

SECURITIES AND EXCHANGE COMMISSION

FORM 497

Definitive materials filed under paragraph (a), (b), (c), (d), (e) or (f) of Securities Act Rule 497

Filing Date: **1996-12-30**
SEC Accession No. **0000950124-96-005666**

(HTML Version on secdatabase.com)

FILER

KEMPER ADJUSTABLE RATE U S GOVERNMENT FUND

CIK: **814955** | IRS No.: **363528556** | State of Incorporation: **MA** | Fiscal Year End: **0831**
Type: **497** | Act: **33** | File No.: **033-14832** | Film No.: **96687855**

Business Address
120 S LASALLE ST
CHICAGO IL 60603
3127811121

KEMPER INCOME & CAPITAL PRESERVATION FUND INC

CIK: **55185** | IRS No.: **362797860** | State of Incorporation: **MA** | Fiscal Year End: **1031**
Type: **497** | Act: **33** | File No.: **002-45481** | Film No.: **96687856**

Business Address
120 S LASALLE ST
CHICAGO IL 60603
3127811121

KEMPER U S GOVERNMENT SECURITIES FUND

CIK: **202163** | IRS No.: **163060398** | State of Incorporation: **MA** | Fiscal Year End: **1031**
Type: **497** | Act: **33** | File No.: **002-57937** | Film No.: **96687857**

Mailing Address
120 S. LASALLE STREET
CHICAGO IL 60603

Business Address
120 S LASALLE ST
CHICAGO IL 60603
3127811121

KEMPER DIVERSIFIED INCOME FUND

CIK: **216314** | IRS No.: **362921989** | State of Incorporation: **MA** | Fiscal Year End: **1031**
Type: **497** | Act: **33** | File No.: **002-58921** | Film No.: **96687858**

Business Address
120 S LASALLE ST
CHICAGO IL 60603
3127811121

KEMPER HIGH YIELD FUND

CIK: **225528** | IRS No.: **362955386** | State of Incorporation: **MA** | Fiscal Year End: **0930**
Type: **497** | Act: **33** | File No.: **002-60330** | Film No.: **96687859**

Business Address
120 S LASALLE ST
CHICAGO IL 60603
3127811121

KEMPER PORTFOLIOS

CIK: **701638** | IRS No.: **363534358** | State of Incorporation: **MA** | Fiscal Year End: **0731**
Type: **497** | Act: **33** | File No.: **002-76806** | Film No.: **96687860**

Business Address
120 S LASALLE ST
CHICAGO IL 60603
3127811121

KEMPER FIXED INCOME FUNDS
 SUPPLEMENT TO PROSPECTUS
 DATED DECEMBER 20, 1996

CLASS I SHARES

- KEMPER ADJUSTABLE RATE U.S. GOVERNMENT FUND
- KEMPER CASH RESERVES FUND
- KEMPER DIVERSIFIED INCOME FUND
- KEMPER U.S. GOVERNMENT SECURITIES FUND
- KEMPER HIGH YIELD FUND
- KEMPER INCOME AND CAPITAL PRESERVATION FUND
- KEMPER U.S. MORTGAGE FUND
- KEMPER SHORT-INTERMEDIATE GOVERNMENT FUND

Kemper Adjustable Rate U.S. Government Fund (the "Adjustable Rate Fund"), Kemper Cash Reserves Fund (the "Cash Reserves Fund"), Kemper Diversified Income Fund (the "Diversified Fund"), Kemper U.S. Government Securities Fund (the "Government Fund"), Kemper High Yield Fund (the "High Yield Fund"), Kemper Income and Capital Preservation Fund (the "Income and Capital Fund"), Kemper U.S. Mortgage Fund (the "Mortgage Fund") and Kemper Short-Intermediate Government Fund (the "Short-Intermediate Government Fund") (collectively, the "Funds") currently offer four classes of shares to provide investors with different purchasing options. These are Class A, Class B and Class C shares, which are described in the prospectus, and Class I shares, which are described in the prospectus as supplemented hereby.

