share outstanding for the period ending December 31, 2001 does not correspond with the aggregate net loss on investments for the period due to the timing of sales and repurchases of Portfolio shares in relation to fluctuating market values of the investments of the Portfolio.

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

* Annualized

** Not annualized

Class B

Years Ended December 31,	2003	2002 ^a
Selected Per Share Data		
Net asset value, beginning of period	\$ 6.07	\$ 6.51
<i>Income (loss) from investment operations:</i>		
Net investment income (loss) ^b	(.09)	(.03)
Net realized and unrealized gain (loss) on investment transactions	2.23	(.41)
Total from investment operations	2.14	(.44)
Net asset value, end of period	\$ 8.21	\$ 6.07
Total Return (%)	35.26 ^c	(6.76) ^{**}

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	5	.1
Ratio of expenses before expense reductions (%)	1.85	1.40*
Ratio of expenses after expense reductions (%)	1.69	1.40*
Ratio of net investment income (loss) (%)	(1.24)	(.82)*
Portfolio turnover rate (%)	115	79

^a For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

^b Based on average shares outstanding during the period.

^c Total return would have been lower had certain expenses not been reduced.

* Annualized

** Not annualized

SVS Janus Growth and Income Portfolio

For the first time since 1999, the major US stock market indices ended the fiscal year with gains. For the 12 months ended December 31, 2003, the portfolio gained 24.37% (Class A shares, unadjusted for contract charges), while the Russell 1000 Growth Index and the Standard & Poor's 500 (S&P 500) index, advanced 29.75% and 28.68%, respectively. Please see the following page for standardized performance as of December 31, 2003.

The portfolio is managed for shareholders who want long-term exposure to the stock market yet some potential downside protection in difficult times. "Growth and Income" is an apt description. Common growth stocks usually represent 80–90% of the holdings, while fixed-income and convertible securities represent between 10–20%. When the market is strong, the growth stocks should potentially drive performance, as they did this year; and during periods of weakness, the more income-oriented investments are designed to lend support.

The portfolio's best performer was global financial services powerhouse Citigroup. Tyco International, the Bermuda-based holding company with a range of businesses, also helped boost the portfolio's returns as did cable and media property holding company Liberty Media Corp. Meanwhile, analog- and mixed-signal circuit maker Maxim Integrated Products, whose chips power everything from cell phones to personal computers to medical equipment, moved ahead along with commercial and consumer lender CIT Group.

Some stocks experienced setbacks during the period. Among the most significant were The Stanley Works, which manufactures tools and doors, and defense contractor General Dynamics. SBC Communications, a diversified telecommunications company, also weighed on results as did discount broker Charles Schwab and German car maker Bayerische Motoren-Werke, better known as BMW. We eliminated these holdings from the portfolio.

Important: portfolio manager change

As of January 1, 2004 Minyoung (Min) Sohn assumed management duties for the portfolio. He was previously an assistant portfolio manager on the portfolio.

Minyoung Sohn

Portfolio Manager, Janus Capital Management LLC, Subadvisor to the Portfolio

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

The portfolio is subject to stock market risk, meaning stocks in the portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. The portfolio also invests in individual bonds whose yields and market values fluctuate so that your investment may be worth more or less than its original cost. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

The Russell 1000 Growth Index is an unmanaged index that measures the performance of large companies with greater-than-average growth orientation compared with the overall market.

The Standard & Poor's (S&P) 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of December 31, 2003, and may not come to pass. This information is subject to change at any time based on market and other conditions.

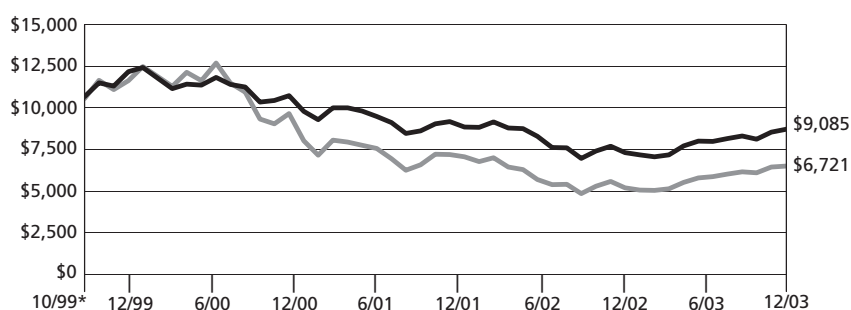
SVS Janus Growth and Income Portfolio

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

The Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. The Portfolio also invests in individual bonds whose yields and market values fluctuate so that your investment may be worth more or less than its original cost. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

Growth of an Assumed \$10,000 Investment in SVS Janus Growth and Income Portfolio from 10/29/1999 to 12/31/2003

- SVS Janus Growth and Income Portfolio — Class A
- Russell 1000 Growth Index



The Russell 1000 Growth Index is an unmanaged index composed of common stocks of larger US companies with higher price-to-book ratios and higher forecasted growth values. Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

SVS Janus Growth and Income Portfolio	1-Year	3-Year	Life of Portfolio*
Class A			
Growth of \$10,000	\$12,437	\$8,703	\$9,085
Average annual total return	24.37%	-4.52%	-2.27%
Russell 1000 Growth Index			
Growth of \$10,000	\$12,975	\$7,446	\$6,721
Average annual total return	29.75%	-9.36%	-9.10%
SVS Janus Growth and Income Portfolio	1-Year	Life of Class**	
Class B			
Growth of \$10,000	\$12,394	\$11,164	
Average annual total return	23.94%	7.62%	
Russell 1000 Growth Index			
Growth of \$10,000	\$12,975	\$11,811	
Average annual total return	29.75%	11.73%	

The growth of \$10,000 is cumulative.

* The Portfolio commenced operations October 29, 1999. Index returns begin October 31, 1999. Total returns would have been lower for the Life of Portfolio period for Class A shares if the Portfolio's expenses were not maintained.

** The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.

Information concerning portfolio holdings of the Portfolio as of a month end is available upon request no earlier than 15 days after the month end. Please call 1-800-778-1482.

SVS Janus Growth and Income Portfolio

	Shares	Value (\$)		Shares	Value (\$)
Common Stocks 91.7%					
Consumer Discretionary 19.2%					
Distributors 0.6%					
LVMH Moet Hennessy Louis Vuitton SA	15,614	1,133,458			
Hotel Restaurants & Leisure 2.4%					
Fairmont Hotels & Resorts, Inc.	76,001	2,062,667			
Four Seasons Hotels Ltd.	13,240	677,226			
Starwood Hotels & Resorts Worldwide, Inc.	58,400	2,100,648			
		4,840,541			
Internet & Catalog Retail 0.4%					
Amazon.com, Inc.*	8,155	429,279			
eBay, Inc.*	6,915	446,640			
		875,919			
Leisure Equipment & Products 1.0%					
Mattel, Inc.	103,155	1,987,797			
Media 13.9%					
British Sky Broadcasting Group PLC*	42,004	527,237			
Clear Channel Communications, Inc.	69,210	3,241,104			
Comcast Corp. "A"*	130,450	4,080,476			
Cox Communications, Inc. "A"*	82,390	2,838,336			
Gannett Co., Inc.	29,805	2,657,414			
Lamar Advertising Co.*	59,865	2,234,162			
Liberty Media Corp. "A"*	369,625	4,394,841			
Time Warner, Inc.*	214,780	3,863,892			
Viacom, Inc. "B"	58,415	2,592,458			
Walt Disney Co.	62,075	1,448,210			
		27,878,130			
Specialty Retail 0.9%					
AutoZone, Inc.*	5,335	454,595			
PETsMART, Inc.	21,575	513,485			
Staples, Inc.*	33,030	901,719			
		1,869,799			
Consumer Staples 5.6%					
Beverages 3.0%					
Anheuser-Busch Companies, Inc.	68,635	3,615,692			
PepsiCo, Inc.	50,747	2,365,825			
		5,981,517			
Food & Drug Retailing 0.0%					
Whole Foods Market, Inc.	1,425	95,660			
Household Products 2.6%					
Procter & Gamble Co.	46,110	4,605,467			
Reckitt Benkiser PLC	23,907	539,551			
		5,145,018			
Energy 5.0%					
Oil & Gas 5.0%					
ConocoPhillips	21,775	1,427,787			
Encana Corp.	78,724	3,104,874			
ExxonMobil Corp.	135,825	5,568,825			
		10,101,486			
Financials 16.5%					
Banks 3.2%					
Bank of America Corp.	24,455	1,966,916			
US Bancorp.	148,912	4,434,599			
		6,401,515			
Diversified Financial Services 9.1%					
CIT Group, Inc.	67,805	2,437,590			
Citigroup, Inc.	181,803	8,824,718			
Fannie Mae	58,200	4,368,492			
Goldman Sachs Group, Inc.	26,765	2,642,508			
		18,273,308			
Insurance 4.2%					
American International Group, Inc.	58,630	3,885,996			
Berkshire Hathaway, Inc. "B"*	1,460	4,109,900			
MGIC Investment Corp.	9,300	529,542			
		8,525,438			
Health Care 12.2%					
Biotechnology 0.2%					
Amgen, Inc.*	8,095	500,271			
Health Care Equipment & Supplies 2.8%					
C.R. Bard, Inc.	17,430	1,416,187			
INAMED Corp.*	6,218	298,813			
Medtronic, Inc.	67,620	3,287,008			
St. Jude Medical, Inc.*	9,265	568,408			
		5,570,416			
Health Care Providers & Services 4.9%					
Aetna, Inc.	33,925	2,292,651			
Caremark Rx, Inc.*	71,670	1,815,401			
Medco Health Solutions, Inc.*	60,540	2,057,755			
UnitedHealth Group, Inc.	64,660	3,761,919			
		9,927,726			
Pharmaceuticals 4.3%					
Pfizer, Inc.	100,100	3,536,533			
Roche Holding AG	49,982	5,027,215			
		8,563,748			
Industrials 13.9%					
Aerospace & Defense 1.9%					
Honeywell International, Inc.	38,735	1,294,911			
Lockheed Martin Corp.	49,365	2,537,361			
		3,832,272			
Airlines 0.5%					
Southwest Airlines Co.	65,345	1,054,668			
Commercial Services & Supplies 2.1%					
Ceridian Corp.*	76,170	1,595,000			
Waste Management, Inc.	84,650	2,505,640			
		4,100,640			
Electronic Equipment & Instruments 1.0%					
Samsung Electronics Co., Ltd. (GDR), 144A	11,050	2,077,400			
Industrial Conglomerates 7.5%					
3M Co.	30,840	2,622,325			

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

	Shares	Value (\$)
General Electric Co.	128,120	3,969,158
Tyco International Ltd.	320,560	8,494,840
		15,086,323
Road & Rail 0.9%		
Canadian National Railway Co.	28,425	1,798,734
Information Technology 17.9%		
Communications Equipment 3.5%		
Cisco Systems, Inc.*	192,045	4,664,773
Nokia Oyj (ADR)	138,335	2,351,695
		7,016,468
Computers & Peripherals 2.7%		
Dell, Inc.*	31,875	1,082,475
International Business Machines Corp.	30,955	2,868,910
Lexmark International, Inc.*	19,660	1,546,062
		5,497,447
Internet Software & Services 0.4%		
Yahoo!, Inc.*	15,280	690,198
Semiconductors & Semiconductor Equipment 6.9%		
Applied Materials, Inc.*	93,595	2,101,208
Intel Corp.	88,605	2,853,082
Linear Technology Corp.	49,880	2,098,452
Maxim Integrated Products, Inc.	81,720	4,069,656
NVIDIA Corp.*	23,830	554,047
Texas Instruments, Inc.	75,875	2,229,207
		13,905,652
Software 4.4%		
Computer Associates International, Inc.	47,190	1,290,174
Electronic Arts, Inc.*	26,240	1,253,747
Microsoft Corp.	185,705	5,114,316
Oracle Corp.*	87,670	1,157,244
		8,815,481
Materials 0.6%		
Chemicals		
International Flavors & Fragrances, Inc.	30,540	1,066,457
Utilities 0.8%		
Gas Utilities		
Kinder Morgan, Inc.	27,250	1,610,475
Total Common Stocks (Cost \$154,595,693)		184,223,962

	Shares	Value (\$)
Convertible Preferred Stocks 0.7%		
Allied Waste Industries, Inc.*	4,285	327,802
Centerpoint Energy, Inc.*	36,680	1,164,957
Total Convertible Preferred Stocks (Cost \$1,641,968)		1,492,759

	Shares	Value (\$)
Preferred Stock 0.8%		
Porsche AG (Cost \$796,978)	2,793	1,653,348

	Principal Amount (\$)	Value (\$)
Convertible Bonds 0.2%		
Devon Energy Corp., Zero Coupon, 6/27/2020	215,000	116,637
Lamar Advertising Co., 2.875%, 12/31/2010	175,000	179,375
Total Convertible Bond (Cost \$289,857)		296,012

	Shares	Value (\$)
Corporate Bonds 0.8%		
Allied Waste North America, Inc., 7.875%, 4/15/2013	95,000	102,838
CenturyTel, Inc., 8.375%, 10/15/2010	120,000	145,623
CMS Energy Corp., 7.625%, 11/15/2004	195,000	200,850
Cox Communications, Inc., 7.125%, 10/1/2012	870,000	1,003,469
Mattel, Inc., 6.125%, 7/15/2005	155,000	163,570
Total Corporate Bonds (Cost \$1,423,891)		1,616,350

	Shares	Value (\$)
Cash Equivalents 5.8%		
Scudder Cash Management QP Trust, 1.11% (b) (Cost \$11,712,542)	11,712,542	11,712,542
Total Investment Portfolio — 100.0% (Cost \$170,460,929) (a)		200,994,973

Notes to SVS Janus Growth and Income Portfolio of Investments

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

(a) The cost for federal income tax purposes was \$173,108,526. At December 31, 2003, net unrealized appreciation for all securities based on tax cost was \$27,886,447. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$30,158,819 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$2,272,372.

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

144A — Security exempt from registration under 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

Financial Statements

Statement of Assets and Liabilities as of December 31, 2003

Assets

Investments:	
Investments in securities, at value (cost \$158,748,387)	\$ 189,282,431
Investments in Scudder Cash Management QP Trust (cost \$11,712,542)	11,712,542
Total investments in securities, at value (cost \$170,460,929)	200,994,973
Cash	18,576
Receivable for investments sold	2,735,568
Dividends receivable	203,546
Interest receivable	18,837
Receivable for Portfolio shares sold	196,569
Foreign taxes recoverable	8,468
Unrealized appreciation on forward foreign currency exchange contracts	46,674
Other assets	4,325
Total assets	204,227,536

Liabilities

Payable for investments purchased	159,656
Payable for Portfolio shares redeemed	19,850
Unrealized depreciation on forward foreign currency exchange contracts	283,424
Accrued management fee	156,825
Other accrued expenses and payables	75,343
Total liabilities	695,098
Net assets, at value	\$ 203,532,438

Net Assets

Net assets consist of:	
Undistributed net investment income	235,748
Net unrealized appreciation (depreciation) on:	
Investments	30,534,044
Foreign currency related transactions	(234,908)
Accumulated net realized gain (loss)	(60,067,505)
Paid-in capital	233,065,059
Net assets, at value	\$ 203,532,438

Class A

Net Asset Value , offering and redemption price per share (\$188,713,350 ÷ 21,296,089 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 8.86
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Class B

Net Asset Value , offering and redemption price per share (\$14,819,088 ÷ 1,676,008 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 8.84
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Statement of Operations for the year ended December 31, 2003

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$22,475)	\$ 2,263,767
Interest	338,944
Interest — Scudder Cash Management QP Trust	49,047
Total Income	2,651,758
Expenses:	
Management fee	1,721,907
Custodian and accounting fees	100,209
Distribution service fees (Class B)	16,450
Record keeping fees (Class B)	9,185
Auditing	42,346
Legal	17,193
Trustees' fees and expenses	4,475
Reports to shareholders	30,084
Other	15,653
Total expenses	1,957,502
Expense reductions	(52)
Total expenses, after expense reductions	1,957,450
Net investment income (loss)	694,308

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from:	
Investments	(6,230,127)
Foreign currency related transactions	(220,747)
	(6,450,874)
Net unrealized appreciation (depreciation) during the period on:	
Investments	46,524,502
Foreign currency related transactions	(319,074)
	46,205,428
Net gain (loss) on investment transactions	39,754,554
Net increase (decrease) in net assets resulting from operations	\$ 40,448,862

