

SECURITIES AND EXCHANGE COMMISSION

FORM N-30B-2

Periodic and interim reports mailed to investment company shareholders (other than annual and semi-annual reports mailed to shareholders pursuant to Rule 30e-1)

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FILER

COMMON SENSE TRUST

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SHAREHOLDERS' MESSAGE

Don G. Powell
November 26, 1996

Dear Shareholder,

While there were indications of an economic slowdown in the final days of the 12-month reporting period, the economy demonstrated an acceleration in growth during the second half of the year ended October 31, 1996. Real GDP (the nation's gross domestic product, adjusted for inflation) rose nominally in the last quarter of 1995--due in part to weak construction activity, two government shutdowns, and a strike at Boeing--and increased to 2.0 percent in the first quarter of 1996. However, the economy grew by a much stronger 4.7 percent in the second quarter, partly reflecting a rebound from the aftermath of the General Motors strike earlier in the year, an end to the budget stalemate between the White House and Congress, and extreme weather conditions in many parts of the country. Upward momentum was driven by consumer spending, as indicated by a 5.0 percent rise in retail sales during the Funds' fiscal year. Surprisingly healthy economic activity led to concerns that inflation may rise, which could cause the Federal Reserve Board to tighten monetary policy. Inflation remains modest, however, with consumer prices rising at about a 3 percent annual rate over the past year. By comparison, the closely watched "core" Consumer Price Index, which excludes volatile food and energy components, has risen year over year at rates between 2.7 and 3.0 percent per year. In general, recent reports have suggested an upward creep in labor-related costs. For instance, the Employment Cost Index, which measures wages and salaries, rose only 0.6 percent in the third quarter.

It was not until the closing days of the reporting period that signs of a let-up in the economy began to take shape. Data released in late October indicated that GDP growth was much slower than expected, having eased to a 2.2 percent annual rate in the third quarter. This development sparked a late-October rally in Treasury bond prices and led to speculation that Federal Reserve policymakers might be less inclined to tighten (raise) interest rates in the upcoming months. In turn, blue-chip stocks received a boost, as investors relaxed amid visions of a slow-growth, low inflation scenario.

While it is difficult to draw any conclusions from recent economic statistics, it is clear that the stock and bond markets have reacted with enthusiasm, continuing the trend of steady strength exhibited over the second six months of the reporting period. Stocks, as measured by the Dow Jones Industrial Average, have recorded a number of new highs, and the bond market has been bolstered by the continuation of low to moderate rates of consumer spending, government spending, and inflation.

Continued on page two

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ECONOMIC OUTLOOK

The third-quarter slowdown of the economy altered the stock and bond markets' general bias, shifting attention from excessive growth to the possibility of further slowing. With the election results maintaining the political status quo--a Democrat in the White House and Republicans controlling both houses of Congress--investors are taking comfort in the expectation that Fed policy will likely be on hold through the end of the year.

Nevertheless, we anticipate that the economy will continue to grow during the balance of 1996, although at more moderate rates than the second quarter's swift pace. Our analysis strongly suggests that a rebound in economic growth could occur in the first half of 1997.

Corporate earnings, which have been an important contributor to recent strength in the stock market, are expected to remain supportive, but perhaps not the primary factor in the movement of the stock market averages. Other factors, from inflation to Federal Reserve policy, may prove more important. And bond market performance, certainly, will hinge on these factors as well, though we anticipate that bonds will remain within the trading range established over the past several months, perhaps with a slightly bullish bias.

While we expect rates of inflation to remain near present levels, the Fed may begin to lean toward greater restraint in its monetary policy in the coming months--especially if inflation indicators such as labor costs begin to accelerate. This could provide an upward bias for short-term interest rates, and it suggests that yields on long-term bonds will hold steady near current levels. For the remainder of 1996, we look for the long Treasury bond to trade between 6.25 percent and 6.75 percent, the 5-year Treasury to range between 5.75 percent and 6.25 percent, and the federal funds rate to remain essentially unchanged.

COMMON SENSE TRUST FUNDS

The completion of the restructuring of the Common Sense Trust funds on August 9, 1996 provided shareholders with seven investment options within the Common Sense Family of Funds. Depending upon your specific investment objective, these products, covering a range of asset categories, may help you achieve your long-term goals.

On the following pages, you will find performance results for each of the funds

for the 12-month period ended October 31, 1996, along with interviews with the portfolio management teams.

As always, we appreciate your continued confidence in your investment.

Sincerely,

LOGO

Don G. Powell
President

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PORTFOLIO PERSPECTIVE

The following is an interview with the portfolio management team of the Common Sense Trust stock funds. The team includes: Stephen L. Boyd, Common Sense Growth Fund; Gary M. Lewis, Common Sense Emerging Growth Fund; James A. Gilligan, Common Sense Growth and Income Fund; James B. Conheady and Jeffrey Russell, Common Sense International Equity Fund; and Alan T. Sachtleben, executive vice president for equity investments.

Q. WHAT FACTORS HAD THE GREATEST IMPACT ON THE PERFORMANCE OF THE STOCK FUNDS DURING THE 12-MONTH PERIOD ENDED OCTOBER 31, 1996?

A. The Common Sense Trust domestic equity funds benefited from a very healthy rise in stocks in the fiscal year ended October 31, 1996. The rise in the first half of the 12-month period was fueled by a strong economy and better-than-expected earnings. In the second half of the reporting period, the economy moderated slightly, which caused interest rates to decline and valuations in the stock market to rise. Three sectors noteworthy for their performance were technology, energy, and finance.

The technology sector exhibited large swings during the year. While this volatility affected many investors adversely, it did not significantly impact the funds because each fund remains broadly diversified, avoiding large and risky sector bets. For the year, the technology sector as a whole was not a standout, but certain areas within this sector were clear winners. In particular, telecommunications and network-related stocks dwarfed the returns in other industries because of strong revenue growth.

The energy sector was attractive for investors, as the price of gas and oil appreciated throughout the year. While the rise in commodity prices helped the earnings of producers, the greatest beneficiaries were the oil service companies. These companies saw an increase in demand for their services, which enabled them to utilize previously unproductive assets and dramatically increase the fees they received for their services.

Financial stocks also stood out for their positive performance during the year. In particular, large banks benefited from using excess capital in share buybacks and continuing their cost-cutting efforts in order to increase earnings. Consumer finance companies also did well, as they took advantage of increased consumer demand for credit.

Q. WHAT CHANGES DID YOU MAKE TO THE PORTFOLIOS DURING THE REPORTING PERIOD?

A. The Common Sense Growth and Income Fund's weighting in convertible securities was reduced by approximately 5 percent in order to increase the equity sensitivity of the portfolio. The assets were redirected to the technology, energy, and consumer distribution sectors. Within the technology sector, we increased our exposure to telecommunication equipment manufacturers in an effort to capitalize on the dramatic growth in wireless communications. In the energy sector, Texaco's weighting was increased in response to strong oil and gas prices. The emphasis in consumer distribution was shifted to retail companies in the process of reducing their expense structure, such as Vons and Eckerd Corp. In recognition of the value of these businesses, J.C. Penney and Safeway recently entered into agreements to acquire Eckerd Corp. and Vons, respectively.

Common Sense Growth and Income Fund
Holdings by Sector

[CHART APPEARS HERE]

Percentage of Long-Term Holdings
10/31/96

<TABLE>

<S>	<C>
Finance	15.1%
Health Care	12.0%
Technology	12.6%

Energy	11.5%
Utilities	9.3%
Producer Manufacturing	7.9%
Consumer Distribution	6.0%
Consumer Services	3.9%
Other	21.7%

</TABLE>

The Common Sense Growth Fund experienced three significant changes during the period:

- . Throughout the year, as certain sectors such as energy and technology became more attractive, we reduced the Fund's overall number of holdings in an effort to concentrate assets in those sectors we believed to have the greatest growth potential.
- . Because of this concentration, the portfolio adopted a slightly more aggressive profile. Relative to its normal weighting, the Fund took a larger position in technology holdings.
- . In response to the stock market's record-breaking upward run, we sought to cushion the Fund from potential volatility. By purchasing long bonds, with the current holding at approximately 2 percent.

[PIE CHART APPEARS HERE]

Common Sense Growth Fund
Holdings by Sector

Percentage of Long-Term Holdings
10/31/96

Technology	19.4%
Finance	19.1%
Producer Manufacturing	10.1%
Health Care	9.8%
Energy	9.0%
Consumer Distribution	7.8%
Consumer Non-Durables	6.6%
Consumers Services	5.2%
Other	13.0%

During the period, the Common Sense Emerging Growth Fund's investment strategy remained constant through market and economic fluctuations. The Fund is managed with a bottom-up approach, which focuses on stock selection rather than market timing or sector rotation. We seek to control risk by maintaining a broadly diversified portfolio, and under normal circumstances, remaining fully invested. Our goal is to outperform the market by picking what we believe are the best stocks in each sector, with the ultimate goal of delivering consistent results over time. Stocks are selected based on what we believe is a company's potential to deliver upside earnings reports. To find such companies, we look for rising earnings estimates and improving valuations. Investments are made in the companies which, we believe, have the highest growth potential in each sector that meet the "buy" criteria. In general, these will be smaller companies with revenue less than \$2 billion. Investments are sold when the company no longer meets the buy criteria.

We remain optimistic about the long-term prospects of smaller-capitalization growth stocks. Small stocks in general are still selling at reasonable valuation levels compared to larger stocks and would benefit strongly from any cut in the capital gains tax rate. However, the securities of emerging growth companies may be subject to more erratic market moves than larger companies and often have limited product lines, markets, or financial resources.