Class I shares are available for purchase exclusively by the following investors: (a) tax-exempt retirement plans of Zurich Kemper Investments, Inc. ("ZKI") and its affiliates; and (b) the following investment advisory clients of ZKI and its investment advisory affiliates (including Zurich Investment Management, Inc.) that invest at least \$1 million in a Fund: (1) unaffiliated benefit plans, such as qualified retirement plans (other than individual retirement accounts and self-directed retirement plans); (2) unaffiliated banks and insurance companies purchasing for their own accounts; and (3) endowment funds of unaffiliated non-profit organizations. Class I shares currently are available for purchase only from Kemper Distributors, Inc., principal underwriter for the Funds. Share certificates are not available for Class I shares.

The primary distinctions among the classes of each Fund's shares lie in their initial and contingent deferred sales charge schedules and in their ongoing expenses, including asset-based sales charges in the form of Rule 12b-1 distribution fees. Class I shares are offered at net asset value without an initial sales charge and are not subject to a contingent deferred sales charge or a Rule 12b-1 distribution fee. Also, there is no administrative services fee charged to Class I shares. As a result of the relatively lower expenses for Class I shares, the level of income dividends per share (as a percentage of net asset value) and, therefore, the overall investment return, will be higher for Class I shares than for Class A, Class B and Class C shares.

The following information supplements the indicated sections of the prospectus.

SUMMARY OF EXPENSES

<TABLE>
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 SHAREHOLDER TRANSACTION EXPENSES
 (APPLICABLE TO ALL FUNDS)

	CLASS I
<S>	<C>
Maximum Sales Charge on Purchases (as a percentage of offering price).....	None
Maximum Sales Charge on Reinvested Dividends.....	None
Redemption Fees.....	None
Exchange Fee.....	None
Deferred Sales Charge (as a percentage of redemption proceeds).....	None

</TABLE>

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ANNUAL FUND OPERATING EXPENSES (as a percentage of average net assets)	ADJUSTABLE RATE FUND	CASH RESERVES FUND	DIVERSIFIED INCOME FUND	GOVERNMENT SECURITIES FUND	HIGH YIELD FUND	INCOME AND CAPITAL PRESERVATION FUND	MORTGAGE FUND	SHORT- INTERMEDIATE GOVERNMENT FUND
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Management Fees.....	.55%	.40%	.56%	.41%	.53%	.53%	.50%	.55%

12b-1 Fees.....	None	None	None	None	None	None	None	None
Other Expenses (estimated).....	.15%	.15%	.71%	.18%	.08%	.19%	.15%	.15%
Total Operating Expenses....	.70%	.55%	1.27%	.59%	.61%	.72%	.65%	.70%

</TABLE>

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EXAMPLE	FUND	1 YEAR	3 YEARS	5 YEARS	10 YEARS
<S>	<C>	<C>	<C>	<C>	<C>
You would pay the following expenses on a \$1,000 investment, assuming (1) 5% annual return and (2) redemption at the end of each time period:	Adjustable Rate.....	\$ 7	\$22	\$39	\$ 87
	Cash Reserves.....	\$ 6	\$18	\$31	\$ 69
	Diversified.....	\$13	\$40	\$70	\$ 153
	Government.....	\$ 6	\$19	\$33	\$ 74
	High Yield.....	\$ 6	\$20	\$34	\$ 76
	Income and Capital.....	\$ 7	\$23	\$40	\$ 89
	Mortgage.....	\$ 7	\$21	\$36	\$ 81
	Short-Intermediate Government.....	\$ 7	\$22	\$39	\$ 87

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The purpose of the preceding table is to assist investors in understanding the various costs and expenses that an investor in Class I shares of a Fund will bear directly or indirectly.

"Other Expenses" for Class I shares have been estimated for the current fiscal year for the following funds: Adjustable Rate, Cash Reserves, Mortgage and Short-Intermediate.

The Example assumes a 5% annual rate of return pursuant to requirements of the Securities and Exchange Commission. This hypothetical rate of return is not intended to be representative of past or future performance of any Fund. THE EXAMPLE SHOULD NOT BE CONSIDERED TO BE A REPRESENTATION OF PAST OR FUTURE EXPENSES. ACTUAL EXPENSES MAY BE GREATER OR LESSER THAN THOSE SHOWN.