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2003	2002 (Restated)
Operations:		
Net investment income (loss)	\$ 694,308	\$ 979,739
Net realized gain (loss) on investment transactions	(6,450,874)	(26,556,230)
Net unrealized appreciation (depreciation) on investment transactions during the period	46,205,428	(16,745,804)
Net increase (decrease) in net assets resulting from operations	40,448,862	(42,322,295)
Distributions to shareholders from:		
Net investment income		
Class A	(1,260,686)	(1,106,501)
Class B	(10,289)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	34,880,490	53,342,724
Reinvestment of distributions	1,260,686	1,106,501
Cost of shares redeemed	(52,309,879)	(22,409,232)
Net increase (decrease) in net assets from Class A share transactions	(16,168,703)	32,039,993
Class B		
Proceeds from shares sold	15,708,908	390,334*
Reinvestment of distributions	10,289	—*
Cost of shares redeemed	(3,045,507)	(699)*
Net increase (decrease) in net assets from Class B share transactions	12,673,690	389,635
Increase (decrease) in net assets	35,682,874	(10,999,168)
Net assets at beginning of period	167,849,564	178,848,732
Net assets at end of period (including undistributed net investment income of \$235,748 and \$868,707, respectively)	\$ 203,532,438	\$ 167,849,564

Other Information

Class A		
Shares outstanding at beginning of period	23,312,732	19,768,850
Shares sold	4,876,864	6,297,872
Shares issued to shareholders in reinvestment of distributions	180,614	123,081
Shares redeemed	(7,074,121)	(2,877,071)
Net increase (decrease) in Portfolio shares	(2,016,643)	3,543,882
Shares outstanding at end of period	21,296,089	23,312,732
Class B		
Shares outstanding at beginning of period	53,142	—
Shares sold	2,051,610	53,229*
Shares issued to shareholders in reinvestment of distributions	1,472	—*
Shares redeemed	(430,216)	(87)*
Net increase (decrease) in Portfolio shares	1,622,866	53,142
Shares outstanding at end of period	1,676,008	53,142

* For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

Financial Highlights

Class A

Years Ended December 31,	2003	2002 ^{***}	2001 ^a	2000 ^b	1999 ^{b,c}
Selected Per Share Data	(Restated)				
Net asset value, beginning of period	\$ 7.18	\$ 9.05	\$ 10.40	\$ 11.49	\$ 10.00
<i>Income (loss) from investment operations:</i>					
Net investment income (loss) ^d	.03	.04	.08	.12	—
Net realized and unrealized gain (loss) on investment transactions	1.71	(1.86)	(1.36)	(1.16)	1.49
Total from investment operations	1.74	(1.82)	(1.28)	(1.04)	1.49
<i>Less distributions from:</i>					
Net investment income	(.06)	(.05)	(.07)	—	—
Net realized gains on investment transactions	—	—	—	(.05)	—
Total distributions	(.06)	(.05)	(.07)	(.05)	—
Net asset value, end of period	\$ 8.86	\$ 7.18	\$ 9.05	\$ 10.40	\$ 11.49
Total Return (%)	24.37	(20.22)	(12.28)	(9.18) ^e	14.93 ^{e**}
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period (\$ millions)	189	167	179	104	16
Ratio of expenses before expense reductions (%)	1.07	1.04	1.05	1.10	2.58*
Ratio of expenses after expense reductions (%)	1.07	1.04	1.05	1.01	1.10*
Ratio of net investment income (loss) (%)	.40	.54	.90	1.07	(.05)*
Portfolio turnover rate (%)	46	57	48	39	53*

^a As required, effective January 1, 2001, the Portfolio has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on debt securities. The effect of this change for the year ended December 31, 2001 was to decrease net investment income by \$.01, increase net realized and unrealized gains and losses by \$.01 and decrease the ratio of net investment income to average net assets from .92% to .90%. Per share, ratios and supplemental data for periods prior to January 1, 2001 have not been restated to reflect this change in presentation.

^b On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Per share information, for the periods prior to December 31, 2001, has been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly.

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

^d Based on average shares outstanding during the period.

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

* Annualized ** Not annualized

^{***} Subsequent to December 31, 2002, these numbers have been restated to reflect an adjustment to the value of a security as of December 31, 2002. The effect of this adjustment for the year ended December 31, 2002 was to increase the net asset value per share by \$.03. The total return was also adjusted from -20.56% to -20.22% in accordance with this change (see Note K to Notes to Financial Statements).

Class B

Years Ended December 31,	2003	2002 ^{a***}
Selected Per Share Data	(Restated)	
Net asset value, beginning of period	\$ 7.17	\$ 7.96
<i>Income (loss) from investment operations:</i>		
Net investment income (loss) ^b	— ^c	.02
Net realized and unrealized gain (loss) on investment transactions	1.71	(.81)
Total from investment operations	1.71	(.79)
<i>Less distributions from:</i>		
Net investment income	(.04)	—
Net asset value, end of period	\$ 8.84	\$ 7.17
Total Return (%)	23.94	(9.92) ^{**}
Ratios to Average Net Assets and Supplemental Data		
Net assets, end of period (\$ millions)	15	.4
Ratio of expenses (%)	1.47	1.29*
Ratio of net investment income (loss) (%)	(.01)	.48*
Portfolio turnover rate (%)	46	57

^a For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

^b Based on average shares outstanding during the period.

^c Amount less than \$.005 per share.

* Annualized ** Not annualized

^{***} Subsequent to December 31, 2002, these numbers have been restated to reflect an adjustment to the value of a security as of December 31, 2002. The effect of this adjustment for the year ended December 31, 2002 was to increase the net asset value per share by \$.03. The total return was also adjusted from -10.30% to -9.92% in accordance with this change (see Note K to Notes to Financial Statements).

SVS Janus Growth Opportunities Portfolio

For the 12 months ended December 31, 2003, the portfolio delivered a total return of 26.97% (Class A shares, unadjusted for contract charges), while the Russell 1000 Growth Index delivered 29.75%. After hitting a trough in the months leading up to the Iraq war, both the market and consumer confidence bounced back sharply by the time the hostilities began in mid-March. Later, signs that the manufacturing sector was emerging from its slump and a tax-cut-driven increase in consumer spending also lifted investors' spirits. As the fiscal year came to a close, stocks added to their gains, fueled by an acceleration of quarterly earnings and better-than-expected economic growth. Please see the following page for standardized performance as of December 31, 2003.

We focus on the fundamentals of individual businesses. However, certain sectors can affect the portfolio's performance. For example, information technology was by far the most significant contributor to absolute performance. The portfolio's position in the financials sector also aided results. Meanwhile, the portfolio's investments in industrials and consumer staples were its two weakest-performing groups. With key data points and anecdotal evidence pointing to an improving business environment, we increased the portfolio's growth bias, an area which performed strongly during the period. We also maintained a strict sell discipline as we managed individual positions in light of each company's risk profile and valuation. That said, our trims and sales during the period can be characterized by both risk-reduction as well as profit-taking efforts. In turn, we redeployed some of those assets in what we consider to be companies that are more tuned in to an improving economic picture.

Biotechnology firm Genentech, Inc. rose handsomely to become the portfolio's top performer. This was followed by networking giant Cisco Systems, Inc. and investment bank Morgan Stanley. Certain stocks did experience significant headwinds during the period, including defense contractor General Dynamics and Automatic Data Processing, a provider of payroll services (neither were in the portfolio as of 12/31/03).

While we certainly keep an eye on the macroeconomic picture, we believe it is the detailed financial modeling and creative research that gives us the edge when it comes to creating a collection of businesses with favorable risk/reward profiles.

Marc Pinto

Lead Manager, Janus Capital Management LLC, Subadvisor to the Portfolio

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Risk Considerations

This portfolio may at times have significant exposure to certain industry groups, which may react similarly to market developments (resulting in greater price volatility). The portfolio also may have significant exposure to foreign markets (which include risks such as currency fluctuation and political uncertainty). Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

The Russell 1000 Growth Index is an unmanaged index that measures the performance of those stocks in the Russell 1000 Index with greater-than-average growth orientation compared with the overall market. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly in an index.

Portfolio management market commentary is as of December 31, 2003, and may not come to pass. This information is subject to change at any time based on market and other conditions.

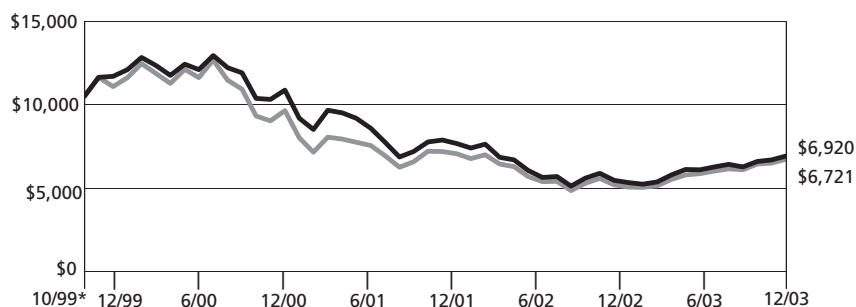
SVS Janus Growth Opportunities Portfolio

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Portfolios that emphasize investments in smaller companies may experience greater price volatility. This Portfolio may at times have significant exposure to certain industry groups, which may react similarly to market developments (resulting in greater price volatility). The Portfolio also may have significant exposure to foreign markets (which include risks such as currency fluctuation and political uncertainty). Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

Growth of an Assumed \$10,000 Investment in SVS Janus Growth Opportunities Portfolio from 10/29/1999 to 12/31/2003

- SVS Janus Growth Opportunities Portfolio — Class A
- Russell 1000 Growth Index



The Russell 1000 Growth Index is an unmanaged index composed of common stocks of larger US companies with higher price-to-book ratios and higher forecasted growth values. Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

SVS Janus Growth Opportunities Portfolio	1-Year	3-Year	Life of Portfolio*
Class A			
Growth of \$10,000	\$12,697	\$6,710	\$6,920
Average annual total return	26.97%	-12.45%	-8.45%
Russell 1000 Growth Index			
Growth of \$10,000	\$12,975	\$7,446	\$6,721
Average annual total return	29.75%	-9.36%	-9.10%
SVS Janus Growth Opportunities Portfolio	1-Year	Life of Class**	
Class B			
Growth of \$10,000	\$12,647	\$11,721	
Average annual total return	26.47%	11.16%	
Russell 1000 Growth Index			
Growth of \$10,000	\$12,975	\$11,811	
Average annual total return	29.75%	11.73%	

The growth of \$10,000 is cumulative.

* The Portfolio commenced operations on October 29, 1999. Index returns begin on October 31, 1999. Total returns would have been lower for the 3-Year and Life of Portfolio periods for Class A shares if the Portfolio's expenses were not maintained.

** The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.

Information concerning portfolio holdings of the Portfolio as of a month end is available upon request no earlier than 15 days after the month end. Please call 1-800-778-1482.

SVS Janus Growth Opportunities Portfolio

	Shares	Value (\$)		Shares	Value (\$)
Common Stocks 98.1%					
Consumer Discretionary 18.5%					
Hotel Restaurants & Leisure 5.0%					
Hilton Hotels Corp.	193,575	3,315,940			
McDonald's Corp.	63,330	1,572,484			
MGM Mirage, Inc.*	51,610	1,941,052			
		6,829,476			
Media 9.0%					
Cablevision Systems New York Group "A"*	90,317	2,112,515			
Liberty Media Corp. "A"*	306,483	3,644,083			
Time Warner, Inc.*	175,505	3,157,335			
Viacom, Inc. "B"	77,180	3,425,248			
		12,339,181			
Multiline Retail 0.7%					
Target Corp.	26,735	1,026,624			
Specialty Retail 3.8%					
Home Depot, Inc.	35,695	1,266,815			
Staples, Inc.*	95,360	2,603,328			
TJX Companies, Inc.	59,575	1,313,629			
		5,183,772			
Consumer Staples 3.6%					
Beverages 0.8%					
Anheuser-Busch Companies, Inc.	22,410	1,180,559			
Food & Drug Retailing 1.7%					
Costco Wholesale Corp.*	61,825	2,298,653			
Household Products 1.1%					
Colgate-Palmolive Co.	30,210	1,512,011			
Energy 3.6%					
Energy Equipment & Services 1.2%					
Halliburton Co.	61,185	1,590,810			
Oil & Gas 2.4%					
Anadarko Petroleum Corp.	29,985	1,529,535			
ExxonMobil Corp.	44,285	1,815,685			
		3,345,220			
Financials 16.6%					
Banks 0.9%					
Bank of New York Co., Inc.	38,480	1,274,458			
Consumer Finance 3.3%					
American Express Co.	93,085	4,489,490			
Diversified Financial Services 11.0%					
Charles Schwab Corp.	184,622	2,185,924			
Citigroup, Inc.	36,438	1,768,700			
Fannie Mae	42,870	3,217,822			
Morgan Stanley	79,325	4,590,538			
SLM Corp.	89,625	3,377,070			
		15,140,054			
Insurance 1.4%					
Allstate Corp.	44,395	1,909,873			
Health Care 16.5%					
Biotechnology 8.7%					
Amgen, Inc.*	62,840	3,883,512			
Genentech, Inc.*	59,845	5,599,697			
OSI Pharmaceuticals, Inc.*	76,695	2,470,346			
		11,953,555			
Health Care Equipment & Supplies 2.4%					
Medtronic, Inc.	35,645	1,732,703			
St. Jude Medical, Inc.*	25,465	1,562,278			
		3,294,981			
Health Care Providers & Services 1.2%					
Caremark Rx, Inc.*	64,250	1,627,452			
Pharmaceuticals 4.2%					
Forest Laboratories, Inc.*	16,770	1,036,386			
Mylan Laboratories, Inc.	59,392	1,500,242			
Pfizer, Inc.	92,462	3,266,682			
		5,803,310			
Industrials 5.8%					
Aerospace & Defense 1.1%					
United Technologies Corp.	16,080	1,523,902			
Air Freight & Logistics 0.9%					
FedEx Corp.	19,015	1,283,512			
Airlines 1.1%					
Southwest Airlines Co.	95,210	1,536,689			
Industrial Conglomerates 2.7%					
General Electric Co.	65,685	2,034,921			
Tyco International Ltd.	60,575	1,605,238			
		3,640,159			
Information Technology 33.5%					
Communications Equipment 7.1%					
Cisco Systems, Inc.*	236,175	5,736,691			
Nokia Oyj (ADR)	238,565	4,055,605			
		9,792,296			
Computers & Peripherals 4.2%					
Dell, Inc.*	79,090	2,685,897			
Lexmark International, Inc.*	38,955	3,063,421			
		5,749,318			
Electronic Equipment & Instruments 1.4%					
Flextronics International Ltd.*	130,335	1,934,171			
Internet Software & Services 1.7%					
Yahoo!, Inc.*	50,870	2,297,798			
Semiconductors & Semiconductor Equipment 6.5%					
Applied Materials, Inc.*	168,615	3,785,407			
Linear Technology Corp.	70,790	2,978,135			
Texas Instruments, Inc.	74,660	2,193,511			
		8,957,053			

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

	Shares	Value (\$)
Software 12.6%		
Electronic Arts, Inc.*	58,200	2,780,796
Intuit, Inc.*	48,585	2,570,632
Microsoft Corp.	214,155	5,897,829
Oracle Corp.*	197,395	2,605,614
VERITAS Software Corp.*	92,440	3,435,070
		17,289,941
Total Common Stocks (Cost \$122,419,645)		134,804,318

	Shares	Value (\$)
Cash Equivalents 1.9%		
Scudder Cash Management QP Trust, 1.11% (b) (Cost \$2,599,061)	2,599,061	2,599,061
Total Investment Portfolio — 100.0% (Cost \$125,018,706) (a)		137,403,379

Notes to SVS Janus Growth Opportunities Portfolio of Investments

* Non-income producing security.

(a) The cost for federal income tax purposes was \$125,792,893. At December 31, 2003, net unrealized appreciation for all securities based on tax cost was \$11,610,486. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$19,085,794 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$7,475,308.