[PIE CHART APPEARS HERE]

Common Sense Emerging Growth Fund
Holdings by Sector

Percentage of Long-Term Holdings
10/31/96

Technology	32.6%
Consumers Services	13.1%
Consumer Distribution	10.9%
Health Care	8.8%
Energy	8.8%
Finance	9.7%
Consumer Non-Durables	7.1%
Producer Manufacturing	4.2%
Other	4.8%

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The Common Sense International Equity Fund continues to be diversified both in terms of industries and countries. About 35 percent of the portfolio is invested in European stocks, with notable exposures in Great Britain, France, and Germany. About 20 percent of the portfolio is invested in the Far East, with 4.2 percent invested in Japan and 11.4 percent invested in Hong Kong. Other significant weightings include 10.6 percent in the Netherlands and 5.2 percent in Sweden, where we see attractive valuations. The remainder of the portfolio is in cash. Going forward, with investments in 20 countries, the portfolio is well positioned to take advantage of potential growth opportunities outside the United States. Keep in mind that foreign investments involve certain risks, such as currency fluctuation and economic volatility.

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Common Sense International Equity Fund
Holdings by Country

Percentage of Long-Term Holdings
10/31/96

United Kingdom	12.7%
Hong Kong	11.4%
Netherlands	10.6%
Italy	8.8%
Malaysia	6.7%
Ireland	5.6%
Germany	5.5%
Sweden	5.2%
Norway	4.6%
Japan	4.2%
Australia	4.0%
Other	20.7%

Q. HOW DID THE FUNDS PERFORM DURING THE 12 MONTHS ENDED OCTOBER 31, 1996?*

A.

Common Sense Growth Fund Class 1 shares achieved a total return at net asset value of 19.94 percent. Common Sense Growth and Income Fund Class 1 shares achieved a total return at net asset value of 20.58 percent, including reinvestment of dividends and capital gains totaling \$2.095 per share. In comparison to these two funds, the Standard & Poor's 500-Stock Index, an unmanaged index that reflects general stock market performance, achieved a total

return of 24.02 percent, including reinvestment of all distributions.

Common Sense Emerging Growth Fund Class A shares achieved a return at net asset value of 22.82 percent. During the same period, the S&P 500-Stock Index achieved a total return at net asset value of 24.02 percent, and the Russell 2000 Index, an unmanaged index that reflects the performance of smaller company stocks, achieved a total return of 16.60 percent, including reinvestment of all distributions.

Common Sense International Equity Fund Class A shares achieved a total return at net asset value of 19.34 percent. By comparison, the Morgan Stanley Capital International EAFE Index, which reflects the general performance of the major international stock markets, achieved a total return of 8.75 percent.

Keep in mind that the indices referenced above are unmanaged statistical composites and do not reflect any commissions or fees that would be paid by an investor purchasing the securities they represent. For more complete performance information of each fund, please refer to pages 10 through 12.

*As a result of the Common Sense Trust funds' reorganization, performance is noted for either Class 1 or Class A shares, depending upon which class of shares has the longest performance record.

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Q. WHAT IS THE OUTLOOK FOR STOCKS?

A.

We are cautiously optimistic for several reasons. The economy appears to be growing at a sustainable rate without triggering inflationary fears. Therefore, interest rates should remain steady, and companies are expected to fulfill their earnings expectations. Stocks typically have performed well in this type of economic environment.

Regardless of which sectors overperform or underperform, our well-defined stock selection process should continue to serve the Common Sense funds well. By remaining fully invested and broadly diversified across a number of different industries, we will continue to invest in those companies we believe have the best growth potential.

LOGO	LOGO	LOGO
Alan T. Sachtleben Executive Vice President Equity Investments	Stephen L. Boyd Portfolio Manager Common Sense Growth Fund	James A. Gilligan Portfolio Manager Common Sense Growth and Income Fund

LOGO	LOGO	LOGO
Gary M. Lewis Portfolio Manager Common Sense Emerging Growth Fund	James B. Conheady Portfolio Co-Manager Common Sense International Equity Fund	Jeffrey Russell Portfolio Co-Manager Common Sense International Equity Fund

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PORTFOLIO PERSPECTIVE

The following is an interview with the portfolio management team of the Common Sense Trust fixed-income funds. The team includes: John R. Reynoldson, Common Sense Government Fund; Timothy D. Haney, Common Sense Municipal Bond Fund; David R. Troth, Common Sense Money Market Fund, and Peter W. Hegel, executive vice president for fixed-income investments.

Q. WHAT FACTORS HAD THE GREATEST IMPACT ON THE PERFORMANCE OF THE FIXED-INCOME FUNDS DURING THE 12-MONTH PERIOD ENDED OCTOBER 31, 1996?

A.

During the past 12 months, the bond market experienced two distinct investment environments. First, the bond rally that characterized much of 1995 continued through the fourth quarter. In an effort to spur the lackluster economy, the Federal Reserve Board lowered its key lending rate twice between mid-December 1995 and late-January 1996, for a total of one-half percent. This was positive for the bond market, because when interest rates decline, bond prices and the net asset value of bond funds usually increase.

Secondly, in early 1996, the positive investment environment that dominated most of 1995 ended. Instead of anticipating further interest rate reductions,

the bond market grew wary that the Federal Reserve might tighten (raise) interest rates. This concern was triggered by two main factors:

- . The two federal government shutdowns indicated that balanced budget legislation was not imminent
- . Several economic indicators pointed to accelerating economic growth (e.g. consecutive monthly reports showing significant increases in employment)

These factors led to fears that inflation, which had been holding steady at around 3 percent, might increase. Fears heightened when agricultural commodity and oil prices rose to their highest levels in two years. Such factors prompted the Fed to shift its policy from an accommodative mode (lowering interest rates) in January to a stable, or neutral, mode in February. This neutral mode was maintained through the remainder of the reporting period. Predicting no further interest rate reductions, the bond market reacted negatively and bond prices began to decline.

Since May of this year, 10-year Treasury note yields fluctuated between 6.3 percent and 6.9 percent. The investment environment progressively became more constructive towards the end of the reporting period, as fundamentals favored the bond market: economic growth slowed from second quarter peaks, inflation stayed well under control, and the dollar continued to exhibit stability.

Q. WHAT CHANGES DID YOU MAKE TO THE PORTFOLIOS DURING THE REPORTING PERIOD?

A.

The Common Sense Government Fund took advantage of the positive bond market environment from November 1995 through January 1996 by maintaining the Fund's average maturity and duration at slightly higher-than-average levels. Duration is a measure of a bond's sensitivity to changes in interest rates--the longer the duration, the greater the effect of changes in interest rate movements on net asset value. In the falling interest rate environment the Fund experienced during this time, the extended duration allowed the Fund to capture capital gain opportunities offered by falling yields, because the value of the Fund's securities increased.

Mortgage-backed securities generally outperformed Treasuries in the beginning of 1996. These securities came into the period attractively priced, reflecting concern about heightened homeowner refinancing activity. Higher interest rates removed that concern and mortgage-backed securities began to outperform. To take advantage of this, the Fund's portfolio was adjusted accordingly.

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In mid-March, we began purchasing GNMA securities with 8.5 percent and 9 percent coupons that were first issued in 1986 and 1987. These securities made the portfolio more defensive, because older mortgage-backed securities typically have more stable prepayment characteristics and tend to perform well in a declining market environment. We also purchased lower coupon 6.5 percent and 7 percent mortgage securities for the Government Fund. These were acquired because they had become less expensive relative to comparable Treasury issues. For the last six months, the duration of the portfolio has been set at neutral levels.

The Common Sense Municipal Bond Fund seeks to provide both an attractive tax-exempt yield consistent with preservation of capital. As of October 31, 1996, the Fund emphasized holdings that were investment-grade bonds (rated BBB or higher), with approximately 74 percent rated single-A or higher, and approximately 10 percent of the Fund was invested in non-rated securities and those rated below investment-grade. The values of higher-rated securities are more responsive to changes in interest rates, but these securities incur less credit risk. In contrast, the values of non-rated and lower-rated securities are less dependent on interest rates and more dependent on credit quality considerations. By utilizing both kinds of issues, we are able to position the Fund defensively against bond price fluctuation.

As the bond market began to decline later in the first quarter of 1996, the Common Sense Municipal Bond Fund's duration was shortened slightly in an attempt to make the Fund less sensitive to rising interest rates. The Fund maintained this mildly defensive posture through the fiscal year end.

We continue to focus on securities in the 15- to 20-year maturity range. We believe this range offers the best relative value at this time providing virtually the same yield, but with less price volatility than is usually associated with long-term maturities.

The Common Sense Money Market Fund has maintained a concentration on high-quality money market instruments. As such, it is well-positioned to weather any anticipated economic slow-down and uncertain interest rate environment.

[PIE CHART APPEARS HERE]

Common Sense Municipal Bond Fund
Quality Ratings

Percentage of Long-term Holdings
10/31/96

AAA 57.4%
 AA 6.0%
 A 11.0%
 BBB 15.3%
 BB 1.3%
 Non-Rated 9.0%

Q. HOW DID THE FUNDS PERFORM DURING THE 12 MONTHS ENDED OCTOBER 31, 1996?*

A. Common Sense Government Fund Class 1 shares achieved a total return at net asset value of 4.58 percent, including reinvestment of dividends totaling \$0.718 per share. By comparison, the Lehman Brothers General U.S. Government Index achieved a total return of 5.76 percent.

Common Sense Municipal Bond Fund Class 1 shares achieved a total return at net asset value of 6.09 percent, including reinvestment of dividends and capital gains totaling \$0.756 per share. By comparison, the Lehman Brothers Municipal Bond Index achieved a total return of 5.70 percent.