2

3

FINANCIAL HIGHLIGHTS

No financial information is presented for Class I shares of the Adjustable Rate Fund, Cash Reserves Fund, Mortgage Fund and the Short-Intermediate Government Fund since no Class I shares had been issued as of such Funds' fiscal year end.

DIVERSIFIED FUND

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	NOVEMBER 22, 1995 TO OCTOBER 31, 1996
<S>	<C>
PER SHARE OPERATING PERFORMANCE:	
Net asset value, beginning of period	\$ 5.98
Income from investment operations:	
Net investment income	.45
Net realized and unrealized gain on investments and foreign currency	.12
Total from investment operations	.57
Less distribution from net investment income	.55
Net asset value, end of period	\$ 6.00
TOTAL RETURN (NOT ANNUALIZED):	10.01%
RATIOS TO AVERAGE NET ASSETS (ANNUALIZED):	
Expenses	1.27%
Net investment income	7.48

</TABLE>

GOVERNMENT FUND

<TABLE>
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	YEAR ENDED OCTOBER 31, 1996	JULY 3 TO OCTOBER 31, 1995
	<C>	<C>
<S>		
PER SHARE OPERATING PERFORMANCE:		
Net asset value, beginning of period	\$8.92	8.88
Income from investment operations:		
Net investment income	.64	.22
Net realized and unrealized gain	(.17)	.04
Total from investment operations	.47	.26
Less distribution from net investment income	.65	.22
Net asset value, end of period	\$8.74	8.92
TOTAL RETURN (NOT ANNUALIZED):	5.56%	3.02
RATIOS TO AVERAGE NET ASSETS (ANNUALIZED):		
Expenses	.59%	.53
Net investment income	7.35	7.07

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3

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HIGH YIELD FUND

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	YEAR ENDED SEPTEMBER 30, 1996	DECEMBER 29, 1994 TO SEPTEMBER 30, 1995
	<C>	<C>
<S>		
PER SHARE OPERATING PERFORMANCE:		
Net asset value, beginning of period	\$ 8.01	7.55
Income from investment operations:		
Net investment income	.78	.66
Net realized and unrealized gain	.23	.39
Total from investment operations	1.01	1.05
Less distribution from net investment income	.79	.59
Net asset value, end of period	\$ 8.23	8.01
TOTAL RETURN (NOT ANNUALIZED):	13.32%	14.37
RATIOS TO AVERAGE NET ASSETS (ANNUALIZED):		
Expenses	.61%	.61
Net investment income	9.72	10.70

</TABLE>

INCOME AND CAPITAL FUND

<TABLE>
<CAPTION>

	YEAR ENDED OCTOBER 31, 1996	JULY 3 TO OCTOBER 31, 1995
	<C>	<C>
<S>		
PER SHARE OPERATING PERFORMANCE:		
Net asset value, beginning of period	\$8.61	8.52
Income from investment operations:		
Net investment income	.60	.19

Net realized and unrealized gain	(.15)	.12
Total from investment operations	.45	.31
Less distribution from net investment income	.61	.22
Net asset value, end of period	\$8.45	8.61
TOTAL RETURN (NOT ANNUALIZED):	5.45%	3.65
RATIOS TO AVERAGE NET ASSETS (ANNUALIZED):		
Expenses	.72%	.62
Net investment income	7.14	6.87

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SPECIAL FEATURES

Shareholders of a Fund's Class I shares may exchange their shares for (i) shares of Kemper Money Funds--Kemper Money Market Fund if the shareholders of Class I shares have purchased shares because they are participants in tax-exempt retirement plans of ZKI and its affiliates and (ii) Class I shares of any other "Kemper Mutual Fund" listed under "Special Features--Class A Shares--Combined Purchases" in the prospectus. Conversely, shareholders of Kemper Money Funds--Kemper Money Market Fund who have purchased shares because they are participants in tax-exempt retirement plans of ZKI and its affiliates may exchange their shares for Class I shares of "Kemper Mutual Funds" to the extent that they are available through their plan. Exchanges will be made at the relative net asset values of the shares. Exchanges are subject to the limitations set forth in the prospectus under "Special Features--Exchange Privilege--General."

December 20, 1996
KFIF-1I (12/96)