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

Financial Statements

Statement of Assets and Liabilities as of December 31, 2003

Assets

Investments:	
Investments in securities, at value (cost \$122,419,645)	\$ 134,804,318
Investment in Scudder Cash Management QP Trust (cost \$2,599,061)	2,599,061
Total investments in securities, at value (cost \$125,018,706)	137,403,379
Dividends receivable	50,845
Interest receivable	1,887
Receivable for Portfolio shares sold	360,699
Other assets	3,707
Total assets	137,820,517

Liabilities

Accrued management fee	107,560
Payable for Portfolio shares redeemed	34,207
Other accrued expenses and payables	90,895
Total liabilities	232,662
Net assets, at value	\$ 137,587,855

Net Assets

Net assets consist of:	
Accumulated net investment loss	(622)
Net unrealized appreciation (depreciation) on investments	12,384,673
Accumulated net realized gain (loss)	(96,472,143)
Paid-in capital	221,675,947
Net assets, at value	\$ 137,587,855

Class A

Net Asset Value , offering and redemption price per share (\$131,996,632 ÷ 19,085,611 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 6.92
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Class B

Net Asset Value , offering and redemption price per share (\$5,591,223 ÷ 812,791 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 6.88
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Statement of Operations for the year ended December 31, 2003

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$7,601)	\$ 1,099,477
Interest — Scudder Cash Management QP Trust	37,248
Total Income	1,136,725
Expenses:	
Management fee	1,194,758
Custodian and accounting fees	59,104
Distribution service fees (Class B)	7,285
Record keeping fees (Class B)	4,056
Auditing	33,842
Legal	26,261
Trustees' fees and expenses	778
Reports to shareholders	28,969
Registration fees	2,960
Other	5,451
Total expenses, before expense reductions	1,363,464
Expense reduction	(14)
Total expenses, after expense reduction	1,363,450
Net investment income (loss)	(226,725)

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from investments	(16,015,858)
Net unrealized appreciation (depreciation) during the period on investments	46,344,783
Net gain (loss) on investment transactions	30,328,925
Net increase (decrease) in net assets resulting from operations	\$ 30,102,200

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2003	2002
Operations:		
Net investment income (loss)	\$ (226,725)	\$ (135,729)
Net realized gain (loss) on investment transactions	(16,015,858)	(38,279,099)
Net unrealized appreciation (depreciation) on investment transactions during the period	46,344,783	(15,437,773)
Net increase (decrease) in net assets resulting from operations	30,102,200	(53,852,601)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	7,945,670	26,777,775
Cost of shares redeemed	(22,894,437)	(19,218,600)
Net increase (decrease) in net assets from Class A share transactions	(14,948,767)	7,559,175
Class B		
Proceeds from shares sold	5,021,617	179,925*
Cost of shares redeemed	(370,373)	(48)*
Net increase (decrease) in net assets from Class B share transactions	4,651,244	179,877
Increase (decrease) in net assets	19,804,677	(46,113,549)
Net assets at beginning of period	117,783,178	163,896,727
Net assets at end of period (including accumulated net investment loss of \$622 and \$1,096, respectively)	\$ 137,587,855	\$ 117,783,178
Other Information		
Class A		
Shares outstanding at beginning of period	21,572,540	20,845,925
Shares sold	1,334,121	3,881,549
Shares redeemed	(3,821,050)	(3,154,934)
Net increase (decrease) in Portfolio shares	(2,486,929)	726,615
Shares outstanding at end of period	19,085,611	21,572,540
Class B		
Shares outstanding at beginning of period	31,870	—
Shares sold	838,111	31,878*
Shares redeemed	(57,190)	(8)*
Net increase (decrease) in Portfolio shares	780,921	31,870
Shares outstanding at end of period	812,791	31,870

* For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

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

Financial Highlights

Class A

Years Ended December 31,	2003	2002	2001	2000 ^a	1999 ^{a,b}
Selected Per Share Data					
Net asset value, beginning of period	\$ 5.45	\$ 7.86	\$ 10.31	\$ 11.64	\$ 10.00
<i>Income (loss) from investment operations:</i>					
Net investment income (loss) ^c	(.01)	(.01)	(.03)	(.02)	— ^{***}
Net realized and unrealized gain (loss) on investment transactions	1.48	(2.40)	(2.42)	(1.31)	1.64
Total from investment operations	1.47	(2.41)	(2.45)	(1.33)	1.64
Net asset value, end of period	\$ 6.92	\$ 5.45	\$ 7.86	\$ 10.31	\$ 11.64
Total Return (%)	26.97	(30.53)	(23.76)	(11.42) ^d	16.43 ^{d**}
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period (\$ millions)	132	118	164	139	17
Ratio of expenses before expense reductions (%)	1.07	1.01	1.11	1.06	2.60*
Ratio of expenses after expense reductions (%)	1.07	1.01	1.10	1.01	1.10*
Ratio of net investment income (loss) (%)	(.17)	(.10)	(.31)	(.20)	(.34)*
Portfolio turnover rate (%)	50	48	34	14	1*

^a On June 18, 2001, the Portfolio implemented a 1 for 10 reverse stock split. Share and per share information, for the periods prior to December 31, 2001, have been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly.

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

^c Based on average shares outstanding during the period.

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

* Annualized

** Not annualized

*** Amount is less than \$.005

Class B

Years Ended December 31,	2003	2002 ^a
Selected Per Share Data		
Net asset value, beginning of period	\$ 5.44	\$ 5.87
<i>Income (loss) from investment operations:</i>		
Net investment income (loss) ^b	(.04)	(.01)
Net realized and unrealized gain (loss) on investment transactions	1.48	(.42)
Total from investment operations	1.44	(.43)
Net asset value, end of period	\$ 6.88	\$ 5.44
Total Return (%)	26.47	(7.33)**
Ratios to Average Net Assets and Supplemental Data		
Net assets, end of period (\$ millions)	6	.2
Ratio of expenses (%)	1.46	1.29*
Ratio of net investment income (loss) (%)	(.56)	(.49)*
Portfolio turnover rate (%)	50	48

^a For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

^b Based on average shares outstanding during the period.

* Annualized

** Not annualized

SVS Oak Strategic Equity Portfolio

The portfolio provided a strong total return of 49.78% (Class A shares, unadjusted for contract charges) and far outpaced its benchmark, the Russell 1000 Growth Index, which rose 29.75% for the period. The index measures the performance of large companies with greater-than-average growth orientation compared with the overall market. Many of the index sectors posted double-digit gains for the year. Economically sensitive areas including information technology, materials, consumer discretionary, and industrials gained 28% or more. Only the telecommunications services sector declined for the year, due to industry-specific issues. Please see the following page for standardized performance as of December 31, 2003.

For the portfolio, technology shares enjoyed the greatest degree of relative outperformance, highlighted by semiconductors and networking stocks, many of which more than doubled. Financials also did well after starting the year off slowly. Those financial stocks with sensitivity to the markets generally posted the largest gains. Our health care positions tended to lag the overall market, consistent with what one would expect in the earlier stages of a cyclical economic recovery. As the cyclical recovery stabilizes into a secular growth period, health care should reverse its recent underperformance.

While we tweak our portfolios each year, we are generally where we want to be. Given the growth of capitalism around the globe and the competition that should follow suit, we remain focused on those sectors that have a high degree of innovation or sustainable relative cost advantages. Innovation in terms of new products or processes will be one of the few ways for companies to generate sustained, above-average profit growth in the current economic climate.

Consistent with this focus on innovation, we have our investments focused on three areas of the economy — technology, financial services and health care. These sectors represent what we believe to be the best of what America has to offer the rest of the world. In many cases, nearly half of the revenues and profits of our holdings come from growing underpenetrated overseas markets. And the innovation rate continues. With regards to economic recoveries, these sectors have also tended to outperform on a longer-term basis following an economic recovery. This stands in contrast to areas like energy and materials that do well early in a recovery but fade relatively quickly.

James D. Oelschlager

Portfolio Manager

Oak Associates, Ltd., Subadvisor to the Portfolio

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

The portfolio may concentrate investments in specific sectors, which creates special risk considerations. Please read this portfolio's prospectus for specific details regarding its investments and risk profile.

The Russell 1000 Growth Index is an unmanaged index that measures the performance of large companies with greater-than-average growth orientation compared with the overall market. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly in an index.

Portfolio management market commentary is as of December 31, 2003, and may not come to pass. This information is subject to change at any time based on market and other conditions.

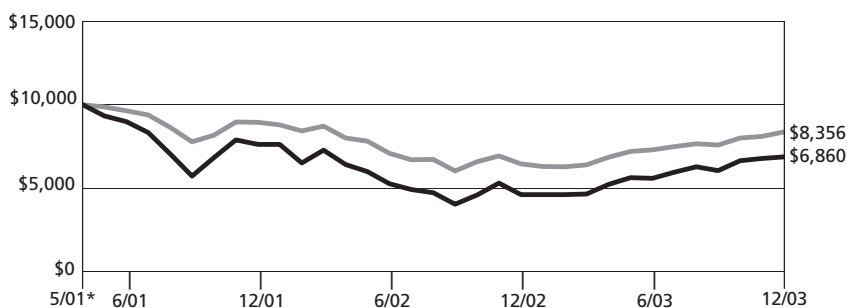
SVS Oak Strategic Equity Portfolio

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

The Portfolio may concentrate investments in specific sectors, which creates special risk considerations. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

Growth of an Assumed \$10,000 Investment in SVS Oak Strategic Equity Portfolio from 5/1/2001 to 12/31/2003

- SVS Oak Strategic Equity Portfolio — Class A
- Russell 1000 Growth Index



The Russell 1000 Growth Index consists of those stocks in the Russell 1000 Index with higher price-to-book ratios and higher forecasted growth values. Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

Investment		1-Year	Life of Portfolio*
SVS Oak Strategic Equity Portfolio Class A	Growth of \$10,000	\$14,978	\$6,860
	Average annual total return	49.78%	-13.18%
Russell 1000 Growth Index	Growth of \$10,000	\$12,975	\$8,356
	Average annual total return	29.75%	-6.51%
		1-Year	Life of Class**
SVS Oak Strategic Equity Portfolio Class B	Growth of \$10,000	\$14,913	\$13,552
	Average annual total return	49.13%	22.45%
Russell 1000 Growth Index	Growth of \$10,000	\$12,975	\$11,811
	Average annual total return	29.75%	11.73%

The growth of \$10,000 is cumulative.

* The Portfolio commenced operations on May 1, 2001. Index returns begin April 30, 2001. Total returns would have been lower for the Life of Portfolio period for Class A shares if the Portfolio's expenses were not maintained.

** The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.

Information concerning portfolio holdings of the Portfolio as of a month end is available upon request no earlier than 15 days after the month end. Please call 1-800-778-1482.

SVS Oak Strategic Equity Portfolio

	Shares	Value (\$)		Shares	Value (\$)
Common Stocks 97.0%			Computers & Peripherals 8.6%		
Consumer Discretionary 4.4%			Dell, Inc.*		
Internet & Catalog Retail			EMC Corp.*		
eBay, Inc.*	60,500	3,907,695			7,570,328
Financials 20.7%			IT Consulting & Services 3.6%		
Diversified Financial Services 16.1%			Paychex, Inc.		
Charles Schwab Corp.	334,400	3,959,296		83,500	3,106,200
Citigroup, Inc.	74,000	3,591,960	Semiconductors & Semiconductor Equipment 23.7%		
MBNA Corp.	147,300	3,660,405	Applied Materials, Inc.*		
Morgan Stanley	49,900	2,887,713	Intel Corp.		
		14,099,374	Linear Technology Corp.		
Insurance 4.6%			Maxim Integrated Products, Inc.		
American International Group, Inc.	60,700	4,023,196	PMC-Sierra, Inc.*		
Health Care 17.6%			Xilinx, Inc.*		
Health Care Equipment & Supplies 5.0%					
Medtronic, Inc.	89,600	4,355,456	20,755,149		
Health Care Providers & Services 7.7%			Software 10.1%		
Cardinal Health, Inc.	65,000	3,975,400	Microsoft Corp.		
Express Scripts, Inc. "A"*	41,500	2,756,845	VERITAS Software Corp.*		
		6,732,245			
Pharmaceuticals 4.9%			Total Common Stocks (Cost \$73,542,830)		
Pfizer, Inc.	123,100	4,349,123	85,007,146		
Information Technology 54.3%			Cash Equivalents 3.0%		
Communications Equipment 8.3%			Scudder Cash Management QP		
Cisco Systems, Inc.*	152,600	3,706,654	Trust, 1.11% (b) (Cost \$2,588,546)		
Juniper Networks, Inc.*	189,700	3,543,596			
		7,250,250	Total Investment Portfolio — 100.0%		
			(Cost \$76,131,376) (a)		
			87,595,692		

Notes to SVS Oak Strategic Equity Portfolio of Investments

* Non-income producing security.

(a) The cost for federal income tax purposes was \$76,135,134. At December 31, 2003, net unrealized appreciation for all securities based on tax cost was \$11,460,558. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$11,763,459 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$302,901.

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

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

Financial Statements

Statement of Assets and Liabilities as of December 31, 2003

Assets

Investments:	
Investments in securities, at value (cost \$73,542,830)	\$ 85,007,146
Investment in Scudder Cash Management QP Trust (cost \$2,588,546)	2,588,546
Total investments in securities, at value (cost \$76,131,376)	87,595,692
Cash	10,000
Receivable for investments sold	142,960
Dividends receivable	23,176
Interest receivable	3,136
Receivable for Portfolio shares sold	147,787
Other assets	1,859
Total assets	87,924,610

Liabilities

Payable for investments purchased	1,321,224
Payable for Portfolio shares redeemed	234,188
Accrued management fee	72,319
Other accrued expenses and payables	63,125
Total liabilities	1,690,856
Net assets, at value	\$ 86,233,754

Net Assets

Net assets consist of:	
Accumulated net investment loss	(255)
Net unrealized appreciation (depreciation) on investments	11,464,316
Accumulated net realized gain (loss)	(10,504,492)
Paid-in capital	85,274,185
Net assets, at value	\$ 86,233,754

Class A

Net Asset Value , offering and redemption price per share (\$75,762,088 ÷ 11,043,224 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 6.86
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Class B

Net Asset Value , offering and redemption price per share (\$10,471,666 ÷ 1,533,571 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 6.83
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Statement of Operations for the year ended December 31, 2003

Investment Income

Income:	
Dividends	\$ 355,661
Interest — Scudder Cash Management QP Trust	35,782
Total Income	391,443
Expenses:	
Management fee	568,504
Custodian and accounting fees	47,661
Distribution service fees (Class B)	10,426
Record keeping fees (Class B)	5,845
Auditing	40,841
Legal	8,411
Trustees' fees and expenses	1,333
Reports to shareholders	9,671
Other	2,178
Total expenses, before expense reductions	694,870
Expense reductions	(11)
Total expenses, after expense reductions	694,859
Net investment income (loss)	(303,416)

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from investments	(4,050,440)
Net unrealized appreciation (depreciation) during the period on investments	27,866,046
Net gain (loss) on investment transactions	23,815,606
Net increase (decrease) in net assets resulting from operations	\$ 23,512,190

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2003	2002
Operations:		
Net investment income (loss)	\$ (303,416)	\$ (131,581)
Net realized gain (loss) on investment transactions	(4,050,440)	(6,132,329)
Net unrealized appreciation (depreciation) on investment transactions during the period	27,866,046	(16,366,021)
Net increase (decrease) in net assets resulting from operations	23,512,190	(22,629,931)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	23,109,017	34,556,591
Cost of shares redeemed	(9,960,954)	(15,042,811)
Net increase (decrease) in net assets from Class A share transactions	13,148,063	19,513,780
Class B		
Proceeds from shares sold	8,766,882	368,666*
Cost of shares redeemed	(230,435)	(441)*
Net increase (decrease) in net assets from Class B share transactions	8,536,447	368,225
Increase (decrease) in net assets	45,196,700	(2,747,926)
Net assets at beginning of period	41,037,054	43,784,980
Net assets at end of period (including accumulated net investment loss of \$255 and \$217, respectively)	\$ 86,233,754	\$ 41,037,054
Other Information		
Class A		
Shares outstanding at beginning of period	8,877,415	5,764,587
Shares sold	3,930,253	5,561,607
Shares redeemed	(1,764,444)	(2,448,779)
Net increase (decrease) in Portfolio shares	2,165,809	3,112,828
Shares outstanding at end of period	11,043,224	8,877,415
Class B		
Shares outstanding at beginning of period	77,050	—
Shares sold	1,494,172	77,137*
Shares redeemed	(37,651)	(87)*
Net increase (decrease) in Portfolio shares	1,456,521	77,050
Shares outstanding at end of period	1,533,571	77,050

* For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

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

Financial Highlights

Class A

Years Ended December 31,	2003	2002	2001 ^a
Selected Per Share Data			
Net asset value, beginning of period	\$ 4.58	\$ 7.60	\$ 10.00
<i>Income (loss) from investment operations:</i>			
Net investment income (loss) ^b	(.03)	(.02)	(.02)
Net realized and unrealized gain (loss) on investment transactions	2.31	(3.00)	(2.38)
Total from investment operations	2.28	(3.02)	(2.40)
Net asset value, end of period	\$ 6.86	\$ 4.58	\$ 7.60
Total Return (%)	49.78	(39.74)	(24.00) ^{c**}
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period (\$ millions)	76	41	44
Ratio of expenses before expense reductions (%)	1.13	.96	1.44*
Ratio of expenses after expense reductions (%)	1.13	.96	1.15*
Ratio of net investment income (loss) (%)	(.48)	(.30)	(.43)*
Portfolio turnover rate (%)	6	16	3*

^a For the period from May 1, 2001 (commencement of operations) to December 31, 2001.