Keep in mind that the indices referenced above are unmanaged statistical composites used as benchmarks for many government and municipal funds. They do not reflect any commissions or fees that would be paid by an investor purchasing the securities they represent.

The Common Sense Money Market Fund Class 1 shares achieved a total return at net asset value of 4.57 percent. For more complete performance information on each fund, please refer to pages 10 through 12.

*As a result of the Common Sense Trust Fund's reorganization, performance is noted for either Class 1 or Class A shares, depending upon which class of shares has the longest performance record.

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Q. WHAT IS THE OUTLOOK FOR THE BOND MARKET?

A. The bond market should remain stable over the next few months if the current market fundamentals--especially low inflation--remain in place. We do not anticipate any significant changes in the management of the Common Sense fixed-income funds, as long as the following hold true:

- . INFLATION: For some time now, inflation has been holding at a low 2 to 3 percent range, but there is some concern that it might creep upward, which could have a negative effect on the market.

- . INTEREST RATES: We anticipate the Fed will remain in a neutral policy mode for the foreseeable future. However, our fixed-income funds are structured defensively in the event that interest rates increase.

Additionally, the bond market should find continued support from the results of the recent national elections. With a Democratic president and a Republican Congress, there should be checks on potential spending increases and tax cuts so that the budget deficit does not balloon out of control. This split government should also minimize the likelihood of major tax reform, which could threaten the tax-exempt status of municipal bonds.

In any event, we will closely monitor any new developments in Washington and in the financial marketplace in order to evaluate the potential impact on fixed-income funds. We believe that, in the coming year, the bond market will continue to be an attractive investment choice for investors seeking high current income.

LOGO

Peter W. Hegel
 Executive Vice President
 Fixed Income Investments

LOGO
 John R. Reynoldson
 Portfolio Manager
 Common Sense Government Fund

LOGO
 Timothy D. Haney
 Portfolio Manager
 Common Sense Municipal Bond Fund

LOGO
 David R. Troth
 Portfolio Manager
 Common Sense Money Market Fund

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PERFORMANCE RESULTS FOR THE PERIOD ENDED OCTOBER 31, 1996

COMMON SENSE TRUST

<TABLE>

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	1 SHARES	A SHARES	B SHARES
COMMON SENSE EMERGING GROWTH FUND			
<S>	<C>	<C>	<C>
One-year total returns:			
Average annual at net asset value.....	N/A	22.82%	21.94%
Average annual with maximum 8.50% sales charge.....	N/A	16.06%	16.94%
Inception total returns:*			
Cumulative at net asset value**.....	3.91%	57.24%	55.29%
Average annual at net asset value.....	N/A	30.71%	29.75%
Average annual with maximum 8.50% sales charge.....	N/A	26.39%	27.76%

*Class 1 shares inception of August 8, 1996, Class A and Class B inception of February 21, 1995.
**The cumulative total return with maximum 8.50% sales charge for Class 1 shares is (4.91%).

	1 SHARES	A SHARES	B SHARES
COMMON SENSE GOVERNMENT FUND			
One-year total returns:			
Average annual at net asset value.....	4.58%	3.01%	2.16%
Average annual with maximum 6.75% sales charge.....	(2.46%)	(1.91%)	(1.74%)
Five-year total returns:			
Cumulative at net asset value.....	36.55%	N/A	N/A
Average annual at net asset value.....	6.43%	N/A	N/A
Average annual with maximum 6.75% sales charge.....	4.95%	N/A	N/A
Inception total returns:*			
Cumulative at net asset value.....	100.23%	12.81%	10.73%
Average annual at net asset value.....	7.54%	4.94%	4.16%
Average annual with maximum 6.75% sales charge.....	6.76%	2.90%	3.03%

*Class 1 shares inception of April 14, 1987, Class A and Class B inception of May 3, 1994.

	1 SHARES	A SHARES	B SHARES
COMMON SENSE GROWTH FUND			
One-year total returns:			
Average annual at net asset value.....	19.94%	18.09%	17.56%
Average annual with maximum 8.50% sales charge.....	9.76%	11.57%	12.56%
Five-year total returns:			
Cumulative at net asset value.....	90.45%	N/A	N/A
Average annual at net asset value.....	13.75%	N/A	N/A
Average annual with maximum 8.50% sales charge.....	11.75%	N/A	N/A
Inception total returns:*			
Cumulative at net asset value.....	185.20%	45.69%	43.44%
Average annual at net asset value.....	11.60%	16.25%	15.52%
Average annual with maximum 8.50% sales charge.....	10.57%	13.65%	14.55%

</TABLE>
*Class 1 shares inception of April 14, 1987, Class A and Class B inception of May 3, 1994.

PERFORMANCE RESULTS FOR THE PERIOD ENDED OCTOBER 31, 1996 (CONTINUED)

COMMON SENSE TRUST

<TABLE>
<CAPTION>

	1 SHARES	A SHARES	B SHARES
COMMON SENSE GROWTH AND INCOME FUND			
<S>	<C>	<C>	<C>
One-year total returns:			
Average annual at net asset value.....	20.58%	20.09%	19.22%
Average annual with maximum 8.50% sales charge.....	10.35%	13.51%	14.22%
Five-year total returns:			
Cumulative at net asset value.....	87.75%	N/A	N/A
Average annual at net asset value.....	13.43%	N/A	N/A
Average annual with maximum 8.50% sales charge.....	11.42%	N/A	N/A
Inception total returns:*			
Cumulative at net asset value.....	168.70%	43.74%	41.13%
Average annual at net asset value.....	10.90%	15.62%	14.78%
Average annual with maximum 8.50% sales charge.....	9.88%	13.02%	13.79%

*Class 1 shares inception of April 14, 1987, Class A and Class B inception of May 3, 1994.

	1 SHARES	A SHARES	B SHARES
COMMON SENSE INTERNATIONAL EQUITY FUND			
One-year total returns:			
Average annual at net asset value.....	N/A	19.34%	18.64%
Average annual with maximum 8.50% sales charge.....	N/A	12.75%	13.64%
Inception total returns:*			
Cumulative at net asset value**.....	3.25%	38.68%	37.16%
Average annual at net asset value.....	N/A	22.21%	21.39%
Average annual with maximum 8.50% sales charge.....	N/A	18.06%	19.21%

*Class 1 shares inception of August 8, 1996, Class A and Class B inception of March 17, 1995 (date the Fund's investment strategy was implemented).

**The cumulative total return with maximum 8.50% sales charge for Class 1 shares is (5.55%).

COMMON SENSE MONEY MARKET FUND

One-year total returns:			
Average annual at net asset value.....	4.57%	N/A	N/A
Five-year total returns:			
Cumulative at net asset value.....	19.43%	N/A	N/A
Average annual at net asset value.....	3.62%	N/A	N/A
Inception total returns:*			
Cumulative at net asset value.....	56.32%	1.00%	0.73%
Average annual at net asset value.....	5.16%	N/A	N/A

</TABLE>
 *Class 1 shares inception of December 15, 1987, Class A and Class B inception of August 8, 1996.

An investment in the Common Sense Money Market Fund is neither insured nor guaranteed by the U.S. government, and there can be no assurance that the Fund will be able to maintain a stable net asset value of \$1.00 per share. There is a one-time \$15 set-up fee for the Money Market Fund.

PERFORMANCE RESULTS FOR THE PERIOD ENDED OCTOBER 31, 1996 (CONTINUED)

COMMON SENSE TRUST

<TABLE>
 <CAPTION>

1 SHARES A SHARES B SHARES

COMMON SENSE MUNICIPAL BOND FUND

<S>	<C>	<C>	<C>
One-year total returns:			
Average annual at net asset value.....	6.09%	N/A	N/A
Average annual with maximum 4.75% sales charge.....	1.02%	N/A	N/A
Five-year total returns:			
Cumulative at net asset value.....	41.51%	N/A	N/A
Average annual at net asset value.....	7.19%	N/A	N/A
Average annual with maximum 4.75% sales charge.....	6.15%	N/A	N/A
Inception total returns:*			
Cumulative at net asset value**.....	85.42%	1.12%	0.93%
Average annual at net asset value.....	7.72%	N/A	N/A
Average annual with maximum 4.75% sales charge.....	7.10%	N/A	N/A

</TABLE>
 *Class 1 shares inception of July 13, 1988, Class A and Class B inception of August 8, 1996.

**The cumulative total return with maximum sales charge of 4.50% for Class A shares and maximum contingent deferred sales charge of 4.00% for Class B shares are (3.43%) and (3.08%), respectively.

N/A = Not Applicable

Performance data quoted represents past performance, which is not indicative of future performance. The investment return and principal value may fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original value.

Maximum sales charges range from 4.50% to 8.50%.