^b Based on average shares outstanding during the period.

^c Total return would have been lower had certain expenses not been reduced.

* Annualized

** Not annualized

Class B

Years Ended December 31,	2003	2002 ^a
Selected Per Share Data		
Net asset value, beginning of period	\$ 4.58	\$ 5.04
<i>Income (loss) from investment operations:</i>		
Net investment income (loss) ^b	(.06)	(.02)
Net realized and unrealized gain (loss) on investment transactions	2.31	(.44)
Total from investment operations	2.25	(.46)
Net asset value, end of period	\$ 6.83	\$ 4.58
Total Return (%)	49.13	(9.13) ^{**}
Ratios to Average Net Assets and Supplemental Data		
Net assets, end of period (\$ millions)	10	.4
Ratio of expenses (%)	1.52	1.21*
Ratio of net investment income (loss) (%)	(.87)	(.68)*
Portfolio turnover rate (%)	6	16

^a For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

^b Based on average shares outstanding during the period.

* Annualized

** Not annualized

SVS Turner Mid Cap Growth Portfolio

After three consecutive years of losses in the US equity markets, stocks delivered significant gains during 2003. A broad-based rally began in mid-March, spurred on by low interest rates, strong consumer activity and the belief that the recovering economy would revive corporate earnings. Tax relief, strong economic data and demonstrable growth in corporate profits boosted investor confidence and sustained the rally through the fourth quarter. For the year, the portfolio recorded a total return of 48.49% (Class A shares, unadjusted for contract charges), outperforming the 42.71% gain posted by the Russell Midcap Growth Index. The unmanaged, capitalization-weighted index represents medium and medium/small companies in the Russell 1000 Index chosen for their growth orientation. Please see the following page for standardized performance as of December 31, 2003.

Holdings in the traditional growth sectors of technology, consumer discretionary and health care contributed the most to performance for the year. Specific areas of strength in technology included packaged software and telecommunication equipment companies. Bright spots in the consumer discretionary sector included retailers Coach, Inc. and Chico's FAS, Inc., and cruise line operator Royal Caribbean Cruises Ltd. In health care, the portfolio's holdings in biotechnology, managed health care and pharmaceuticals contributed to results for the year. The portfolio's holdings in the autos and transportation and utilities sectors, specifically companies in the airlines and wireless communications industries, hurt performance results for the year.

We believe a rebound in corporate spending, low interest rates and an improving outlook for employment will have a favorable impact on economic activity and should sustain economic growth. We continue to focus on investing in companies that are best positioned to benefit from improving trends and to deliver long-term earnings growth.

Christopher K. McHugh

William C. McVail

Robert E. Turner

Co-Managers

Turner Investment Partners, Inc., Subadvisor to the Portfolio

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

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

The Russell Midcap Growth Index is an unmanaged, capitalization-weighted index of medium and medium/small companies in the Russell 1000 Index chosen for their growth orientation. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly in an index.

Portfolio management market commentary is as of December 31, 2003, and may not come to pass. This information is subject to change at any time based on market and other conditions.

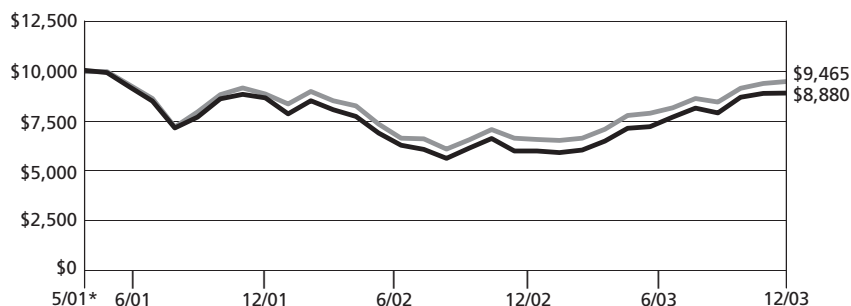
SVS Turner Mid Cap Growth Portfolio

All performance shown is historical and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The product's most recent month-end performance will be available on scudder.com as of 3/31/04. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

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

Growth of an Assumed \$10,000 Investment in SVS Turner Mid Cap Growth Portfolio from 5/1/2001 to 12/31/2003

- SVS Turner Mid Cap Growth Portfolio — Class A
- Russell Midcap Growth Index



Russell Midcap Growth Index is an unmanaged index composed of common stocks of midcap companies with higher price-to-book ratios and higher forecasted growth values. Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

SVS Turner Mid Cap Growth Portfolio	1-Year	Life of Portfolio*
Class A		
Growth of \$10,000	\$14,849	\$8,880
Average annual total return	48.49%	-4.36%
Russell Midcap Growth Index		
Growth of \$10,000	\$14,271	\$9,465
Average annual total return	42.71%	-2.04%
SVS Turner Mid Cap Growth Portfolio	1-Year	Life of Class**
Class B		
Growth of \$10,000	\$14,807	\$13,394
Average annual total return	48.07%	21.50%
Russell Midcap Growth Index		
Growth of \$10,000	\$14,271	\$12,902
Average annual total return	42.71%	18.52%

The growth of \$10,000 is cumulative.

* The Portfolio commenced operations on May 1, 2001. Index returns begin April 30, 2001. Total returns would have been lower for the Life of Portfolio period for Class A shares if the Portfolio's expenses were not maintained.

** The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.

Information concerning portfolio holdings of the Portfolio as of a month end is available upon request no earlier than 15 days after the month end. Please call 1-800-778-1482.

SVS Turner Mid Cap Growth Portfolio

	Shares	Value (\$)		Shares	Value (\$)
Common Stocks 96.9%					
Consumer Discretionary 15.7%					
Hotel Restaurants & Leisure 7.3%					
International Game Technology	41,700	1,488,690			
Marriott International, Inc. "A"	18,950	875,490			
MGM Mirage, Inc.*	18,360	690,519			
RARE Hospitality International, Inc.*	21,530	526,193			
Royal Caribbean Cruises Ltd.	29,320	1,020,043			
Ruby Tuesday, Inc.	22,430	639,031			
Starbucks Corp.*	49,950	1,651,347			
Starwood Hotels & Resorts Worldwide, Inc.	30,570	1,099,603			
The Cheesecake Factory, Inc.*	23,940	1,054,078			
		9,044,994			
Leisure Equipment & Products 0.9%					
Marvel Enterprises, Inc.*	37,520	1,092,207			
Media 3.1%					
Interpublic Group of Companies, Inc.*	63,930	997,308			
Pixar, Inc.*	8,170	566,099			
Univision Communications, Inc. "A"*	30,830	1,223,643			
XM Satellite Radio Holdings, Inc.*	37,170	979,801			
		3,766,851			
Specialty Retail 3.5%					
Chico's FAS, Inc.*	31,380	1,159,491			
Cost Plus, Inc.*	15,760	646,160			
Leapfrog Enterprises, Inc.*	18,350	486,826			
Tiffany & Co.	25,130	1,135,876			
Williams-Sonoma, Inc.*	25,160	874,813			
		4,303,166			
Textiles, Apparel & Luxury Goods 0.9%					
Coach, Inc.*	30,850	1,164,588			
Consumer Staples 2.3%					
Food & Drug Retailing 0.6%					
Rite Aid Corp.*	119,450	721,478			
Food Products 1.1%					
Dean Foods Co.*	22,670	745,163			
Flowers Foods, Inc.	23,190	598,302			
		1,343,465			
Personal Products 0.6%					
NBTY, Inc.	29,000	778,940			
Energy 2.7%					
Energy Equipment & Services 1.5%					
Nabors Industries Ltd.*	12,110	502,565			
Smith International, Inc.*	31,000	1,287,120			
		1,789,685			
Oil & Gas 1.2%					
Chesapeake Energy Corp.	45,980	624,408			
XTO Energy, Inc.	31,730	897,959			
		1,522,367			
Financials 8.1%					
Banks 1.1%					
Silicon Valley Bancshares*	15,050	542,854			
Sovereign Bancorp, Inc.	35,890	852,387			
		1,395,241			
Diversified Financial Services 5.9%					
Ameritrade Holding Corp.*	113,500	1,596,945			
Investors Financial Services Corp.	31,670	1,216,445			
Jefferies Group, Inc.	13,840	456,997			
Legg Mason, Inc.	19,320	1,491,117			
Providian Financial Corp.*	51,140	595,269			
SEI Investments Co.	34,240	1,043,293			
T. Rowe Price Group, Inc.	18,090	857,647			
		7,257,713			
Insurance 1.1%					
Axis Capital Holdings Ltd.	18,480	541,094			
Radian Group, Inc.	15,430	752,213			
		1,293,307			
Health Care 19.5%					
Biotechnology 4.1%					
Celgene Corp.*	25,440	1,145,309			
Chiron Corp.*	18,530	1,056,025			
Gen-Probe, Inc.*	28,620	1,043,771			
Invitrogen Corp.*	13,120	918,400			
Neurocrine Biosciences, Inc.*	16,390	893,911			
		5,057,416			
Health Care Equipment & Supplies 3.9%					
DENTSPLY International, Inc.	9,900	447,183			
Fisher Scientific International, Inc.*	25,380	1,049,970			
Inamed Corp.*	15,180	729,551			
Varian Medical Systems, Inc.*	11,830	817,453			
Zimmer Holdings, Inc.*	24,760	1,743,104			
		4,787,261			
Health Care Providers & Services 7.8%					
Aetna, Inc.	14,330	968,421			
AmerisourceBergen Corp.	11,590	650,778			
Caremark Rx, Inc.*	51,620	1,307,535			
Community Health Systems, Inc.*	19,420	516,184			
Coventry Health Care, Inc.*	8,750	564,287			
Henry Schein, Inc.*	22,380	1,512,440			
Mid Atlantic Medical Services, Inc.*	18,750	1,215,000			
Omnicare, Inc.	20,000	807,800			
PacifiCare Health Systems, Inc.*	10,630	718,588			
Patterson Dental Co.	12,360	793,018			
Universal Health Services, Inc. "B"	10,890	585,011			
		9,639,062			
Pharmaceuticals 3.7%					
IVAX Corp.*	43,690	1,043,317			
Medicis Pharmaceutical Corp.	12,880	918,344			
Pharmaceutical Resources, Inc.*	15,920	1,037,188			
Taro Pharmaceutical Industries Ltd.*	12,520	807,540			
Watson Pharmaceuticals, Inc.*	16,030	737,380			
		4,543,769			

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

	Shares	Value (\$)		Shares	Value (\$)
Industrials 10.4%			Office Electronics 0.7%		
Air Freight & Couriers 0.4%			Semiconductors & Semiconductor Equipment 9.4%		
Expeditors International of Washington, Inc.	13,010	489,957	Zebra Technologies Corp. "A"*	13,520	897,323
Airlines 0.4%			Agere Systems, Inc. "A"*		
Airtran Holdings, Inc.*	42,120	501,228	Cymer, Inc.*	19,150	884,539
Commercial Services & Supplies 5.3%			Fairchild Semiconductor International, Inc.*		
Alliance Data Systems Corp.*	33,210	919,253	Integrated Device Technology, Inc.*	39,770	993,057
Allied Waste Industries, Inc.*	64,700	898,036	KLA-Tencor Corp.*	57,080	980,064
CheckFree Corp.*	28,700	793,555	Lam Research Corp.*	21,540	1,263,752
Cintas Corp.	16,120	808,095	Marvell Technology Group Ltd.*	66,480	2,147,304
Education Management Corp.*	18,840	584,794	National Semiconductor Corp.*	13,440	509,779
Manpower, Inc.	19,860	935,009	Novellus Systems, Inc.*	23,610	930,470
Monster Worldwide, Inc.*	33,560	736,978	PMC-Sierra, Inc.*	32,680	1,374,194
Tetra Tech, Inc.*	34,840	866,122	Silicon Laboratories, Inc.*	47,890	964,983
		6,541,842		17,400	752,028
			11,625,866		
Electrical Equipment 0.6%			Software 6.7%		
FormFactor, Inc.*	36,260	717,948	Adobe Systems, Inc.	32,480	1,276,464
Machinery 3.2%			CDW Corp.	30,540	1,763,991
Cummins, Inc.*	17,250	844,215	Citrix Systems, Inc.	30,530	647,541
Eaton Corp.	8,570	925,388	Electronic Arts, Inc.*	26,810	1,280,982
Navistar International Corp.*	19,040	911,826	Macromedia, Inc.*	28,600	510,224
SPX Corp.*	11,160	656,320	Mercury Interactive Corp.*	21,910	1,065,702
UNOVA, Inc.*	28,830	661,648	Red Hat, Inc.*	34,139	640,789
		3,999,397	Siebel Systems, Inc.*	79,130	1,097,533
			8,283,226		
Road & Rail 0.5%			Materials 4.0%		
GATX Corp.	22,310	624,234	Chemicals 1.8%		
Information Technology 31.6%			Air Products & Chemicals, Inc.	18,470	975,770
Communications Equipment 6.1%			Ecolab, Inc.	44,520	1,218,512
ADTRAN, Inc.	23,150	717,650	2,194,282		
Avaya, Inc.*	48,860	632,248	Containers & Packaging 0.5%		
CIENA Corp.*	99,660	661,742	Crown Holdings, Inc.*	69,510	629,761
Comverse Technologies, Inc.*	89,200	1,569,028	Metals & Mining 1.7%		
Corning, Inc.*	107,180	1,117,888	Freeport-McMoRan Copper & Gold, Inc. "B"	21,830	919,698
NetScreen Technologies, Inc.*	35,490	878,378	Phelps Dodge Corp.*	15,330	1,166,460
Polycom, Inc.*	43,070	840,726	2,086,158		
Sonus Networks, Inc.*	137,270	1,037,761	Telecommunication Services 1.5%		
		7,455,421	Diversified Telecommunication Services 0.4%		
Electronic Equipment & Instruments 4.0%			Time Warner Telecom, Inc. "A"*	57,994	587,479
Au Optronics Corp. (ADR)	47,560	566,915	Wireless Telecommunication Services 1.1%		
Lexar Media, Inc.*	45,460	792,368	Western Wireless Corp. "A"*	26,830	492,599
Molex, Inc.	34,900	1,217,661	Wireless Facilities, Inc.*	56,260	836,024
Sanmina-SCI Corp.*	111,020	1,399,962	1,328,623		
Vishay Intertechnology, Inc.*	40,000	916,000	Utilities 1.1%		
		4,892,906	Multi-Utilities & Unregulated Power		
Internet Software & Services 2.5%			AES Corp.*	62,930	594,059
CNET Networks, Inc.*	135,110	921,450	Williams Companies, Inc.	75,280	739,250
SINA Corp.	26,300	887,625	1,333,309		
VeriSign, Inc.*	81,140	1,322,582	Total Common Stocks (Cost \$93,821,686)		
		3,131,657	119,529,618		
IT Consulting & Services 2.2%					
Fiserv, Inc.*	30,500	1,205,055			
SunGard Data Systems, Inc.*	54,220	1,502,436			
		2,707,491			

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

	Shares	Value (\$)
Cash Equivalents 3.1%		
Scudder Cash Management QP Trust, 1.11% (b) (Cost \$3,785,241)	3,785,241	3,785,241
Total Investment Portfolio — 100.0% (Cost \$97,606,927) (a)		123,314,859

Notes to SVS Turner Mid Cap Growth Portfolio of Investments

* Non-income producing security.

(a) The cost for federal income tax purposes was \$98,327,351. At December 31, 2003, net unrealized appreciation for all securities based on tax cost was \$24,987,508. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$25,919,576 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$932,068.

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

Financial Statements

Statement of Assets and Liabilities as of December 31, 2003

Assets

Investments:	
Investments in securities, at value (cost \$93,821,686)	\$ 119,529,618
Investment in Scudder Cash Management QP Trust (cost \$3,785,241)	3,785,241
Total investments in securities, at value (cost \$97,606,927)	123,314,859
Cash	137,153
Receivable for investments sold	1,360,498
Dividends receivable	46,759
Interest receivable	4,574
Receivable for Portfolio shares sold	43,219
Other assets	2,650
Total assets	124,909,712

Liabilities

Payable for investments purchased	1,518,899
Payable for Portfolio shares redeemed	291,455
Accrued management fee	106,135
Other accrued expenses and payables	84,635
Total liabilities	2,001,124
Net assets, at value	\$ 122,908,588

Net Assets

Net assets consist of:	
Accumulated net investment loss	(281)
Net unrealized appreciation (depreciation) on investments	25,707,932
Accumulated net realized gain (loss)	(14,350,707)
Paid-in capital	111,551,644
Net assets, at value	\$ 122,908,588

Class A

Net Asset Value , offering and redemption price per share (\$109,653,685 ÷ 12,352,137 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 8.88
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Class B

Net Asset Value , offering and redemption price per share (\$13,254,903 ÷ 1,499,883 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 8.84
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Statement of Operations for the year ended December 31, 2003

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$163)	\$ 206,879
Interest — Scudder Cash Management QP Trust	35,177
Total Income	242,056
Expenses:	
Management fee	861,498
Custodian and accounting fees	73,781
Distribution service fees (Class B)	14,987
Record keeping fees (Class B)	8,304
Auditing	50,609
Legal	7,540
Trustees' fees and expenses	1,446
Reports to shareholders	11,444
Other	12,648
Total expenses, before expense reductions	1,042,257
Expense reductions	(50)
Total expenses, after expense reductions	1,042,207
Net investment income (loss)	(800,151)

Realized and Unrealized Gain (Loss) on Investment Transactions

Net realized gain (loss) from investments	10,584,885
Net unrealized appreciation (depreciation) during the period on investments	23,791,384
Net gain (loss) on investment transactions	34,376,269
Net increase (decrease) in net assets resulting from operations	\$ 33,576,118

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2003	2002
Operations:		
Net investment income (loss)	\$ (800,151)	\$ (506,121)
Net realized gain (loss) on investment transactions	10,584,885	(21,909,720)
Net unrealized appreciation (depreciation) on investment transactions during the period	23,791,384	(2,467,410)
Net increase (decrease) in net assets resulting from operations	33,576,118	(24,883,251)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	23,691,008	46,715,731
Cost of shares redeemed	(6,045,865)	(9,232,385)
Net increase (decrease) in net assets from Class A share transactions	17,645,143	37,483,346
Class B		
Proceeds from shares sold	11,019,067	597,955*
Cost of shares redeemed	(720,077)	(363)*
Net increase (decrease) in net assets from Class B share transactions	10,298,990	597,592
Increase (decrease) in net assets	61,520,251	13,197,687
Net assets at beginning of period	61,388,337	48,190,650
Net assets at end of period (including accumulated net investment loss of \$281 and \$224, respectively)	\$ 122,908,588	\$ 61,388,337

Other Information

Class A		
Shares outstanding at beginning of period	10,171,623	5,463,686
Shares sold	3,071,391	6,040,022
Shares redeemed	(890,877)	(1,332,085)
Net increase (decrease) in Portfolio shares	2,180,514	4,707,937
Shares outstanding at end of period	12,352,137	10,171,623
Class B		
Shares outstanding at beginning of period	96,707	—
Shares sold	1,496,481	96,763*
Shares redeemed	(93,305)	(56)*
Net increase (decrease) in Portfolio shares	1,403,176	96,707
Shares outstanding at end of period	1,499,883	96,707

* For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

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

Financial Highlights

Class A

Years Ended December 31,	2003	2002	2001 ^a
Selected Per Share Data			
Net asset value, beginning of period	\$ 5.98	\$ 8.82	\$ 10.00
<i>Income (loss) from investment operations:</i>			
Net investment income (loss) ^b	(.06)	(.06)	(.04)
Net realized and unrealized gain (loss) on investment transactions	2.96	(2.78)	(1.14) ^c
Total from investment operations	2.90	(2.84)	(1.18)
Net asset value, end of period	\$ 8.88	\$ 5.98	\$ 8.82
Total Return (%)	48.49	(32.20)	(11.80) ^{d**}

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	110	61	48
Ratio of expenses before expense reductions (%)	1.18	1.13	1.82*
Ratio of expenses after expense reductions (%)	1.18	1.13	1.30*
Ratio of net investment income (loss) (%)	(.90)	(.82)	(.76)*
Portfolio turnover rate (%)	155	225	205*

^a For the period from May 1, 2001 (commencement of operations) to December 31, 2001.

^b Based on average shares outstanding during the period.

^c The amount of net realized and unrealized gain shown for a share outstanding for the period ending December 31, 2001 does not correspond with the aggregate net loss on investments for the period due to the timing of sales and repurchases of Portfolio shares in relation to fluctuating market values of the investments of the Portfolio.

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

* Annualized

** Not annualized

Class B

Years Ended December 31,	2003	2002 ^a
Selected Per Share Data		
Net asset value, beginning of period	\$ 5.97	\$ 6.60
<i>Income (loss) from investment operations:</i>		
Net investment income (loss) ^b	(.09)	(.02)
Net realized and unrealized gain (loss) on investment transactions	2.96	(.61)
Total from investment operations	2.87	(.63)
Net asset value, end of period	\$ 8.84	\$ 5.97
Total Return (%)	48.07	(9.55) ^{**}

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	13	.6
Ratio of expenses (%)	1.57	1.38*
Ratio of net investment income (loss) (%)	(1.29)	(.81)*
Portfolio turnover rate (%)	155	225

^a For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

^b Based on an average shares outstanding during the period.

* Annualized

** Not annualized

Notes to Financial Statements

A. Significant Accounting Policies

Scudder Variable Series II (the “Trust”) is registered under the Investment Company Act of 1940, as amended (the “1940 Act”), as an open-end, diversified management investment company organized as a Massachusetts business trust. The Trust offers twenty-seven portfolios (the “portfolio(s)”). During the period, Scudder Investment Grade Bond Portfolio changed its name to Scudder Fixed Income Portfolio.

Multiple Classes of Shares of Beneficial Interest. The Trust offers two classes of shares (Class A shares and Class B shares). Sales of Class B shares are subject to Rule 12b-1 fees under the 1940 Act, and effective May 1, 2003 are subject to record keeping fees, equal to an annual rate of 0.25% and up to 0.15%, respectively, of the average daily net assets of the Class B shares of the applicable Portfolio. Class A shares are not subject to such fees.

Investment income, realized and unrealized gains and losses, and certain portfolio-level expenses and expense reductions, if any, are borne pro rata on the basis of relative net assets by the holders of all classes of shares except that each class bears certain expenses unique to that class (including the applicable 12b-1 fee and record keeping fee). Differences in class-level expenses may result in payment of different per share dividends by class. All shares have equal rights with respect to voting subject to class-specific arrangements.

The Trust’s financial statements are prepared in accordance with accounting principles generally accepted in the United States of America which require the use of management estimates. Actual results could differ from those estimates. The policies described below are followed consistently by the Trust in the preparation of its financial statements.

Security Valuation. Investments are stated at value determined as of the close of regular trading on the New York Stock Exchange on each day the exchange is open for trading. Equity securities are valued at the most recent sale price reported on the exchange (US or foreign) or over-the-counter market on which the security is traded most extensively. Securities for which no sales are reported are valued at the calculated mean between the most recent bid and asked quotations on the relevant market or, if a mean cannot be determined, at the most recent bid quotation.

Debt securities are valued by independent pricing services approved by the Trustees of the Portfolios. If the pricing services are unable to provide valuations, the securities are valued at the most recent bid quotation or evaluated price, as applicable, obtained from one or more broker-dealers. Such services may use various pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes.

Money market instruments purchased with an original or remaining maturity of sixty days or less, maturing at par, are valued at amortized cost. Investments in open-end investments companies and Scudder Cash Management QP Trust are valued at their net asset value each business day.

Securities and other assets for which market quotations are not readily available or for which the above valuation procedures are deemed not to reflect fair value are valued in a manner that is intended to reflect their fair value as determined in accordance with procedures approved by the Trustees.

Foreign Currency Translations. The books and records of the Trust are maintained in US dollars. Investment securities and other assets and liabilities denominated in a foreign currency are translated into US dollars at the prevailing exchange rates at period end. Purchases and sales of investment securities, income and expenses are translated into US dollars at the prevailing exchange rates on the respective dates of the transactions.

Net realized and unrealized gains and losses on foreign currency transactions represent net gains and losses between trade and settlement dates on securities transactions, the disposition of forward foreign currency exchange contracts and foreign currencies and the difference between the amount of net investment income accrued and the US dollar amount actually received. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed but is included with net realized and unrealized gains and losses on investment securities.

Repurchase Agreements. The portfolios may enter into repurchase agreements with certain banks and broker-dealers whereby the portfolios, through their custodian or sub-custodian bank, receive delivery of the underlying securities, the amount of which at the time of purchase and each subsequent business day is required to be maintained at such a level that the value is equal to at least the principal amount of the repurchase price plus accrued interest. The custodian bank holds the collateral in a separate account until the agreement matures. If the value of the securities falls below the principal amount of the repurchase agreement plus accrued interest, the financial institution deposits additional collateral by the following business day. If the financial institution either fails to deposit the required additional collateral or fails to repurchase the securities as agreed, the portfolios have the right to sell the securities and recover any resulting loss from the financial institution. If the financial institution enters into bankruptcy, the portfolios’ claims on the collateral may be subject to legal proceedings.

Options. An option contract is a contract in which the writer of the option grants the buyer of the option the right to purchase from (call option), or sell to (put option), the writer a designated instrument at a specified price within a specified period of time.

Certain options, including options on indices, will require cash settlement by the portfolio if the option is exercised. The portfolios may enter into option contracts in order to hedge against potential adverse price movements in the value of portfolio assets; as a temporary substitute for selling selected investments; to lock in the purchase price of a security or currency which it expects to purchase in the near future; as a temporary substitute for purchasing selected investments; and to enhance potential gain.

The liability representing the portfolio's obligation under an exchange traded written option or investment in a purchased option is valued at the last sale price or, in the absence of a sale, the mean between the closing bid and asked prices or at the most recent asked price (bid for purchased options) if no bid and asked price are available. Over-the-counter written or purchased options are valued using dealer-supplied quotations. Gain or loss is recognized when the option contract expires or is closed.

If the portfolio writes a covered call option, the portfolio foregoes, in exchange for the premium, the opportunity to profit during the option period from an increase in the market value of the underlying security above the exercise price. If the portfolio writes a put option it accepts the risk of a decline in the value of the underlying security below the exercise price. Over-the-counter options have the risk of the potential inability of counterparties to meet the terms of their contracts. The portfolio's maximum exposure to purchased options is limited to the premium initially paid. In addition, certain risks may arise upon entering into option contracts including the risk that an illiquid secondary market will limit the portfolio's ability to close out an option contract prior to the expiration date and that a change in the value of the option contract may not correlate exactly with changes in the value of the securities or currencies hedged.

Futures Contracts. A futures contract is an agreement between a buyer or seller and an established futures exchange or its clearinghouse in which the buyer or seller agrees to take or make a delivery of a specific amount of a financial instrument at a specified price on a specific date (settlement date). The portfolios may enter into futures contracts as a hedge against anticipated interest rate, currency or equity market changes and for duration management, risk management and return enhancement purposes.

Upon entering into a futures contract, the portfolio is required to deposit with a financial intermediary an amount ("initial margin") equal to a certain percentage of the face value indicated in the futures contract. Subsequent payments ("variation margin") are made or received by the portfolio dependent upon the daily fluctuations in the value of the underlying security and are recorded for financial reporting purposes as unrealized gains or losses by the portfolio. When entering into a closing transaction, the portfolio will realize a gain or loss equal to the difference between the value of the futures contract to sell and the futures contract to buy. Futures contracts are valued at the most recent settlement price.

Certain risks may arise upon entering into futures contracts, including the risk that an illiquid secondary market will limit the portfolio's ability to close out a futures contract prior to the settlement date and that a change in the value of a futures contract may not correlate exactly with the changes in the value of the securities or currencies hedged. When utilizing futures contracts to hedge, the portfolio gives up the opportunity to profit from favorable price movements in the hedged positions during the term of the contract.

Forward Foreign Currency Exchange Contracts. A forward foreign currency exchange contract (forward currency contract) is a commitment to purchase or sell a foreign currency at the settlement date at a negotiated rate. The portfolios may enter into forward currency contracts in order to hedge its exposure to changes in foreign currency exchange rates on its foreign currency denominated portfolio holdings and to facilitate transactions in foreign currency denominated securities.

Forward currency contracts are valued at the prevailing forward exchange rate of the underlying currencies and unrealized gain (loss) is recorded daily. Sales and purchases of forward currency contracts having the same settlement date and broker are offset and any gain (loss) is realized on the date of offset; otherwise, gain (loss) is realized on settlement date. Realized and unrealized gains and losses which represent the difference between the value of a forward currency contract to buy and a forward currency contract to sell are included in net realized and unrealized gain (loss) from foreign currency related transactions.

Certain risks may arise upon entering into forward currency contracts from the potential inability of counterparties to meet the terms of their contracts. Additionally, when utilizing forward currency contracts to hedge, the portfolio gives up the opportunity to profit from favorable exchange rate movements during the term of the contract.

Mortgage Dollar Rolls. The Scudder Fixed Income Portfolio, Scudder Government Securities Portfolio and Scudder Total Return Portfolio entered into mortgage dollar rolls in which each portfolio sells to a bank or broker/dealer (the "counterparty") mortgage-backed securities for delivery in the current month and simultaneously contracts to repurchase similar, but not identical, securities on a fixed date. The counterparty receives all principal and interest payments, including prepayments, made on the security while it is the holder. Each portfolio receives compensation as consideration for entering into the commitment to repurchase. The compensation is paid in the form of a lower price for the security upon its repurchase, or alternatively, a fee. Mortgage dollar rolls may be renewed with a new sale and repurchase price and a cash settlement made at each renewal without physical delivery of the securities subject to the contract.

Mortgage dollar rolls may be treated for purposes of the 1940 Act as borrowings by each portfolio because they involve the sale of a security coupled with an agreement to repurchase. A mortgage dollar roll involves costs to each portfolio. For example, while each portfolio receives compensation as consideration for agreeing to repurchase the security, each portfolio forgoes the right to receive all principal and interest payments while the counterparty holds the security. These payments to the counterparty may exceed the compensation received by each portfolio, thereby effectively charging each portfolio interest on its borrowings. Further, although each portfolio can estimate the amount of expected principal prepayment over the term of the mortgage dollar roll, a variation in the actual amount of prepayment could increase or decrease the cost of each portfolio's borrowing.

Certain risks may arise upon entering into mortgage dollar rolls from the potential inability of counterparties to meet the terms of their commitments. Additionally, the value of such securities may change adversely before each portfolio is able to repurchase them. There can be no assurance that each portfolio's use of the cash that it receives from a mortgage dollar roll will provide a return that exceeds its borrowing costs.

When-Issued/Delayed Delivery Securities. Several of the portfolios may purchase securities with delivery or payment to occur at a later date beyond the normal settlement period. At the time the portfolio enters into a commitment to purchase a security, the transaction is recorded and the value of the security is reflected in the net asset value. The price of such security and the date when the security will be delivered and paid for are fixed at the time the transaction is negotiated. The value of the security may vary with market fluctuations. No interest accrues to the portfolio until payment takes place. At the time the portfolio enters into this type of transaction it is required to segregate cash or other liquid assets at least equal to the amount of the commitment.

Certain risks may arise upon entering into when-issued or delayed delivery securities from the potential inability of counterparties to meet the terms of their contracts or if the issuer does not issue the securities due to political, economic, or other factors. Additionally, losses may arise due to changes in the value of the underlying securities.

Federal Income Taxes. The portfolios' policy is to comply with the requirements of the Internal Revenue Code of 1986, as amended, which are applicable to regulated investment companies and to distribute all of its taxable and tax-exempt income to its shareholders. Accordingly, the portfolios paid no federal income taxes and no federal income tax provision was required.