EMERGING GROWTH FUND

PORTFOLIO OF INVESTMENTS

October 31, 1996

<TABLE>
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Security Description	Shares	Market Value
<S>	<C>	<C>
COMMON STOCK AND EQUIVALENT 91.7%		
CONSUMER DISTRIBUTION 10.0%		
Bed, Bath & Beyond, Inc. (b).....	16,000	\$ 404,000
Borders Group, Inc. (b).....	6,000	189,000
CDW Computer Centers, Inc. (b).....	6,500	409,094
Central Garden & Pet Co. (b).....	8,500	200,813
Claire's Stores, Inc.....	17,000	289,000
CompUSA, Inc. (b).....	9,000	416,250
Consolidated Stores Corp. (b).....	10,500	405,545
Corporate Express, Inc. (b).....	10,000	326,250
Danka Business Systems PLC--ADR (UK).....	5,500	217,938
Dollar General Corp.....	6,500	180,375

Eagle Hardware & Garden (b).....	10,500	300,563
Eckerd Corp. (b).....	3,000	83,250
Finish Line, Class A (b).....	4,500	191,250
Gadzooks, Inc. (b).....	7,000	203,000
Gucci Group NV--NY (Netherlands).....	4,500	310,500
Inacom Corp. (b).....	6,500	205,563
Just For Feet, Inc. (b).....	8,250	213,469
Kroger Co. (b).....	7,500	334,688
Petco Animal Supplies (b).....	7,000	164,500
Richfood Holdings, Inc.....	8,000	193,000
Ross Stores, Inc.....	7,500	311,250
Safeway, Inc. (b).....	16,500	707,438
Saks Holdings, Inc. (b).....	12,000	420,000
Sports Authority, Inc. (b).....	5,500	133,375
Staples, Inc. (b).....	10,500	195,563
Stein Mart, Inc. (b).....	7,500	134,063
Tiffany & Co.....	10,000	370,000
TJX Cos., Inc.....	5,500	220,000
U S Office Products Co. (b).....	8,500	246,500
Vons Cos., Inc. (b).....	13,000	719,875
Wet Seal, Inc., Class A (b).....	7,500	236,250
Zale Corp. (b).....	10,000	193,750

9,126,112

CONSUMER DURABLES 0.5%

Ethan Allen Interiors.....	3,000	107,250
Gentex Corp. (b).....	2,000	47,500
Oakwood Homes Corp.....	4,500	119,250
Sturm Ruger & Co., Inc.....	8,000	150,000

424,000

CONSUMER NON-DURABLES 6.5%

Blyth Industries, Inc. (b).....	3,000	116,625
Coca-Cola Enterprises, Inc.....	7,500	319,688
Fila Holdings SPA--ADR (Italy).....	12,000	864,000
Interstate Bakeries Co.....	7,000	296,625
Liz Claiborne, Inc.....	8,000	338,000
Nautica Enterprises, Inc. (b).....	17,000	522,750
Nike, Inc., Class B.....	30,000	1,766,250
Revlon, Inc., Class A (b).....	2,000	73,000
St. John Knits, Inc.....	9,000	411,750

</TABLE>

See Notes to Financial Statements

EMERGING GROWTH FUND

PORTFOLIO OF INVESTMENTS (CONTINUED)

October 31, 1996

<TABLE>

<CAPTION>

Security Description	Shares	Market Value
----------------------	--------	--------------

<S>	<C>	<C>
CONSUMER NON-DURABLES (CONTINUED)		
Tommy Hilfiger, Corp. (b).....	13,000	\$ 676,000
U S A Detergents, Inc. (b).....	6,500	214,500
Wolverine World Wide, Inc.....	12,000	297,000

		5,896,188

CONSUMER SERVICES 12.0%

ABR Information Services, Inc. (b).....	3,500	242,375
Accustaff, Inc. (b).....	18,000	481,500
Anchor Gaming (b).....	4,500	225,000
APAC Teleservices, Inc. (b).....	12,000	553,500
Apollo Group, Inc., Class A (b).....	8,500	233,750
Billing Information Concepts (b).....	7,000	182,875
Boston Chicken, Inc. (b).....	4,500	163,688
Career Horizons, Inc. (b).....	5,500	223,438
Caribiner International, Inc. (b).....	1,000	45,500
CKE Restaurants, Inc.....	2,000	59,500
Corestaff, Inc. (b).....	14,000	357,000
Corrections Corp. of America (b).....	25,600	665,600
Dave & Buster's, Inc. (b).....	4,000	82,000
Doubletree Corp. (b).....	11,500	466,469
Evergreen Media Corp., Class A (b).....	20,000	540,000
Gartner Group, Inc. (b).....	11,500	353,625
Ha-Lo Industries, Inc. (b).....	5,500	170,500
HFS, Inc. (b).....	17,000	1,245,250

Imperial Credit Industries (b).....	16,000	290,000
Infinity Broadcasting Corp. (b).....	5,000	145,000
International Game Technologies.....	10,000	211,250
Interpublic Group Cos., Inc.....	5,500	266,750
Jacor Communications, Class A (b).....	4,000	112,000
Landrys Seafood Restaurants (b).....	4,000	82,000
Meredith Corp.....	9,500	477,375
MGM Grand, Inc. (b).....	3,000	116,250
Mirage Resorts, Inc. (b).....	7,000	154,000
National Data Corp.....	8,500	349,563
Omnicom Group.....	5,500	273,625
Penske Motorsports, Inc. (b).....	4,000	137,000
Planet Hollywood International, Inc., Class A (b).....	5,000	103,750
Prime Hospitality Corp. (b).....	6,000	91,500
Promus Hotel Corp. (b).....	7,000	222,250
Rainforest Cafe, Inc. (b).....	7,600	247,000
Regal Cinemas, Inc. (b).....	10,000	260,000
Reynolds & Reynolds Co.....	13,000	342,875
Robert Half International, Inc. (b).....	4,000	160,500
Sitel Corp. (b).....	16,000	316,000
Sodak Gaming, Inc. (b).....	15,000	271,875
Whittman Hart, Inc. (b).....	1,000	47,500

		10,969,633

ENERGY 8.1%

Baker Hughes, Inc.....	4,500	160,313
Barrett Resources Corp. (b).....	3,000	115,125
Benton Oil & Gas Co. (b).....	5,000	122,500

</TABLE>

See Notes to Financial Statements

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EMERGING GROWTH FUND

PORTFOLIO OF INVESTMENTS (CONTINUED)

October 31, 1996

<TABLE>

<CAPTION>

Security Description	Shares	Market Value
<S>	<C>	<C>
ENERGY (CONTINUED)		
BJ Services Co. (b).....	3,500	\$ 157,063
BJ Services Co. Warrants (exp. 04/13/20).....	60	1,268
Camco International, Inc.....	5,000	193,750
Chesapeake Energy Corp. (b).....	15,000	873,750
Cliffs Drilling Co. (b).....	1,900	81,463
Comstock Resources, Inc. (b).....	12,000	154,500
Cooper Cameron Corp. (b).....	7,000	447,125
Diamond Offshore Drilling (b).....	7,000	426,125
Enso International, Inc. (b).....	4,500	194,625
Flores & Rucks Inc. (b).....	5,500	259,875
Forcenergy Gas Exploration (b).....	7,000	191,625
Global Marine, Inc. (b).....	18,000	330,750
Input/Output, Inc. (b).....	5,500	163,625
Marine Drilling Co., Inc. (b).....	10,500	145,688
Noble Drilling Corp. (b).....	10,000	186,250
Pogo Producing Co.....	11,000	488,125
Reading & Bates Corp. (b).....	12,000	345,000
Rowan Cos., Inc. (b).....	23,000	514,625
Smith International, Inc. (b).....	13,000	494,000
Tidewater, Inc.....	7,000	306,250
Transocean Offshore, Inc.....	11,000	695,750
United Meridian Corp. (b).....	7,500	353,438

		7,402,608

FINANCE 8.9%

Aames Financial Corp.....	9,000	401,625
American Travellers Corp. (b).....	12,000	412,500
Amresco, Inc. (b).....	17,000	359,125
Bank of Boston Corp.....	9,000	576,000
CMAC Investment Corp.....	6,500	449,313
Contifinancial Corp. (b).....	3,000	97,500
Cullen Frost Bankers, Inc.....	5,000	150,313
Finova Group, Inc.....	10,000	617,500
First Bank System, Inc.....	4,000	264,000
Firststar Corp.....	8,000	392,000
Green Tree Financial Corp.....	12,000	475,500
Household International, Inc.....	5,500	486,750
Money Store, Inc.....	10,000	257,500

North Fork Bancorporation.....	5,000	158,125
Peoples Heritage Financial.....	6,000	138,000
RAC Financial Group, Inc. (b).....	10,000	600,000
Southern Pacific Funding Corp. (b).....	10,000	315,000
Star Banc Corp.....	3,000	270,000
Student Loan Marketing Assn.....	5,500	455,125
TCF Financial Corp.....	10,000	387,500
TIG Holdings, Inc.....	4,000	115,500
Washington Mutual, Inc.....	18,000	760,500

		8,139,376

</TABLE>

See Notes to Financial Statements

EMERGING GROWTH FUND

PORTFOLIO OF INVESTMENTS (CONTINUED)

October 31, 1996

<TABLE>

<CAPTION>

Security Description	Shares	Market Value
<S>	<C>	<C>
HEALTH CARE 8.0%		
Clintrials Research, Inc. (b).....	900	\$ 33,413
CRA Managed Care, Inc.....	3,100	157,325
Curative Health Services, Inc. (b).....	3,000	68,250
Dura Pharmaceuticals, Inc. (b).....	22,000	759,000
ESC Medical Systems, Ltd. (b).....	4,000	110,500
HBO & Co.....	20,000	1,202,500
Health Management Assoc., Inc., Class A (b).....	18,000	396,000
Healthsouth Rehabilitation (b).....	18,500	693,750
Henry Schein, Inc. (b).....	3,500	139,125
Hologic, Inc. (b).....	6,500	147,875
Jones Medical Industries, Inc.....	8,500	369,750
Medicis Pharmaceutical, Class A (b).....	7,000	351,750
Mentor Corp.....	9,000	199,125
Minimed, Inc. (b).....	7,000	183,750
Omnicare, Inc.....	25,000	681,250
Orthodontic Centers of America (b).....	4,000	57,500
Parexel International Corp. (b).....	3,500	171,500
Physician Sales & Services, Inc. (b).....	7,500	159,375
Quintiles Transnational (b).....	5,500	361,625
Renal Treatment Centers, Inc. (b).....	11,000	294,250
Rexall Sundown, Inc. (b).....	7,000	189,875
Tenet Healthcare Corp. (b).....	5,000	104,375
Total Renal Care Holdings (b).....	6,000	234,000
Universal Health Services, Inc., Class B (b).....	6,000	150,000
Veterinary Centers of America (b).....	6,000	110,250