At December 31, 2003, the following portfolios had an approximate net tax basis capital loss carryforward which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until the following expiration dates, whichever occurs first:

Portfolio	Capital Loss Carryforward (\$)	Expiration Date
Scudder Aggressive Growth Portfolio	3,153,000	12/31/2008
	5,489,000	12/31/2009
	8,989,000	12/31/2010
	23,998,000	12/31/2011
Scudder Blue Chip Portfolio	33,261,000	12/31/2009
	21,981,000	12/31/2010
Scudder Contrarian Value Portfolio	19,935,000	12/31/2008
	11,765,000	12/31/2010
	6,438,000	12/31/2011
Scudder Global Blue Chip Portfolio	2,711,000	12/31/2009
	4,724,000	12/31/2010
	2,456,000	12/31/2011
Scudder Growth Portfolio*	127,000	12/31/2007
	94,269,000	12/31/2009
	39,544,000	12/31/2010
	24,621,000	12/31/2011
Scudder High Income Portfolio	12,052,000	12/31/2007
	16,114,000	12/31/2008
	22,935,000	12/31/2009
	55,108,000	12/31/2010
	13,877,000	12/31/2011
Scudder International Select Equity Portfolio*	130,000	12/31/2007
	3,819,000	12/31/2008
	30,360,000	12/31/2009

Portfolio	Capital Loss Carryforward (\$)	Expiration Date
	20,016,000	12/31/2010
	4,400,000	12/31/2011
Scudder Small Cap Growth Portfolio	83,569,000	12/31/2009
	62,668,000	12/31/2010
Scudder Technology Growth Portfolio	8,613,000	12/31/2008
	94,141,000	12/31/2009
	93,499,000	12/31/2010
	71,517,000	12/31/2011
Scudder Total Return Portfolio	57,276,000	12/31/2009
	8,813,000	12/31/2010
	46,269,000	12/31/2011
SVS Davis Venture Value Portfolio	127,000	12/31/2009
	4,386,000	12/31/2010
	1,390,000	12/31/2011
SVS Dreman Financial Services Portfolio	2,341,000	12/31/2009
	2,479,000	12/31/2010
	2,101,000	12/31/2011
SVS Dreman High Return Equity Portfolio	21,004,000	12/31/2010
	8,716,000	12/31/2011
SVS Dreman Small Cap Value Portfolio	15,799,000	12/31/2011
SVS Eagle Focused Large Cap Growth Portfolio	1,336,000	12/31/2008
	7,025,000	12/31/2009
	13,889,000	12/31/2010
	334,000	12/31/2011
SVS Focus Value+Growth Portfolio	9,619,000	12/31/2009
	15,209,000	12/31/2010
	7,546,000	12/31/2011
SVS Index 500 Portfolio	448,000	12/31/2008
	3,267,000	12/31/2009
	9,116,000	12/31/2010
	3,518,000	12/31/2011
SVS INVESCO Dynamic Growth Portfolio	317,000	12/31/2009
	6,175,000	12/31/2010
	377,000	12/31/2011
SVS Janus Growth and Income Portfolio	3,871,000	12/31/2008
	16,173,000	12/31/2009
	29,907,000	12/31/2010
	6,934,000	12/31/2011
SVS Janus Growth Opportunities Portfolio	2,379,000	12/31/2008
	31,299,000	12/31/2009
	42,499,000	12/31/2010
	19,473,000	12/31/2011
SVS Oak Strategic Equity Portfolio	322,000	12/31/2009
	4,400,000	12/31/2010
	2,522,000	12/31/2011
SVS Turner Mid Cap Growth Portfolio	13,630,000	12/31/2010

* Certain of these losses may be subject to limitations under Section 381–383 of the Internal Revenue Code.

For the period from November 1, 2003 through December 31, 2003, the following portfolios incurred approximate net realized capital losses as follows:

Portfolio	Net Realized Capital Loss (\$)
Scudder Aggressive Growth Portfolio	11,000
Scudder Government Securities Portfolio	376,000
Scudder High Income Portfolio	1,859,000
Scudder International Select Equity Portfolio	564,000
Scudder Small Cap Growth Portfolio	81,000
Scudder Strategic Income Portfolio	52,000
Scudder Technology Growth Portfolio	118,000
Scudder Total Return Portfolio	19,000
SVS Davis Venture Value Portfolio	512,000
SVS Index 500 Portfolio	512,000
SVS Janus Growth and Income Portfolio	535,000
SVS Janus Growth Opportunities Portfolio	48,000
SVS Oak Strategic Equity Portfolio	3,256,000

As permitted by tax regulations, the portfolios intend to elect to defer these losses and treat them as arising in the fiscal year ended December 31, 2004.

Distribution of Income and Gains. Distributions of net investment income, if any, for all portfolios except the Scudder Money Market Portfolio, are made annually. Net realized gains from investment transactions, in excess of available capital loss carryforwards, would be taxable to the portfolio if not distributed and, therefore, will be distributed to shareholders at least annually. All of the net investment income of the Scudder Money Market Portfolio is declared as a daily dividend and is distributed to shareholders monthly.

The timing and characterization of certain income and capital gains distributions are determined annually in accordance with federal tax regulations which may differ from accounting principles generally accepted in the United States of America. As a result, net investment income (loss) and net realized gain (loss) on investment transactions for a reporting period may differ significantly from distributions during such period. Accordingly, a portfolio may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the portfolio.

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

Portfolio	Undistributed ordinary income (\$)	Undistributed net long-term capital gains (\$)	Capital loss carryforwards (\$)	Unrealized appreciation (depreciation) on investments (\$)
Scudder Aggressive Growth Portfolio	—	—	(41,629,000)	10,619,140
Scudder Blue Chip Portfolio	1,623,216	—	(55,242,000)	33,092,887
Scudder Contrarian Value Portfolio	4,296,630	—	(38,138,000)	38,388,651
Scudder Fixed Income Portfolio	11,126,479	1,643,431	—	2,084,860
Scudder Global Blue Chip Portfolio	701,947	—	(9,891,000)	8,952,632
Scudder Government Securities Portfolio	12,542,933	—	—	3,109,941
Scudder Growth Portfolio	738,141	—	(158,561,000)	53,239,196
Scudder High Income Portfolio	32,155,873	—	(120,086,000)	1,201,402
Scudder International Select Equity Portfolio	1,728,272	—	(58,725,000)	30,755,893
Scudder Small Cap Growth Portfolio	—	—	(146,237,000)	29,666,867
Scudder Strategic Income Portfolio	2,510,490	744,010	—	4,592,130
Scudder Technology Growth Portfolio	—	—	(267,770,000)	19,331,698
Scudder Total Return Portfolio	10,314,307	—	(112,358,000)	68,356,230
SVS Davis Venture Value Portfolio	965,274	—	(5,903,000)	33,153,421
SVS Dreman Financial Services Portfolio	2,298,822	—	(6,921,000)	26,528,301
SVS Dreman High Return Equity Portfolio	12,037,499	—	(29,720,000)	72,477,868
SVS Dreman Small Cap Value Portfolio	3,555,874	—	(15,799,000)	85,113,218
SVS Eagle Focused Large Cap Growth Portfolio	—	—	(22,584,000)	9,172,168

Portfolio	Undistributed ordinary income (\$)	Undistributed net long-term capital gains (\$)	Capital loss carryforwards (\$)	Unrealized appreciation (depreciation) on investments (\$)
SVS Focus Value+Growth Portfolio	958,551	—	(32,374,000)	12,434,614
SVS Index 500 Portfolio	3,280,751	—	(16,349,000)	(7,814,675)
SVS INVESCO Dynamic Growth Portfolio	—	—	(6,869,000)	7,930,448
SVS Janus Growth and Income Portfolio	—	—	(56,885,000)	27,886,447
SVS Janus Growth Opportunities Portfolio	—	—	(95,650,000)	11,610,486
SVS Oak Strategic Equity Portfolio	—	—	(7,244,000)	11,460,558
SVS Turner Mid Cap Growth Portfolio	—	—	(13,630,000)	24,987,508

In addition, during the year ended December 31, 2003 the tax character of distributions paid to shareholders by the portfolios is summarized as follows:

Portfolio	Distributions from ordinary income* (\$)	Distributions from long-term capital gains (\$)	Distributions from return of capital (\$)
Scudder Blue Chip Portfolio	1,361,345	—	—
Scudder Contrarian Value Portfolio	4,373,416	—	—
Scudder Fixed Income Portfolio	7,994,594	—	—
Scudder Global Blue Chip Portfolio	165,879	—	—
Scudder Government Securities Portfolio	24,354,482	649,165	—
Scudder Growth Portfolio	328,128	—	—
Scudder High Income Portfolio	30,333,486	—	—
Scudder International Select Equity Portfolio	1,550,011	—	—
Scudder Money Market Portfolio	3,501,000	—	—
Scudder Strategic Income Portfolio	853,600	28,838	—
Scudder Total Return Portfolio	20,032,407	—	—
SVS Davis Venture Value Portfolio	940,019	—	—
SVS Dreman Financial Services Portfolio	1,864,595	—	—
SVS Dreman High Return Equity Portfolio	11,423,101	—	—
SVS Dreman Small Cap Value Portfolio	3,009,265	4,054,538	—
SVS Focus Value+Growth Portfolio	874,250	—	—
SVS Index 500 Portfolio	2,880,518	—	—
SVS Janus Growth and Income Portfolio	1,270,975	—	—

* For tax purposes short-term capital gains distributions are considered ordinary income distributions.

Expenses. Expenses arising in connection with a specific portfolio are allocated to that portfolio. Trust expenses are allocated between the portfolios in proportion to their relative net assets.

Other. Investment transactions are accounted for on a trade date plus one basis for daily net asset value calculations. However, for financial reporting purposes, investment transactions are reported on trade date. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date net of foreign withholding taxes. Certain dividends from foreign securities may be recorded subsequent to the ex-dividend date as soon as the portfolio is informed of such dividends. Realized gains and losses from investment transactions are recorded on an identified cost basis. All discounts and premiums are accreted/amortized for both tax and financial reporting purposes for all portfolios, with the exception of securities bought in default.

B. Investment Transactions

During the year ended December 31, 2003, purchases and sales of investment transactions (excluding short-term investments) were as follows:

Portfolio	Purchases (\$)	Proceeds from Sales (\$)
Scudder Aggressive Growth Portfolio	47,780,776	43,557,536
Scudder Blue Chip Portfolio	406,165,146	380,013,093
Scudder Contrarian Value Portfolio	124,742,685	126,876,747

Portfolio	Purchases (\$)	Proceeds from Sales (\$)
Scudder Fixed Income Portfolio		
excluding US Treasury Securities and mortgage dollar roll transactions	290,638,362	243,553,560
US Treasury Securities	268,880,505	296,362,943
mortgage dollar roll transactions	93,153,710	84,654,000
Scudder Global Blue Chip Portfolio	34,777,923	30,341,666
Scudder Government Securities Portfolio		
excluding US Government obligations, short-term investments and mortgage dollar roll transactions	2,221,876,451	2,368,526,882
direct US Government obligations	190,045,551	204,822,969
mortgage dollar roll transactions	113,417,516	98,450,590
Scudder Growth Portfolio	78,661,498	71,723,420
Scudder High Income Portfolio		
excluding US Treasury Securities	668,193,882	591,817,713
US Treasury Securities	9,385,532	16,833,459
Scudder International Select Equity Portfolio	182,167,419	174,306,410
Scudder Small Cap Growth Portfolio	245,120,391	211,721,180
Scudder Strategic Income Portfolio		
excluding US Treasury Securities	80,778,544	67,882,932
US Treasury Securities	23,921,145	33,117,780
Scudder Technology Growth Portfolio	134,928,258	154,102,894
Scudder Total Return Portfolio		
excluding direct US Government obligations, short-term investments and mortgage dollar roll transactions	396,871,439	409,734,314
direct US Government obligations	254,306,493	293,636,627
mortgage dollar roll transactions	40,573,661	35,470,216
SVS Davis Venture Value Portfolio	47,117,057	12,852,498
SVS Dreman Financial Services Portfolio	9,293,743	14,279,047
SVS Dreman High Return Equity Portfolio	112,629,380	97,321,036
SVS Dreman Small Cap Value Portfolio	228,231,690	199,387,562
SVS Eagle Focused Large Cap Growth Portfolio	124,656,716	108,255,092
SVS Focus Value+Growth Portfolio	78,116,978	83,458,137
SVS Index 500 Portfolio	60,617,689	20,545,085
SVS INVESCO Dynamic Growth Portfolio	36,468,625	33,747,352
SVS Janus Growth and Income Portfolio	80,486,009	90,583,806
SVS Janus Growth Opportunities Portfolio	60,560,600	68,812,164
SVS Oak Strategic Equity Portfolio	25,727,719	3,559,313
SVS Turner Mid Cap Growth Portfolio	153,971,089	128,865,159

For the year ended December 31, 2003, transactions for written options were as follows for the Scudder Strategic Income Portfolio:

	Contracts	Premium (\$)
Beginning of period	—	—
Written	1,433,477	47,665
Closed	(1,383,821)	(34,466)
End of period	49,656	13,199

For the year ended December 31, 2003, transactions for written options were as follows for the Scudder Technology Growth Portfolio:

	Contracts	Premium (\$)
Beginning of period	—	—
Written	5,112	308,516
Closed	(2,051)	(122,057)

	Contracts	Premium (\$)
Exercised	(292)	(28,789)
Expired	(2,769)	(157,670)
End of period	—	—

C. Related Parties

Management Agreement. Under the Management Agreement with Deutsche Investment Management Americas Inc. (“DeIM” or the “Advisor”), the Advisor directs the investments of the portfolios in accordance with its investment objectives, policies and restrictions. The Advisor determines the securities, instruments and other contracts relating to investments to be purchased, sold or entered into by the portfolios. In addition to portfolio management services, the Advisor provides certain administrative services in accordance with the Management Agreement. Accordingly, for the year ended December 31, 2003, the fees pursuant to the Management Agreement were equivalent to the annual effective rates shown below of the portfolios’ average daily net assets:

Portfolio	Annualized Management Fee Rate
Scudder Blue Chip Portfolio	0.65%
Scudder Contrarian Value Portfolio	0.75%
Scudder Fixed Income Portfolio	0.60%
Scudder Government Securities Portfolio	0.55%
Scudder Growth Portfolio	0.60%
Scudder High Income Portfolio	0.60%
Scudder International Select Equity Portfolio	0.75%
Scudder Money Market Portfolio	0.50%
Scudder Small Cap Growth Portfolio	0.65%
Scudder Strategic Income Portfolio	0.65%
Scudder Total Return Portfolio	0.55%
SVS Dreman Small Cap Value Portfolio	0.75%
SVS Focus Value+Growth Portfolio	0.75%

For the year ended December 31, 2003 the Advisor agreed to limit its fees and reimburse expenses of each class of the SVS Focus Value+Growth Portfolio to the extent necessary to maintain the annualized expenses of Class A at 0.84% and Class B at 1.09%. Effective May 1, 2003 the Advisor increased the expense limitation for Class B to 1.24%. Accordingly, for the year ended December 31, 2003 the Advisor waived \$6,300 of management fee and the fees pursuant to the Management Agreement was equivalent to an annual effective rate of 0.74% of the Portfolio’s average daily net assets.

The Scudder Aggressive Growth Portfolio, Scudder Technology Growth Portfolio, SVS Dreman Financial Services Portfolio and SVS Dreman High Return Equity Portfolio each pay a monthly investment management fee, based on the average daily net assets of the portfolio, computed and accrued daily and payable monthly, of 1/12 of the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annualized Management Fee Rate
\$0–\$250 million	0.75%
next \$750 million	0.72%
next \$1.5 billion	0.70%
next \$2.5 billion	0.68%
next \$2.5 billion	0.65%
next \$2.5 billion	0.64%
next \$2.5 billion	0.63%
Over \$12.5 billion	0.62%

For the year ended December 31, 2003 the Advisor agreed to limit its fees and reimburse expenses of each class of the Scudder Aggressive Growth Portfolio to the extent necessary to maintain the annualized expenses of Class A at 0.95% and Class B at 1.20%. Effective May 1, 2003 the Advisor increased the expense limitation for Class B to 1.35%. For the year ended December 31, 2003 the Advisor waived \$15,030 of management fees.

Accordingly, for the year ended December 31, 2003, the fees pursuant to the Management Agreement were equivalent to the annual effective rates shown below of the portfolios' average daily net assets:

Portfolio	Effective Rate
Scudder Aggressive Growth Portfolio	0.72%
Scudder Technology Growth Portfolio	0.75%
SVS Dreman Financial Services Portfolio	0.75%
SVS Dreman High Return Equity Portfolio	0.73%

SVS INVESCO Dynamic Growth Portfolio and SVS Turner Mid Cap Growth Portfolio each pay a monthly investment management fee, based on the average daily net assets of the portfolio, computed and accrued daily and payable monthly, of 1/12 of the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annualized Management Fee Rate
\$0-\$250 million	1.000%
next \$250 million	0.975%
next \$500 million	0.950%
next \$1.5 billion	0.925%
Over \$2.5 billion	0.900%

Accordingly, for the year ended December 31, 2003, the fees pursuant to the Management Agreement were equivalent to the annual effective rates shown below of the portfolios' average daily net assets:

Portfolio	Effective Rate
SVS INVESCO Dynamic Growth Portfolio	0.84%
SVS Turner Mid Cap Growth Portfolio	1.00%

For the year ended December 31, 2003 the Advisor agreed to limit its fees and reimburse expenses of each class of the SVS INVESCO Dynamic Growth Portfolio to the extent necessary to maintain the annualized expenses of Class A at 1.30% and Class B at 1.55%. Effective May 1, 2003 the Advisor increased the expense limitation for Class B to 1.70%. For the year ended December 31, 2003 the Advisor waived \$48,767 of management fees.

SVS Davis Venture Value Portfolio, SVS Eagle Focused Large Cap Growth Portfolio, SVS Janus Growth and Income Portfolio, SVS Janus Growth Opportunities Portfolio and SVS Oak Strategic Equity Portfolio each pay a monthly investment management fee, based on the average daily net assets of the portfolio, computed and accrued daily and payable monthly, of 1/12 of the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annualized Management Fee Rate
\$0-\$250 million	0.950%
next \$250 million	0.925%
next \$500 million	0.900%
next \$1.5 billion	0.875%
Over \$2.5 billion	0.850%

Accordingly, for the year ended December 31, 2003, the fees pursuant to the Management Agreement were equivalent to the annual effective rates shown below of the portfolios' average daily net assets:

Portfolio	Effective Rate
SVS Davis Venture Value Portfolio	0.95%
SVS Eagle Focused Large Cap Growth Portfolio	0.95%
SVS Janus Growth and Income Portfolio	0.95%
SVS Janus Growth Opportunities Portfolio	0.95%
SVS Oak Strategic Equity Portfolio	0.95%

The SVS Index 500 Portfolio pays a monthly investment management fee, based on the average daily net assets of the portfolio, computed and accrued daily and payable monthly, of 1/12 of the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annualized Management Fee Rate
\$0–\$250 million	0.370%
next \$250 million	0.330%
next \$500 million	0.310%
next \$1.5 billion	0.295%
Over \$2.5 billion	0.270%

Accordingly, for the year ended December 31, 2003, the fee pursuant to the Management Agreement was equivalent to an annual effective rate of 0.37% of SVS Index 500 Portfolio’s average daily net assets.

The Scudder Global Blue Chip Portfolio pays a monthly investment management fee, based on the average daily net assets of the portfolio, computed and accrued daily and payable monthly, of 1/12 of the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annualized Management Fee Rate
\$0–\$250 million	1.00%
next \$500 million	0.95%
next \$750 million	0.90%
next \$1.5 billion	0.85%
Over \$3 billion	0.80%

The Advisor agreed to limit its management fee to 0.85% for the Scudder Global Blue Chip Portfolio through April 30, 2003. Accordingly, for the year ended December 31, 2003 the Advisor waived \$142,979 of management fee and the fees pursuant to the Management Agreement were equivalent to an annual effective rate of 0.70% for the Portfolio’s average daily net assets.

Deutsche Asset Management Investment Services Limited (“DeAMIS”) serves as sub-advisor to the Scudder International Select Equity and Scudder Strategic Income Portfolios and is paid by the Advisor for its services.

Dreman Value Management, LLC serves as sub-advisor to the SVS Dreman Financial Services, SVS Dreman High Return Equity and SVS Dreman Small Cap Value Portfolios and is paid by the Advisor for its services.

INVESCO serves as sub-advisor to the SVS INVESCO Dynamic Growth Portfolio and is paid by the Advisor for its services.

Eagle Asset Management, Inc. serves as sub-advisor to the SVS Eagle Focused Large Cap Growth Portfolio and is paid by the Advisor for its services.

Janus Capital Management, LLC, formerly Janus Capital Corporation, serves as sub-advisor to the SVS Janus Growth and Income and SVS Janus Growth Opportunities Portfolios and is paid by the Advisor for its services.

Turner Investment Partners, Inc. serves as sub-advisor to the SVS Turner Mid Cap Growth Portfolio and is paid by the Advisor for its services.

Oak Associates, Ltd. serves as sub-advisor to the SVS Oak Strategic Equity Portfolio and is paid by the Advisor for its services.

Davis Selected Advisers, L.P., serves as sub-advisor to the SVS Davis Venture Value Portfolio and is paid by the Advisor for its services.

Jennison Associates, L.L.C. serves as sub-advisor to the “growth” portion and Dreman Value Management, LLC. serves as sub-advisor to the “value” portion of the of the SVS Focus Value+Growth Portfolio and are paid by the Advisor for their services.

Effective April 30, 2003, Northern Trust Investments, Inc. (“NTI”) serves as sub-advisor to SVS Index 500 Portfolio and is paid by the Advisor for its services.

Service Provider Fees. Scudder Fund Accounting Corporation (“SFAC”), a subsidiary of the Advisor, is responsible for determining the daily net asset value per share and maintaining the portfolio and general accounting records of each portfolio. For the year ended December 31, 2003, SFAC received the following fee for its services for the following portfolios:

Portfolio	Total Aggregated (\$)	Unpaid at December 31, 2003 (\$)
Scudder Aggressive Growth Portfolio	40,010	9,448
Scudder Global Blue Chip Portfolio	61,017	17,666
Scudder Technology Growth Portfolio	67,604	25,665
SVS Davis Venture Value Portfolio	55,063	10,231
SVS Dreman Financial Services Portfolio	46,761	10,977
SVS Dreman High Return Equity Portfolio	83,669	15,939
SVS Eagle Focused Large Cap Growth Portfolio	29,997	7,428
SVS Index 500 Portfolio	170,616	61,995
SVS INVESCO Dynamic Growth Portfolio	55,989	16,362
SVS Janus Growth and Income Portfolio	77,682	20,505
SVS Janus Growth Opportunities Portfolio	48,173	11,701
SVS Oak Strategic Equity Portfolio	37,800	7,648
SVS Turner Mid Cap Growth Portfolio	55,282	16,321

Distribution Service Agreement. Under the Distribution Service Agreement, in accordance with Rule 12b-1 under the 1940 Act, Scudder Distributors, Inc. (“SDI”), a subsidiary of the Advisor, receives a fee (“Distribution Fee”) of 0.25% of average daily net assets of Class B shares. Pursuant to the agreement, SDI enters into related selling group agreements with various firms at various rates for sales of Class B shares. For the year ended December 31, 2003, the Distribution Fee was as follows:

Portfolio	Total Aggregated (\$)	Fees Waived by Advisor (\$)	Unpaid at December 31, 2003 (\$)
Scudder Aggressive Growth Portfolio	3,462	—	730
Scudder Blue Chip Portfolio	17,238	—	3,283
Scudder Contrarian Value Portfolio	15,999	—	3,368
Scudder Fixed Income Portfolio	63,474	—	9,065
Scudder Global Blue Chip Portfolio	6,508	—	1,146
Scudder Government Securities Portfolio	86,751	—	8,450
Scudder Growth Portfolio	7,373	—	1,374
Scudder High Income Portfolio	42,154	—	7,669
Scudder International Select Equity Portfolio	19,174	—	3,622
Scudder Money Market Portfolio	91,574	3,564	14,038
Scudder Small Cap Growth Portfolio	15,387	—	3,029
Scudder Strategic Income Portfolio	5,615	—	1,352
Scudder Technology Growth Portfolio	10,997	—	2,140
Scudder Total Return Portfolio	24,991	—	4,263
SVS Davis Venture Value Portfolio	30,928	—	5,106
SVS Dreman Financial Services Portfolio	10,825	—	1,910
SVS Dreman High Return Equity Portfolio	73,850	—	12,935
SVS Dreman Small Cap Value Portfolio	35,148	—	6,405
SVS Eagle Focused Large Cap Growth Portfolio	16,086	—	2,834
SVS Focus Value+Growth Portfolio	8,341	—	1,252
SVS Index 500 Portfolio	34,789	—	6,153
SVS INVESCO Dynamic Growth Portfolio	5,499	—	901
SVS Janus Growth and Income Portfolio	16,450	—	2,913
SVS Janus Growth Opportunities Portfolio	7,285	—	1,122
SVS Oak Strategic Equity Portfolio	10,426	—	2,033
SVS Turner Mid Cap Growth Portfolio	14,987	—	2,664

For Scudder Money Market Portfolio, the Advisor agreed to waive 0.15% of the 12b-1 fee for the period January 1, 2003 through April 30, 2003.

Trustees' Fees and Expenses. The portfolios pay each Trustee not affiliated with the Advisor retainer fees plus specified amounts for attended board and committee meetings.

Scudder Cash Management QP Trust. Pursuant to an Exemptive Order issued by the SEC, the portfolios may invest in the Scudder Cash Management QP Trust (the "QP Trust") and other affiliated funds managed by the Advisor. The QP Trust seeks to provide as high a level of current income as is consistent with the preservation of capital and the maintenance of liquidity. The QP Trust does not pay the Advisor a management fee for the affiliated funds' investments in the QP Trust.

D. Investing in High Yield Securities

Investing in high yield securities may involve greater risks and considerations not typically associated with investing in US Government bonds and other high quality fixed-income securities. These securities are non-investment grade securities, often referred to as "junk bonds". Economic downturns may disrupt the high yield market and impaired the ability of issuers to repay principal and interest. Also, an increase in interest rates would likely have an adverse impact on the value of such obligations. Moreover, high yield securities may be less liquid due to the extent that there is no established retail secondary market and because of a decline in the value of such securities.

E. Investing in Emerging Markets

Investing in emerging markets may involve special risks and considerations not typically associated with investing in the United States of America. These risks include revaluation of currencies, high rates of inflation, repatriation restrictions on income and capital, and future adverse political, social and economic developments. Moreover, securities issued in these markets may be less liquid, subject to government ownership controls, delayed settlements and their prices more volatile than those of comparable securities in the United States of America.

F. Expense Off-Set Arrangements

The portfolios have entered into arrangements with their custodian whereby credits realized as a result of uninvested cash balances were used to reduce a portion of the portfolio's expenses. During the year ended December 31, 2003, the portfolios' custodian fees were reduced under these arrangements as follows:

Portfolio	Amount (\$)
Scudder Aggressive Growth Portfolio	18
Scudder Blue Chip Portfolio	21
Scudder Contrarian Value Portfolio	14
Scudder Fixed Income Portfolio	598
Scudder Government Securities Portfolio	3,421
Scudder Growth Portfolio	43
Scudder High Income Portfolio	1,930
Scudder Money Market Portfolio	318
Scudder Small Cap Growth Portfolio	96
Scudder Strategic Income Portfolio	325
Scudder Technology Growth Portfolio	703
Scudder Total Return Portfolio	727
SVS Davis Venture Value Portfolio	24
SVS Dreman Financial Services Portfolio	26
SVS Dreman High Return Equity Portfolio	46
SVS Dreman Small Cap Value Portfolio	74
SVS Eagle Focused Large Cap Growth Portfolio	66
SVS Focus Value+Growth Portfolio	40
SVS Index 500 Portfolio	26
SVS INVESCO Dynamic Growth Portfolio	24
SVS Janus Growth and Income Portfolio	52
SVS Janus Growth Opportunities Portfolio	14
SVS Oak Strategic Equity Portfolio	11
SVS Turner Mid Cap Growth Portfolio	50

G. Commitments

As of December 31, 2003, the following portfolios had entered into the following forward foreign currency exchange contracts resulting in the following:

Scudder High Income Portfolio

	Contracts to Deliver	In Exchange For		Settlement Date	Unrealized Depreciation (US\$)
EUR	196,859	USD	233,179	3/26/2004	(14,274)
EUR	3,834,794	USD	4,672,313	3/26/2004	(148,049)
					(162,323)

Scudder Strategic Income Portfolio

	Contracts to Deliver	In Exchange For		Settlement Date	Unrealized Appreciation (US\$)
USD	78,903	TRL	120,840,000,000	1/29/2004	41,937
USD	996,915	EUR	862,383	1/16/2004	89,164
USD	89,661	EUR	78,000	1/29/2004	8,536
MXP	86,121	USD	955,000	1/29/2004	1,480
MXP	157,735	USD	1,772,000	1/29/2004	683
USD	125,863	MXP	1,440,000	1/29/2004	1,764
USD	127,812	MXP	1,460,000	1/29/2004	1,588
					145,152

	Contracts to Deliver	In Exchange For		Settlement Date	Unrealized (Depreciation) (US\$)
EUR	4,001,596	USD	4,652,656	1/16/2004	(386,924)
EUR	1,960,306	USD	2,250,000	1/16/2004	(218,794)
EUR	808,113	USD	1,000,000	1/16/2004	(17,732)
GBP	1,000,000	USD	1,650,000	1/16/2004	(132,879)
GBP	567,988	USD	1,000,000	1/16/2004	(12,654)
JPY	988,667,288	USD	9,037,178	1/16/2004	(195,641)
USD	82,282	ARS	238,000	2/6/2004	(1,571)
USD	80,000	BRL	237,360	2/6/2004	(615)
EUR	1,245,000	USD	1,451,023	1/29/2004	(116,357)
MXP	173,000	USD	15,268	1/29/2004	(65)
MXP	1,030,000	USD	90,849	1/29/2004	(440)
RUB	2,536,000	USD	79,748	10/27/2004	(4,811)
					(1,088,483)

SVS Janus Growth and Income Portfolio

	Contracts to Deliver	In Exchange For		Settlement Date	Unrealized Appreciation (US\$)
USD	164,778	CHF	225,000	4/16/2004	17,544
USD	204,894	EUR	180,000	3/26/2004	21,367
USD	319,059	EUR	260,000	3/26/2004	7,763
					46,674

	Contracts to Deliver	In Exchange For		Settlement Date	Unrealized (Depreciation) (US\$)
CHF	1,100,000	USD	817,176	3/26/2004	(73,752)
CHF	800,000	USD	605,121	4/16/2004	(43,135)
EUR	1,100,000	USD	1,255,419	3/26/2004	(127,289)
EUR	250,000	USD	290,928	3/26/2004	(23,324)
EUR	200,000	USD	235,477	3/26/2004	(15,924)
					(283,424)

Currency Abbreviations:

ARS	Argentine Pesos
BRL	Brazilian Real
CHF	Swiss Francs
EUR	Euro
GBP	British Pounds
JPY	Japanese Yen
MXP	Mexican Pesos
RUB	Russian Ruble
USD	United States Dollar
TRL	Turkish Lira

H. Ownership of the Portfolios

At December 31, 2003, the beneficial ownership in the portfolios was as follows:

Scudder Aggressive Growth Portfolio: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 64% and 35%, respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 92%.

Scudder Blue Chip Portfolio: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 55% and 42%, respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 93%.

Scudder Contrarian Value 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 42%, 39% and 18% respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 90%.

Scudder Fixed Income Portfolio: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 49% and 42%, respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 94%.

Scudder Global Blue Chip Portfolio: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 57% and 42%, respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 92%.

Scudder Government Securities 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 47%, 29% and 19%, respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 96%.

Scudder Growth Portfolio: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 50%, 27% and 21%, respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 91%.

Scudder High Income Portfolio: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 41%, 29% and 28%, respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 90%.

Scudder International Select Equity 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 34%, 33% and 32%, 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 87% and 10%, respectively.

Scudder Money Market Portfolio: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 41%, 38% and 19%, 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 75% and 23%, respectively.

Scudder Small Cap Growth Portfolio: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 38%, 31% and 29%, respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 94%.

Scudder Strategic Income Portfolio: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 49% and 45%, respectively. One participating Insurance Company was the owner of record of 10% or more of the outstanding Class B shares of the Portfolio, owning 87%.

Scudder Technology Growth Portfolio: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 57% and 38%, respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 91%.

Scudder Total Return 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 49%, 33% and 17%, respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 95%.

SVS Davis Venture Value Portfolio: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 73% and 26%, respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 92%.

SVS Dreman Financial Services Portfolio: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 51% and 46%, respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 94%.

SVS Dreman High Return Equity Portfolio: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 65% and 31%, respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 96%.

SVS Dreman Small Cap Value 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 52%, 34% and 12%, respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 94%.

SVS Eagle Focused Large Cap Growth Portfolio: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 71% and 28%, respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 93%.

SVS Focus Value+Growth Portfolio: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 54%, 31% and 14%, respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 98%.

SVS Index 500 Portfolio: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 66% and 33%, respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 97%.

SVS INVESCO Dynamic Growth Portfolio: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 76% and 20%, respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 93%.

SVS Janus Growth and Income Portfolio: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 68% and 31%, respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 92%.

SVS Janus Growth Opportunities Portfolio: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 68% and 31%, respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 97%.

SVS Oak Strategic Equity Portfolio: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 80% and 19%, respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 95%.

SVS Turner Mid Cap Growth Portfolio: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, owning 78% and 22%, respectively. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 95%.