		7,326,113

PRODUCER MANUFACTURING 3.9%		
American Power Conversion Corp. (b).....	5,000	106,875
BMC Industries, Inc.--MN.....	5,500	162,938
Danaher Corp.....	7,500	306,563
Foster Wheeler Corp.....	4,500	184,500
Hughes Supply, Inc.....	2,000	76,000
Mastec, Inc. (b).....	2,500	121,563
Mueller Industries, Inc. (b).....	3,500	140,875
Precision Castparts Co.....	6,500	303,875
Shaw Group, Inc. (b).....	4,000	98,500
Thermedics, Inc. (b).....	5,500	114,125
Thermo Instruments Systems, Inc. (b).....	2,000	60,500
U S Filter Corp. (b).....	15,000	517,500
United Waste Systems, Inc. (b).....	16,500	567,188
U S A Waste Services, Inc. (b).....	20,500	656,000
Wyman-Gordian Co. (b).....	4,500	99,000

		3,516,002

RAW MATERIALS/PRODUCER INDUSTRIES 1.9%		
BF Goodrich Co.....	9,000	381,375
Cytec Industries, Inc. (b).....	4,000	143,000
Pentair, Inc.....	5,000	126,250
Praxair, Inc.....	9,000	398,250
Raychem Corp.....	6,000	468,750
Sealed Air Corp. (b).....	3,500	136,063
Titanium Metals Corp. (b).....	3,000	92,250

		1,745,938

</TABLE>

See Notes to Financial Statements

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EMERGING GROWTH FUND

PORTFOLIO OF INVESTMENTS (CONTINUED)

October 31, 1996

<TABLE>

<CAPTION>

Security Description	Shares	Market Value
<S>	<C>	<C>
TECHNOLOGY 29.9%		
Acxiom Corp. (b).....	8,000	\$ 314,000
ADC Telecommunications, Inc. (b).....	9,500	649,563
Ascend Communications, Inc. (b).....	23,000	1,503,625
Aspect Telecommunications Corp. (b).....	10,000	595,000
Aspen Technology, Inc. (b).....	4,500	302,625
BDM International, Inc. (b).....	2,000	100,500
BMC Software, Inc. (b).....	10,500	871,500
Cadence Design Systems, Inc. (b).....	18,000	657,000
Cambridge Tech Partners, Inc. (b).....	11,000	363,000
Cascade Communications (b).....	14,000	1,016,750
CBT Group Ltd. SA--ADR (Ireland) (b).....	600	33,000
Ciber, Inc. (b).....	5,500	195,250
Cisco Systems, Inc. (b).....	18,000	1,113,750
Citrix Systems, Inc. (b).....	8,000	442,000
Clarify, Inc. (b).....	3,000	144,750
Cognos, Inc. (b).....	4,000	125,500
Computer Assoc. International, Inc.....	6,500	384,313
Compuware Corp. (b).....	7,500	395,625
Comverse Technology, Inc. (b).....	7,500	262,500
Concord EFS, Inc. (b).....	7,000	203,000
Dell Computer Corp. (b).....	13,000	1,057,875
DSP Communications, Inc. (b).....	10,500	399,000
Dynatech Corp. (b).....	10,000	494,375
Encad, Inc. (b).....	5,500	225,500
GT Interactive Software Corp. (b).....	5,000	95,625
Inso Corp. (b).....	4,500	221,625
Integrated Systems, Inc. (b).....	5,500	148,500
Intel Corp.....	4,500	494,438
Legato Systems, Inc. (b).....	9,000	319,500
Lucent Technologies, Inc.....	5,500	258,500
McAfee Assoc., Inc. (b).....	36,500	1,660,750
Medic Computer Systems, Inc. (b).....	5,000	141,250
National Techteam, Inc. (b).....	2,000	54,000
Network General Corp. (b).....	5,500	132,688
Newbridge Networks Corp. (b).....	10,500	332,063
Oracle Systems Corp. (b).....	20,000	846,250
Pairgain Technologies, Inc. (b).....	24,000	1,653,000
Parametric Technology Corp. (b).....	15,000	733,125
Paychex, Inc.....	9,500	541,500
Peoplesoft, Inc. (b).....	15,500	1,391,125
Picturetel Corp. (b).....	8,000	216,000
Rational Software Corp. (b).....	5,000	191,875
Saville Systems PLC--ADR (Ireland), Class A (b).....	1,800	77,625
SCI Systems, Inc. (b).....	7,500	373,125
Security Dynamics Technologies, Inc. (b).....	6,500	528,125
Sun Microsystems, Inc. (b).....	7,000	427,000
Sungard Data Systems, Inc. (b).....	12,000	513,000
Sykes Enterprises, Inc. (b).....	2,000	93,000
Systemsoft Corp. (b).....	7,000	197,750

</TABLE>

See Notes to Financial Statements

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EMERGING GROWTH FUND

PORTFOLIO OF INVESTMENTS (CONTINUED)

October 31, 1996

<TABLE>

<CAPTION>

Security Description	Shares	Market Value
<S>	<C>	<C>
TECHNOLOGY (CONTINUED)		
Technology Solutions Co. (b).....	5,500	\$ 213,813
Tellabs, Inc. (b).....	7,500	638,438

U S Robotics Corp. (b).....	12,000	754,500
Ultrak, Inc. (b).....	6,500	171,438
Uniphase Corp. (b).....	3,500	168,875
Vanstar Corp. (b).....	11,000	261,250
Vantive Corp. (b).....	7,000	231,000
Viasoft, Inc. (b).....	13,000	640,250
Visio Corp. (b).....	3,000	138,375
Vitesse Semiconductor (b).....	8,000	255,000
Wind River Systems, Inc. (b).....	7,000	297,500

		27,261,879

TRANSPORTATION 0.4%		
Comair Holdings, Inc.....	6,000	120,750
Continental Airlines, Inc., Class B (b).....	10,000	251,250

		372,000

UTILITIES 1.6%		
ACC Corp. (b).....	10,500	446,250
AES Corp. (b).....	5,000	219,375
Cincinnati Bell, Inc.....	8,000	395,000
LCI International, Inc. (b).....	13,000	414,375

		1,475,000

TOTAL LONG-TERM INVESTMENTS 91.7%		
(Cost \$66,343,908) (a).....	83,654,849	
REPURCHASE AGREEMENT 6.6%		
BankAmerica Securities, Inc. (\$6,070,000 par collateralized by U.S. Government Obligations in a pooled cash account, dated 10/31/96, to be sold on 11/01/96 at \$6,070,944).....	6,070,000	
OTHER ASSETS IN EXCESS OF LIABILITIES 1.7%.....	1,551,787	

NET ASSETS 100.0%.....	\$91,276,636	

</TABLE>

- (a) At October 31, 1996, for federal income tax purposes, cost of long-term investments is \$66,446,079; the aggregate gross unrealized appreciation is \$19,026,851, and the aggregate gross unrealized depreciation is \$1,818,081, resulting in net unrealized appreciation of \$17,208,770.
- (b) Non-income producing security as this stock currently does not declare dividends.

See Notes to Financial Statements

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EMERGING GROWTH FUND

STATEMENT OF ASSETS AND LIABILITIES

October 31, 1996

<TABLE>

<S>	<C>
ASSETS:	
Investments, at Market Value (Cost \$66,343,908) (Note 1).....	\$83,654,849
Repurchase Agreement (Note 1).....	6,070,000
Cash.....	3,552
Receivables:	
Fund Shares Sold.....	1,814,415
Securities Sold.....	771,034
Dividends.....	20,444
Other.....	52,835
Unamortized Organizational Expenses (Note 1).....	13,910
Other.....	4,015

Total Assets.....	92,405,054

LIABILITIES:	
Payables:	
Securities Purchased.....	808,033
Distributor and Affiliates (Note 2).....	115,515
Investment Advisory Fee (Note 2).....	48,762
Fund Shares Repurchased.....	32,076
Other.....	24,573
Accrued Expenses.....	98,201
Retirement Plan (Note 2).....	1,258

Total Liabilities.....	1,128,418

NET ASSETS.....	\$91,276,636

NET ASSETS CONSIST OF:	
Capital (Note 3).....	\$77,755,730

Net Unrealized Appreciation on Securities.....	17,310,941
Accumulated Net Investment Loss.....	(1,258)
Accumulated Net Realized Loss on Securities.....	(3,788,777)

NET ASSETS.....	\$91,276,636

MAXIMUM OFFERING PRICE PER SHARE:	
Class 1 Shares:	
Net asset value and redemption price per share (Based on net assets of \$708,473 and 38,105 shares of beneficial interest issued and outstanding) (Note 3).....	
	\$ 18.59
Maximum sales charge (8.50%* of offering price).....	1.73

Maximum offering price to public.....	\$ 20.32

Class A Shares:	
Net asset value and redemption price per share (Based on net assets of \$51,483,826 and 2,771,815 shares of beneficial interest issued and outstanding) (Note 3).....	
	\$ 18.57
Maximum sales charge (5.50%* of offering price).....	1.08

Maximum offering price to public.....	\$ 19.65

Class B Shares:	
Net asset value and offering price per share (Based on net assets of \$39,084,337 and 2,131,160 shares of beneficial interest issued and outstanding) (Note 3).....	
	\$ 18.34

</TABLE>

*On sales of \$10,000 or more for Class 1 shares and \$50,000 or more for Class A shares, the sales charge will be reduced.