I. Line of Credit

The Trust and several other affiliated funds (the “Participants”) share in a \$1.25 billion revolving credit facility administered by J.P. Morgan Chase Bank for temporary or emergency purposes, including the meeting of redemption requests that otherwise might require the untimely disposition of securities. The Participants are charged an annual commitment fee which is allocated, pro rata based upon net assets, among each of the Participants. Interest is calculated at the Federal Funds Rate plus 0.5 percent. The facility borrowing limit for each portfolio is as follows:

Portfolio	Facility Borrowing Limit
Scudder Aggressive Growth Portfolio	33%
Scudder Blue Chip Portfolio	33%
Scudder Contrarian Value Portfolio	33%
Scudder Fixed Income Portfolio	33%
Scudder Global Blue Chip Portfolio	33%
Scudder Government Securities Portfolio	33%
Scudder Growth Portfolio	33%
Scudder High Income Portfolio	33%
Scudder International Select Equity Portfolio	33%
Scudder Money Market Portfolio	33%
Scudder Small Cap Growth Portfolio	33%
Scudder Strategic Income Portfolio	33%
Scudder Technology Growth Portfolio	5%
Scudder Total Return Portfolio	33%
SVS Davis Venture Value Portfolio	33%
SVS Dreman Financial Services Portfolio	33%
SVS Dreman High Return Equity Portfolio	33%
SVS Dreman Small Cap Value Portfolio	33%
SVS Eagle Focused Large Cap Growth Portfolio	33%
SVS Focus Value+Growth Portfolio	33%
SVS Index 500 Portfolio	33%
SVS INVESCO Dynamic Growth Portfolio	33%
SVS Janus Growth and Income Portfolio	33%
SVS Janus Growth Opportunities Portfolio	33%
SVS Oak Strategic Equity Portfolio	33%
SVS Turner Mid Cap Growth Portfolio	33%

J. Acquisition of Assets

On November 3, 2002, the Scudder International Select Equity Portfolio (“Acquiring Portfolio”) acquired all the net assets of the Scudder New Europe Portfolio (“Acquired Portfolio”) pursuant to a plan of reorganization approved by the shareholders. The acquisition was accomplished by a tax-free exchange of 5,317,510 shares of the Acquiring Portfolio for 3,442,318 shares of the Acquired Portfolio outstanding on November 3, 2002. The Acquired Portfolio’s net assets at that date (\$27,341,143), including 1,093,847 of net unrealized depreciation, were combined with those of Acquiring Portfolio. The aggregate net assets of Acquiring Portfolio immediately before the acquisition were \$93,636,672. The combined net assets of the Acquiring Portfolio immediately following the acquisition were \$120,977,815.

K. Restatement

The annual financial statements as of and for the year ended December 31, 2002 for the SVS Janus Growth and Income Portfolio have been restated to reflect an adjustment to the value of a security held at December 31, 2002. The effect of this adjustment was to increase the net assets by \$885,456 or \$0.03 per share at December 31, 2002. The net asset value per share was adjusted from \$7.15 to \$7.18 for Class A and from \$7.14 to \$7.17 for Class B. In accordance with this adjustment, the one year total return was adjusted from –20.56% to –20.22% for Class A. The total return for Class B for the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002 was also adjusted from –10.30% to –9.92%.

Report of Ernst & Young LLP, Independent Auditors

The Trustees and the Shareholders of Scudder Variable Series II:

We have audited the accompanying statements of assets and liabilities, including the portfolios of investments, of the Scudder Aggressive Growth, Scudder Blue Chip, Scudder Fixed Income (formerly, Scudder Investment Grade Bond), Scudder Contrarian Value, Scudder Global Blue Chip, Scudder Government Securities, Scudder Growth, Scudder High Income, Scudder International Select Equity, Scudder Money Market, Scudder Small Cap Growth, Scudder Strategic Income, Scudder Technology Growth, Scudder Total Return, SVS Davis Venture Value, SVS Dreman Financial Services, SVS Dreman High Return Equity, SVS Dreman Small Cap Value, SVS Eagle Focused Large Cap Growth, SVS Focus Value+Growth, SVS Index 500, SVS INVESCO Dynamic Growth, SVS Janus Growth and Income, SVS Janus Growth Opportunities, SVS Oak Strategic Equity, and SVS Turner Mid Cap Growth Portfolios (twenty six of the portfolios constituting the Scudder Variable Series II [the “Trust”]) (collectively, the “portfolios”) as of December 31, 2003, the related statements 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 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 and financial highlights. Our procedures included confirmation of securities owned as of December 31, 2003, by correspondence with the custodian and brokers or by other appropriate auditing procedures where replies from brokers were not received. 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 aforementioned portfolios of the Scudder Variable Series II at December 31, 2003, the results of their operations for the year then ended, the changes in their net assets for each of the two years in the period then ended, and their financial highlights for each of the periods indicated therein, in conformity with accounting principles generally accepted in the United States.

Boston, Massachusetts
February 13, 2004

Ernst + Young LLP

The following portfolios paid distributions from net long-term capital gains during the year ended December 31, 2003 as follows:

Portfolio	Distribution Per Share (\$)	% Representing 20% Rate Gains
Scudder Government Securities Portfolio	.02	100
Scudder Strategic Income Portfolio	.01	100
SVS Dreman Small Cap Value Portfolio	.20	100

The following portfolios designated as capital gain dividends for its year ended December 31, 2003:

Portfolio	Capital Gain (\$)	% Representing 20% Rate Gains
Scudder Fixed Income Portfolio	1,794,000	27
Scudder Strategic Income Portfolio	830,000	100

For corporate shareholders, the following percentage of income dividends paid during the following portfolios' fiscal year ended December 31, 2003 qualified for the dividends received deduction:

Portfolio	%
Scudder Blue Chip Portfolio	100
Scudder Contrarian Value Portfolio	100
Scudder Global Blue Chip Portfolio	100
Scudder Growth Portfolio	100
Scudder Total Return Portfolio	23
SVS Davis Venture Value Portfolio	100
SVS Dreman Financial Services Portfolio	100
SVS Dreman High Return Equity Portfolio	100
SVS Dreman Small Cap Value Portfolio	100
SVS Focus Value+Growth Portfolio	100
SVS Janus Growth and Income Portfolio	100
SVS Index 500 Portfolio	100

Scudder International Select Equity Portfolio paid foreign taxes of \$331,366 and earned \$1,900,875 of foreign source income during the year ended December 31, 2003. Pursuant to Section 853 of the Internal Revenue Code, Scudder International Select Equity Portfolio designates \$0.02 per share as foreign taxes paid and \$0.12 per share as income earned from foreign sources for the year ended December 31, 2003.

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 (800) 621-1048.

Proxy Voting

A description of the fund's policies and procedures for voting proxies for portfolio securities can be found on our Web site — scudder.com (type "proxy voting" in the search field) — or on the SEC's Web site — www.sec.gov. To obtain a written copy without charge, call us toll free at (800) 621-1048.

Trustees and Officers

The following table presents certain information regarding the Trustees and Officers of the Trust as of December 31, 2003. Each individual's age is set forth in parentheses after his or her name. Unless otherwise noted, (i) each individual has engaged in the principal occupation(s) noted in the table for at least the most recent five years, although not necessarily in the same capacity, and (ii) the address of each individual is c/o Deutsche Asset Management, 222 South Riverside Plaza, Chicago, Illinois, 60606. Each Trustee's term of office extends until the next shareholder's meeting called for the purpose of electing Trustees and until the election and qualification of a successor, or until such Trustee sooner dies, resigns, retires or is removed as provided in the governing documents of the Trust.

Independent Trustees		
Name, Age, Position(s) Held with the Fund and Length of Time Served ¹	Principal Occupation(s) During Past 5 Years and Other Directorships Held	Number of Funds in Fund Complex Overseen
John W. Ballantine (57) Trustee, 1999–present	Retired; formerly, Executive Vice President and Chief Risk Management Officer, First Chicago NBD Corporation/The First National Bank of Chicago (1996–1998); Executive Vice President and Head of International Banking (1995–1996). Directorships: Enron Corporation (energy trading firm) (effective May 30, 2002); First Oak Brook Bancshares, Inc.; Oak Brook Bank; American Healthways, Inc. (provider of disease and care management services); F.N.B. Corporation (bank holding company); Prisma Energy International (owner and operator of Enron's international energy infrastructure business).	82
Lewis A. Burnham (70) Trustee, 1977–present	Retired; formerly, Director of Management Consulting, McNulty & Company (1990–1998); prior thereto, Executive Vice President, Anchor Glass Container Corporation.	82
Donald L. Dunaway (66) Trustee, 1980–present	Retired; formerly, Executive Vice President, A.O. Smith Corporation (diversified manufacturer) (1963–1994).	82
James R. Edgar (57) Trustee, 1999–present	Distinguished Fellow, University of Illinois, Institute of Government and Public Affairs (1999–present); formerly, Governor, State of Illinois (1991–1999). Directorships: Kemper Insurance Companies; John B. Sanfilippo & Son, Inc. (processor/packager/marketer of nuts, snacks and candy products); Horizon Group Properties, Inc.; Youbet.com (online wagering platform); Alberto-Culver Company (manufactures, distributes and markets health and beauty-care products).	82
Paul K. Freeman (53) Trustee, 2002–present	President, Cook Street Holdings (consulting); Adjunct Professor, University of Denver; Consultant, World Bank/Inter-American Development Bank; formerly, Project Leader, International Institute for Applied Systems Analysis (1998–2001); Chief Executive Officer, The Eric Group, Inc. (environmental insurance) (1986–1998).	82
Robert B. Hoffman (67) Trustee, 1981–present	Retired; formerly, Chairman, Harnischfeger Industries, Inc. (machinery for the mining and paper industries) (1999–2000); prior thereto, Vice Chairman and Chief Financial Officer, Monsanto Company (agricultural, pharmaceutical and nutritional/food products) (1994–1999).	82
Shirley D. Peterson (62) Trustee, 1995–present	Retired; formerly, President, Hood College (1995–2000); prior thereto, Partner, Steptoe & Johnson (law firm); Commissioner, Internal Revenue Service; Assistant Attorney General (Tax), US Department of Justice. Directorships: Federal Mogul Corp. (supplier of automotive components and subsystems); Trustee, Bryn Mawr College; AK Steel (steel production).	82
Fred B. Renwick (73) Trustee, 1988–present	Retired; Professor Emeritus of Finance, New York University, Stern School of Business (2001–present); formerly, Professor, New York University Stern School of Business (1965–2001). Directorships: The Wartburg Foundation; Chairman, Finance Committee of Morehouse College Board of Trustees; formerly, Director of Board of Pensions, Evangelical Lutheran Church in America; member of the Investment Committee of Atlanta University Board of Trustees; Chair of the Investment Committee, American Bible Society Board of Trustees.	82
William P. Sommers (70) Trustee, 1979–January 1, 2004	Retired; formerly, President and Chief Executive Officer, SRI International (research and development) (1994–1998); prior thereto, Executive Vice President, Iameter (medical information and educational service provider); Senior Vice President and Director, Booz, Allen & Hamilton Inc. (management consulting firm). Directorships: PSI Inc. (satellite engineering and components); Evergreen Solar, Inc. (develop/manufacture solar electric system engines); H2 Gen (manufacture hydrogen generators); Zassi Medical Evolutions, Inc. (specialists in intellectual property opportunities in medical device arena); Guckenheimer Enterprises (executive food services).	82
John G. Weithers (70) Trustee, 1993–present	Retired; formerly, Chairman of the Board and Chief Executive Officer, Chicago Stock Exchange. Directorships: Federal Life Insurance Company; Chairman of the Members of the Corporation and Trustee, DePaul University; formerly, International Federation of Stock Exchanges; Records Management Systems.	82

Interested Trustees and Officers²

Name, Age, Position(s) Held with the Fund and Length of Time Served ¹	Principal Occupation(s) During Past 5 Years and Other Directorships Held	Number of Funds in Fund Complex Overseen
Richard T. Hale ³ (58) Chairman and Trustee, 2002–present Chief Executive Officer, 2003–present	Managing Director, Deutsche Investment Management Americas Inc. (2003–present); Managing Director, Deutsche Bank Securities Inc. (formerly Deutsche Banc Alex. Brown Inc.) and Deutsche Asset Management (1999 to present); Director and President, Investment Company Capital Corp. (registered investment advisor) (1996 to present); Director, Deutsche Global Funds, Ltd. (2000 to present), CABEL Fund (2000 to present), North American Income Fund (2000 to present) (registered investment companies); Director, Scudder Global Opportunities Fund (since 2003); Director/Officer Deutsche/Scudder Mutual Funds (various dates); President, Montgomery Street Income Securities, Inc. (2002 to present) (registered investment companies); Vice President, Deutsche Asset Management, Inc. (2000 to present); formerly, Director, ISI Family of Funds (registered investment companies; 4 funds overseen) (1992–1999)	201
Brenda Lyons ⁴ (40) President, 2003–present	Managing Director, Deutsche Asset Management	n/a
Philip J. Collora (58) Vice President and Assistant Secretary, 1986–present	Director, Deutsche Asset Management	n/a
Daniel O. Hirsch ³ (49) Vice President and Assistant Secretary, 2002–present Chief Legal Officer, 2003–present	Managing Director, Deutsche Asset Management (2002–present) and Director, Deutsche Global Funds Ltd. (2002–present); formerly, Director, Deutsche Asset Management (1999–2002); Principal, BT Alex. Brown Incorporated (now Deutsche Bank Securities Inc.) (1998–1999); Assistant General Counsel, United States Securities and Exchange Commission (1993–1998)	n/a
Kenneth Murphy ⁴ (40) Vice President, 2002–present	Vice President, Deutsche Asset Management (2000–present); Vice President, Scudder Distributors, Inc. (December 2002–present); formerly, Director, John Hancock Signature Services (1992–2000)	n/a
Charles A. Rizzo ⁴ (46) Treasurer and Chief Financial Officer, 2002–present	Director, Deutsche Asset Management (April 2000–present). Formerly, Vice President and Department Head, BT Alex. Brown Incorporated (now Deutsche Bank Securities Inc.) (1998–1999); Senior Manager, Coopers & Lybrand L.L.P. (now PricewaterhouseCoopers LLP) (1993–1998)	n/a
Salvatore Schiavone ⁴ (38) Assistant Treasurer, 2003–present	Director, Deutsche Asset Management	n/a
Lucinda H. Stebbins ⁴ (58) Assistant Treasurer, 2003–present	Director, Deutsche Asset Management	n/a
Kathleen Sullivan D'Eramo ⁴ (46) Assistant Treasurer, 2003–present	Director, Deutsche Asset Management	n/a
John Millette ⁴ (41) Secretary, 2001–present	Director, Deutsche Asset Management	n/a
Lisa Hertz ⁵ (33) Assistant Secretary, 2003–present	Assistant Vice President, Deutsche Asset Management	n/a
Caroline Pearson ⁴ (41) Assistant Secretary, 1998–present	Managing Director, Deutsche Asset Management	n/a

¹ Length of time served represents the date that each Trustee was first elected to the common board of trustees which oversees a number of investment companies, including the fund, managed by the Advisor. For the Officers of the fund, length of time served represents the date that each Officer was first elected to serve as an officer of any fund overseen by the aforementioned common board of trustees.

² As a result of their respective positions held with the Advisor, these individuals are considered "interested persons" of the Advisor within the meaning of the 1940 Act. Interested persons receive no compensation from the fund.

³ Address: One South Street, Baltimore, Maryland

⁴ Address: Two International Place, Boston, Massachusetts

⁵ Address: 345 Park Avenue, New York, New York

The fund's Statement of Additional Information ("SAI") includes additional information about the Trustees. The SAI is available, without charge, upon request. If you would like to request a copy of the SAI, you may do so by calling the following toll-free number: 1-800-778-1482.

About the Fund's Advisor

Scudder Investments is part of Deutsche Asset Management, which is the marketing name in the US for the asset management activities of Deutsche Bank AG, Deutsche Investment Management Americas Inc., Deutsche Asset Management Inc., Deutsche Asset Management Investment Services Ltd., Deutsche Bank Trust Company Americas and Scudder Trust Company.

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

The views expressed in this report reflect those of the portfolio managers only through the end of the period of the report as stated on the cover. The managers' views are subject to change at any time based on market and other conditions and should not be construed as a recommendation.

Scudder Distributors, Inc.
222 South Riverside Plaza
Chicago, IL 60606
1-800-778-1482

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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.

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This report must be preceded or accompanied by the current prospectus. Read it carefully before investing.

Scudder 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 1600 McConnor Parkway, Schaumburg, IL 60196. Scudder DestinationsSM may not be available in all states. The contract contains limitations and policy forms may vary by state.

Scudder Investments is part of Deutsche Asset Management, which is the marketing name in the US for the asset management activities of Deutsche Bank AG, Deutsche Bank Trust Company Americas, Deutsche Asset Management Inc., Deutsche Asset Management Investment Services Ltd., Deutsche Investment Management Americas Inc. and Scudder Trust Company.

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**Kemper Investors Life
Insurance Company**

Administrative office:
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Schaumburg, IL 60196-6801