See Notes to Financial Statements

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EMERGING GROWTH FUND

STATEMENT OF OPERATIONS

For the Year Ended October 31, 1996

<TABLE>	
<S>	<C>
INVESTMENT INCOME:	
Interest.....	\$ 205,313
Dividends.....	197,215

Total Income.....	402,528

EXPENSES:	
Shareholder Services (Note 2).....	476,088
Investment Advisory Fee (Note 2).....	376,436
Distribution (12b-1) and Service Fees (Attributed to Classes A and B of \$81,313 and \$253,350, respectively) (Note 6).....	334,663
Registration and Filing Fees.....	116,570
Accounting (Note 2).....	79,620
Trustees Fees and Expenses (Note 2).....	16,286
Amortization of Organizational Expenses (Note 1).....	4,191
Other	67,411

Total Expenses.....	1,471,265

NET INVESTMENT LOSS.....	\$ (1,068,737)

REALIZED AND UNREALIZED GAIN/LOSS ON SECURITIES:	
Net Realized Loss on Investments.....	\$ (3,758,785)

Unrealized Appreciation/Depreciation on Securities:	
Beginning of the Period.....	2,166,765
End of the Period:	
Investments.....	17,310,941

Net Unrealized Appreciation on Securities During the Period.....	15,144,176

NET REALIZED AND UNREALIZED GAIN ON SECURITIES.....	\$11,385,391

NET INCREASE IN NET ASSETS FROM OPERATIONS.....	\$10,316,654

</TABLE>	

STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended October 31, 1996 and the Period February 21, 1995

<TABLE>

<CAPTION>

	Year Ended October 31, 1996	From February 21, 1995 (Commencement of Investment Operations) to October 31, 1995
<S>	<C>	<C>
FROM INVESTMENT ACTIVITIES:		
Operations:		
Net Investment Loss.....	\$ (1,068,737)	\$ (142,765)
Net Realized Loss on Securities.....	(3,758,785)	(29,992)
Net Unrealized Appreciation on Securities During the Period.....	15,144,176	2,166,765
	-----	-----
Change in Net Assets from Operations.....	10,316,654	1,994,008
	-----	-----
FROM CAPITAL TRANSACTIONS (NOTE 3):		
Proceeds from Shares Sold.....	62,308,648	26,003,007
Cost of Shares Repurchased.....	(8,092,239)	(1,253,642)
	-----	-----
NET CHANGE IN NET ASSETS FROM CAPITAL TRANSACTIONS.....	54,216,409	24,749,365
	-----	-----
TOTAL INCREASE IN NET ASSETS.....	64,533,063	26,743,373
NET ASSETS:		
Beginning of the Period.....	26,743,573	200
	-----	-----
End of the Period (Including undistributed net loss of \$1,258 and \$0, respectively).....	\$ 91,276,636	\$26,743,573
	-----	-----

</TABLE>

See Notes to Financial Statements

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EMERGING GROWTH FUND

FINANCIAL HIGHLIGHTS

The following schedule presents financial highlights for one share of the Fund outstanding throughout the period indicated.

<TABLE>

<CAPTION>

	August 8, 1996 (Commencement of Distribution) to October 31, 1996
Class 1 Shares	
<S>	<C>
Net Asset Value, Beginning of the Period.....	\$17.890

Net Investment Loss.....	(.015)
Net Realized and Unrealized Gain on Securities.....	.718

Total from Investment Operations.....	.703

Net Asset Value, End of the Period.....	\$18.593

Total Return (a).....	3.91%*
Net Assets at End of the Period (In millions).....	\$0.7
Ratio of Expenses to Average Net Assets.....	1.74%
Ratio of Net Investment Loss to Average Net Assets.....	(1.09%)
Portfolio Turnover.....	80%
Average Commission Paid for Equity Share Traded (b).....	\$.0498

</TABLE>

*Non-Annualized

(a) Total return is based upon net asset value which does not include payment of the maximum sales charge or contingent deferred sales charge.

(b) Represents the average brokerage commissions paid on equity transactions entered into during the period for trades where commissions were applicable.

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EMERGING GROWTH FUND

FINANCIAL HIGHLIGHTS (CONTINUED)

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

<TABLE>
<CAPTION>

Class A Shares	Year Ended October 31, 1996	February 21, 1995 (Commencement of Investment Operations) to October 31, 1995 (a)
<S>	<C>	<C>
Net Asset Value, Beginning of the Period.....	\$15.12	\$11.81
Net Investment Loss.....	(.178)	(.24)
Net Realized and Unrealized Gain on Securities.....	3.632	3.55
Total from Investment Operations.....	3.454	3.31
Net Asset Value, End of the Period....	\$18.574	\$15.12
Total Return (b).....	22.82%	28.11% (c)
Net Assets at End of the Period (In millions).....	\$51.5	\$15.9
Ratio of Expenses to Average Net Assets (d).....	2.21%	2.75%
Ratio of Net Investment Loss to Average Net Assets (d).....	(1.52%)	(1.65%)
Portfolio Turnover.....	80%	83%*
Average Commission Paid Per Equity Share Traded (e).....	\$.0498	--

</TABLE>

<TABLE>
<CAPTION>

Class B Shares	Year Ended October 31, 1996	February 21, 1995 (Commencement of Investment Operations) to October 31, 1995 (a)
<S>	<C>	<C>
Net Asset Value, Beginning of the Period.....	\$15.04	\$11.81
Net Investment Loss.....	(.270)	(.35)
Net Realized and Unrealized Gain on Securities.....	3.569	3.58
Total from Investment Operations.....	3.299	3.23
Net Asset Value, End of the Period....	\$18.339	\$15.04
Total Return (b).....	21.94%	27.43% (c)
Net Assets at End of the Period (In millions).....	\$39.1	\$10.8
Ratio of Expenses to Average Net Assets (d).....	2.96%	3.49%
Ratio of Net Investment Loss to Average Net Assets (d).....	(2.27%)	(2.45%)
Portfolio Turnover.....	80%	83%*
Average Commission Paid Per Equity Share Traded (e).....	\$.0498	--

</TABLE>

*Non-Annualized

- (a) Based on average month-end shares outstanding.
 (b) Total return is based upon net asset value which does not include payment of the maximum sales charge or contingent deferred sales charge.
 (c) Total return from March 17, 1995 (date the Fund's investment strategy was implemented) through October 31, 1995 without annualization.
 (d) If the Adviser had not waived fees for the period ended October 31, 1995, the total return would have been lower and the Ratios of Expenses to Average Net Assets and Net Investment Income to Average Net Assets would have been 3.37% and (2.27%) for Class A shares and 4.11% and (3.07%) for Class B shares, respectively.
 (e) Represents the average brokerage commissions paid on equity transactions entered into during the period for trades where commissions were applicable. This disclosure was not required in fiscal years prior to 1996.

GOVERNMENT FUND

PORTFOLIO OF INVESTMENTS

October 31, 1996

<TABLE>

<CAPTION>

Par Amount (000)	Description	Coupon	Maturity	Market Value
<C>	<S>	<C>	<C>	<C>
	U.S. GOVERNMENT AGENCY OBLIGATIONS 57.3%			
\$ 4,631	Federal Home Loan Mortgage Corp. Gold 5 Year Balloon... Federal Home Loan Mortgage	6.500%	10/01/97-07/01/98	\$ 4,636,713
543	Corp. Gold 5 Year Balloon... Federal Home Loan Mortgage	7.000	12/01/96-08/01/97	548,510
4,691	Corp. Gold 30 Year Pools.... Federal Home Loan Mortgage	7.000	07/01/24-10/01/24	4,610,549
22,460	Corp. Gold 30 Year Pools.... Federal Home Loan Mortgage	7.500	04/01/24-09/01/26	22,530,539
373	Corp. Gold 30 Year Pools.... Federal National Mortgage	8.000	06/01/24-11/01/24	380,703
10,645	Association Pools..... Federal National Mortgage	6.500	01/01/26-07/01/26	10,182,693
9,490	Association Pools..... Federal National Mortgage	7.000	12/01/22-05/01/25	9,325,093
16,876	Association Pools..... Federal National Mortgage	7.500	04/01/24-03/01/26	16,924,030
26	Association Pools..... Government National Mortgage	8.000	08/01/25	26,172
10,458	Association Pools..... Government National Mortgage	6.500	01/15/26-07/15/26	10,000,803
32,418	Association Pools..... Government National Mortgage	7.000	06/15/22-08/15/26	31,800,273
7,111	Association Pools..... Government National Mortgage	7.500	03/15/22-10/15/24	7,134,798
5,597	Association Pools..... Government National Mortgage	8.000	06/15/16-08/15/24	5,722,875
29,509	Association Pools..... Government National Mortgage	8.500	12/15/05-12/15/22	30,860,841
22,515	Association Pools..... Government National Mortgage	9.000	12/15/17	24,189,146
12	Association Pools.....	10.000	03/15/16	13,699
	TOTAL U.S. GOVERNMENT AGENCY OBLIGATIONS.....			178,887,437
	U.S. GOVERNMENT OBLIGATIONS 40.0%			
1,000	U.S. Treasury Bonds.....	7.125	02/15/23	1,045,470
10,000	U.S. Treasury Bonds.....	11.125	08/15/03	12,665,600
9,000	U.S. Treasury Notes (b).....	6.500	08/15/97	9,068,940
700	U.S. Treasury Notes.....	6.500	05/15/05	707,546
1,200	U.S. Treasury Notes.....	6.500	08/15/05	1,213,128
15,000	U.S. Treasury Notes (b).....	7.875	01/15/98	15,386,700
10,000	U.S. Treasury Notes.....	7.875	08/15/01	10,731,300
600	U.S. Treasury Notes.....	8.000	08/15/99	631,686
10,000	U.S. Treasury Notes.....	8.500	04/15/97	10,137,500
11,000	U.S. Treasury Notes.....	8.500	05/15/97	11,176,990
10,000	U.S. Treasury Notes (b).....	8.500	02/15/00	10,746,900
20,000	U.S. Treasury Notes (b).....	8.750	10/15/97	20,587,600
20,000	U.S. Treasury Notes (b).....	9.000	05/15/98	20,971,800
	TOTAL U.S. GOVERNMENT OBLIGATIONS.....			125,071,160
	FORWARD PURCHASE COMMITMENTS 6.4%			
10,000	U.S. Treasury Notes (November Forward).....	5.750	10/31/00	9,901,000
10,000	U.S. Treasury Notes (November Forward).....	6.500	08/15/05	10,104,300
	TOTAL FORWARD PURCHASE COMMITMENTS.....			20,005,300

</TABLE>

<TABLE>

<S>

<C>

TOTAL LONG-TERM INVESTMENTS 103.7%	
(Cost \$320,383,980) (a).....	323,963,897
REPURCHASE AGREEMENT 1.5%	
BankAmerica Securities (\$4,570,000 par collateralized by U.S. Government obligations in a pooled cash account, dated 10/31/96, to be sold on 11/01/96 at \$4,570,711).....	4,570,000
LIABILITIES IN EXCESS OF OTHER ASSETS (5.2%).....	(16,185,793)

NET ASSETS 100.0%.....	\$312,348,104

</TABLE>

(a) At October 31, 1996, for federal income tax purposes, cost is \$320,994,584, the aggregate gross unrealized appreciation is \$4,686,897 and the aggregate gross unrealized depreciation is \$1,717,584; resulting in net unrealized appreciation of \$2,969,313.

(b) Assets segregated as collateral for open futures transactions and open forward commitments.

See Notes to Financial Statements

GOVERNMENT FUND STATEMENT OF ASSETS AND LIABILITIES
October 31, 1996

<TABLE>

<S>	<C>
ASSETS:	
Investments, at Market Value (Cost \$320,383,980) (Note 1).....	\$323,963,897
Repurchase Agreement (Note 1).....	4,570,000
Cash.....	3,123
Receivables:	
Securities Sold.....	10,868,852
Interest.....	3,744,204
Fund Shares Sold.....	692,552
Variation Margin on Futures (Note 5).....	202,906
Other.....	36,587

Total Assets.....	344,082,121

LIABILITIES:	
Payables:	
Securities Purchased.....	30,819,067
Fund Shares Purchased.....	294,622
Income Distributions.....	238,122
Investment Advisory Fee (Note 2).....	155,687
Distributor and Affiliates (Notes 2 and 6).....	132,757
Accrued Expenses.....	87,109
Retirement Plan (Note 2).....	6,653

Total Liabilities.....	31,734,017

NET ASSETS.....	\$312,348,104

NET ASSETS CONSIST OF:	
Capital (Note 3).....	\$343,906,112
Net Unrealized Appreciation on Securities.....	5,358,494
Accumulated Distributions in Excess of Net Investment Income (Note 1).....	(6,653)
Accumulated Net Realized Loss on Securities.....	(36,909,849)

NET ASSETS.....	\$312,348,104

MAXIMUM OFFERING PRICE PER SHARE:	
Class 1 Shares:	
Net asset value and redemption price per share (Based on net assets of \$287,374,275 and 27,616,551 shares of beneficial interest issued and outstanding) (Note 3).....	\$ 10.41
Maximum sales charge (6.75%* of offering price).....	.75

Maximum offering price to public.....	\$ 11.16

Class A Shares:	
Net asset value and redemption price per share (Based on net assets of \$11,123,614 and 1,068,402 shares of beneficial interest issued and outstanding) (Note 3).....	\$ 10.41
Maximum sales charge (4.75%* of offering price).....	.52

Maximum offering price to public.....	\$ 10.93

Class B Shares:	
Net asset value and offering price per share (Based on net	

assets of \$13,850,215 and 1,330,303 shares of beneficial interest issued and outstanding) (Note 3)..... \$ 10.41

</TABLE>

*On sales of \$25,000 or more for Class 1 shares and \$100,000 or more for Class A shares, the sales charge will be reduced.

See Notes to Financial Statements

GOVERNMENT FUND

STATEMENT OF OPERATIONS

For the Year Ended October 31, 1996

<TABLE>

<S>	<C>
INVESTMENT INCOME:	
Interest.....	\$23,945,687
EXPENSES:	
Investment Advisory Fee (Note 2).....	1,883,666
Shareholder Services (Note 2).....	434,734
Trustees Fees and Expenses (Note 2).....	46,123
Distribution (12b-1) and Services Fees (Attributed to Classes A & B of \$5,959 and \$30,717, respectively) (Note 6).....	36,676
Other	263,648
Total Expenses.....	2,664,847
NET INVESTMENT INCOME.....	\$21,280,840
REALIZED AND UNREALIZED GAIN/LOSS ON SECURITIES:	
Net Realized Gain/Loss on Securities:	
Investments.....	\$ (300,492)
Futures.....	(2,226,391)
Forwards.....	(1,449,713)
Net Realized Loss on Securities.....	(3,976,596)
Unrealized Appreciation/Depreciation on Securities:	
Beginning of the Period.....	8,948,767
End of the Period:	
Investments.....	3,579,917
Futures.....	1,778,577
	5,358,494
Net Unrealized Depreciation on Securities During the Period.....	(3,590,273)
NET REALIZED AND UNREALIZED LOSS ON SECURITIES.....	\$(7,566,869)
NET INCREASE IN NET ASSETS FROM OPERATIONS.....	\$13,713,971

</TABLE>

STATEMENT OF CHANGES IN NET ASSETS

For the Years Ended October 31, 1996 and 1995

<TABLE>

<CAPTION>

	Year Ended October 31, 1996	Year Ended October 31, 1995
<S>	<C>	<C>
FROM INVESTMENT ACTIVITIES:		
Operations:		
Net Investment Income.....	\$ 21,280,840	\$ 22,579,674
Net Realized Gain/Loss on Securities.....	(3,976,596)	542,878
Net Unrealized Appreciation/Depreciation on Securities During the Period.....	(3,590,273)	20,974,048
Change in Net Assets from Operations.....	13,713,971	44,096,600
Distributions from Net Investment Income.....	(21,657,232)	(22,389,062)
Distributions in Excess of Net Investment Income.....	(124,957)	0
Distributions from and in Excess of Net Investment Income (Note 1).....	(21,782,189)	(22,389,062)
NET CHANGE IN NET ASSETS FROM INVESTMENT		

ACTIVITIES.....	(8,068,218)	21,707,538
FROM CAPITAL TRANSACTIONS (NOTE 3):		
Proceeds from Shares Sold.....	56,574,484	40,107,323
Net Asset Value of Shares Issued Through		
Dividend Reinvestment.....	18,761,150	19,322,483
Cost of Shares Repurchased.....	(83,934,267)	(87,084,035)
NET CHANGE IN NET ASSETS FROM CAPITAL		
TRANSACTIONS.....	(8,598,633)	(27,654,229)
TOTAL DECREASE IN NET ASSETS.....	(16,666,851)	(5,946,691)
NET ASSETS:		
Beginning of the Period.....	329,014,955	334,961,646
End of the Period (Including undistributed		
net investment income of \$(6,653) and		
\$376,392, respectively).....	\$312,348,104	\$329,014,955

</TABLE>

See Notes to Financial Statements

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GOVERNMENT FUND

FINANCIAL HIGHLIGHTS

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

<TABLE>

<CAPTION>

Class 1 Shares	Year Ended October 31,				
	1996	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>
Net Asset Value, Beginning of the Period..	\$10.67	\$9.99	\$11.80	\$11.56	\$11.47
Net Investment Income.....	.701	.70	.69	.7616	.86
Net Realized and Unrealized					
Gain/Loss on Securities.....	(.247)	.6779	(1.358)	.4249	.1639
Total from Investment Operations.....	.454	1.3779	(.668)	1.1865	1.0239
Less:					
Distributions from and in Excess of Net					
Investment Income (Note 1).....	.718	.6979	.6878	.7615	.8639
Distributions from and in Excess of Net					
Realized Gain on Securities (Note 1)....	-0-	-0-	.4542	.185	.07
Total Distributions.....	.718	.6979	1.142	.9465	.9339
Net Asset Value, End of the Period.....	\$10.406	\$10.67	\$9.99	\$11.80	\$11.56
Total Return (a).....	4.58%	14.27%	(5.45%)	10.55%	9.32%
Net Assets at End of the Period (In					
millions).....	\$287.4	\$329.0	\$335.0	\$370.2	\$282.0
Ratio of Expenses to Average Net Assets...	.84%	.83%	.89%	.89%	.95%
Ratio of Net Investment Income to Average					
Net Assets.....	6.79%	6.84%	7.06%	7.35%	7.46%
Portfolio Turnover.....	276%	214%	256%	218%	112%

</TABLE>

<TABLE>

<CAPTION>

	Class A Shares	Class B Shares
	Period Ended	Period Ended
	October 31, 1996(b)	October 31, 1996(b)
<S>	<C>	<C>
Net Asset Value, Beginning of the		
Period.....	\$10.32	\$10.32
Net Investment Income.....	.152	.137
Net Realized and Unrealized		
Gain/Loss on Securities.....	.090	.090
Total from Investment Operations.....	.242	.227
Less Distributions from and in Excess		
of Net Investment Income (Note 1)....	.151	.136
Net Asset Value, End of the Period...	\$10.411	\$10.411

Total Return (a).....	2.36%*	2.18%*
Net Assets at End of the Period (In millions).....	\$11.1	\$13.9
Ratio of Expenses to Average Net Assets.....	1.09%	1.84%
Ratio of Net Investment Income to Average Net Assets.....	6.50%	5.74%
Portfolio Turnover.....	276%	276%

*Non-Annualized

(a) Total return is based upon net asset value which does not include payment of the maximum sales charge or contingent deferred sales charge.

(b) Class A and Class B shares commenced distribution on August 8, 1996.

See Notes to Financial Statements

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GROWTH FUND

PORTFOLIO OF INVESTMENTS

October 31, 1996

<TABLE>

<CAPTION>

Security Description	Shares	Market Value
<S>	<C>	<C>
COMMON STOCKS 89.4%		
CONSUMER DISTRIBUTION 7.2%		
Cardinal Health Inc.....	160,000	\$ 12,560,000
Dayton Hudson Corp.....	450,000	15,581,250
Dillard Department Stores Inc.....	450,000	14,287,500
Dominick's Supermarkets Inc. (c).....	314,000	6,240,750
Duckwall-Alco Stores, Inc. (c).....	200,000	2,625,000
Eckerd Corp. (c).....	1,025,000	28,443,750
Federated Department Stores Inc. (c).....	500,000	16,500,000
Gap Inc.....	280,000	8,120,000
Kroger Co. (c).....	750,000	33,468,750
Lear Corp. (c).....	600,000	22,200,000
Safeway Inc. (c).....	350,000	15,006,250
Saks Holdings Inc. (c).....	295,000	10,325,000
Sears, Roebuck & Co.....	208,000	10,062,000
TJX Cos. Inc. New.....	350,000	14,000,000
Wal-Mart Stores Inc.....	550,000	14,643,750
		224,064,000
CONSUMER DURABLES 2.2%		
Black & Decker Corp.....	500,000	18,687,500
Eastman Kodak Co.....	110,000	8,772,500
General Motors Corp.....	600,000	32,325,000
Harley Davidson Inc.....	235,000	10,604,375
		70,389,375
CONSUMER NON-DURABLES 6.0%		
Addidas --ADS (Germany).....	360,000	15,390,000
Avon Products Inc.....	640,000	34,720,000
Colgate Palmolive Co.....	260,000	23,920,000
CPC International Inc.....	400,000	31,550,000
Gillette Co.....	450,000	33,637,500
Liz Claiborne Inc.....	525,000	22,181,250
Nabisco Holdings Corp. Class A.....	500,000	18,625,000
Tambrands Inc.....	172,400	7,348,550
		187,372,300
CONSUMER SERVICES 4.7%		
Cox Communications Inc. New (c).....	1,112,500	20,581,250
Harcourt General Inc.....	330,000	16,417,500
Host Marriott Corp. (c).....	675,000	10,378,125
Marriott International Inc.....	400,000	22,750,000
Service Corp. International.....	826,000	23,541,000
Tele Communications Class A New (c).....	2,750,000	34,203,125
Time Warner Inc.....	550,000	20,487,500
		148,358,500
ENERGY 8.2%		
Apache Corp.....	300,000	10,650,000
Baker Hughes Inc.....	400,000	14,250,000
Coastal Corp.....	500,000	21,500,000
Diamond Offshore Drilling (c).....	230,000	14,001,250
PanEnergy Corp.....	1,000,000	38,500,000

Phillips Petroleum Co.....	625,000	25,625,000
Repsol SA Sponsored--ADR (Spain).....	700,000	22,837,500
Texaco Inc.....	250,000	25,406,250
Union Pacific Resources Group.....	600,000	16,500,000
Williams Cos.....	825,000	43,106,250
Ypf Sociedad Anonima--ADS (Argentina).....	1,000,000	22,750,000

		255,126,250

</TABLE>

See Notes to Financial Statements

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GROWTH FUND

PORTFOLIO OF INVESTMENTS (CONTINUED)

October 31, 1996

<TABLE>

<CAPTION>

Security Description	Shares	Market Value
<S>	<C>	<C>
FINANCE 17.5%		
Bank of Boston Corp.....	650,000	\$ 41,600,000
BankAmerica Corp.....	350,000	32,025,000
Chase Manhattan Corp.....	380,000	32,585,000
Corestates Financial Corp.....	725,000	35,253,125
Federal National Mortgage Association.....	1,190,000	46,558,750
First Bank System Inc.....	315,000	20,790,000
First Union Corp.....	420,000	30,555,000
Green Tree Financial Corp.....	460,000	18,227,500
Greenpoint Financial Corp.....	975,000	45,337,500
Merrill Lynch & Co. Inc.....	130,000	9,132,500
MGIC Investment Corp.....	315,000	21,616,875
Nationsbank Corp.....	180,000	16,965,000
Ryder Systems Inc.....	399,600	11,888,100
SunAmerica Inc.....	950,000	35,625,000
Van Kampen American Capital Small Capitalization Fund.	7,516,109	103,797,466
Van Kampen American Capital Foreign Securities Fund...	4,457,683	44,665,980

		546,622,796

HEALTH CARE 9.0%		
Abbott Laboratories.....	500,000	25,312,500
American Home Products Corp.....	415,000	25,418,750
Amgen Inc. (c).....	284,000	17,412,750
Becton Dickinson & Co.....	625,000	27,187,500
Bristol-Myers Squibb Co.....	420,000	44,415,000
Healthsouth Rehabilitation (c).....	520,000	19,500,000
Mallinckrodt Group Inc.....	310,000	13,485,000
Merck & Co. Inc.....	215,000	15,936,875
Pfizer Inc.....	285,000	23,583,750
Schering Plough Corp.....	315,000	20,160,000
Smithkline Beecham PLC--ADR (United Kingdom).....	390,000	24,423,750
Warner Lambert Co.....	365,000	23,223,125

		280,059,000

PRODUCER MANUFACTURING 9.2%		
AlliedSignal Inc.....	450,000	29,475,000
Canadian Pacific Ltd.....	1,300,000	32,825,000
Corning Inc.....	1,350,000	52,312,500
Deere & Co.....	375,000	15,656,250
Dover Corp.....	275,000	14,128,125
General Electric Co.....	295,000	28,541,250
Honeywell Inc.....	750,000	46,593,750
Ingersoll Rand Co.....	300,000	12,487,500
United Technologies Corp.....	195,000	25,106,250
WMX Technologies Inc.....	930,000	31,968,750

		289,094,375

RAW MATERIALS/PROCESSING INDUSTRIES 4.0%		
Air Products & Chemicals Inc.....	400,000	24,000,000
Mead Corp.....	250,000	14,187,500
Morton International Inc.....	970,000	38,193,750
Praxair Inc.....	370,000	16,372,500
Raychem Corp.....	190,000	14,843,750
Union Carbide Corp.....	420,000	17,902,500

		125,500,000

TECHNOLOGY 17.7%		
3Com Corp. (c).....	500,000	33,812,500

ADC Telecommunications Inc. (c).....	230,000	15,726,250
Altera Corp. (c).....	300,000	18,600,000

See Notes to Financial Statements

GROWTH FUND

PORTFOLIO OF INVESTMENTS (CONTINUED)

October 31, 1996

<TABLE>

<CAPTION>

Security Description Shares Market Value

<S> <C> <C>

TECHNOLOGY (CONTINUED)

Ascend Communications Inc. (c).....	150,000	\$ 9,806,250
BMC Software Inc. (c).....	300,000	24,900,000
Boeing Co.....	285,000	27,181,875
Cadence Design Systems Inc. (c).....	420,000	15,330,000
Cisco Systems Inc. (c).....	800,000	49,500,000
Compaq Computer Corp. (c).....	200,000	13,925,000
Computer Association International Inc.....	500,000	29,562,500
Dell Computer Corp. (c).....	160,000	13,020,000
Ericsson LM--ADR (Sweden).....	1,000,000	27,625,000
Intel Corp.....	470,000	51,641,250
International Business Machines.....	250,000	32,250,000
Lucent Technologies Inc.....	650,000	30,550,000
McAfee Association Inc. (c).....	390,000	17,745,000
McDonnell Douglas Corp.....	500,000	27,250,000
Microsoft Corp. (c).....	235,000	32,253,750
Oracle System Corp. (c).....	480,000	20,310,000
Parametric Technology Corp. (c).....	200,000	9,775,000
SCI Systems Inc. (c).....	200,000	9,950,000
Sun Microsystems Inc. (c).....	250,000	15,250,000
Tellabs Inc. (c).....	225,000	19,153,125
Xilinx Inc. (c).....	300,000	9,825,000

554,942,500

TRANSPORTATION 1.0%

Union Pacific Corp.....	560,000	31,430,000
-------------------------	---------	------------

UTILITIES 2.7%

Frontier Corp.....	335,000	9,715,000
LCI International Inc. (c).....	275,000	8,765,625
MCI Communications Corp.....	600,000	15,075,000
Portugal Telecom SA Sponsored--ADR (Portugal) (c).....	315,000	8,150,625
Telefonica De Espana SA--ADR (Spain).....	365,000	21,991,250
Texas Utilities Co.....	520,000	21,060,000

84,757,500

TOTAL COMMON STOCK..... 2,797,716,596

U.S. GOVERNMENT OBLIGATIONS 2.0%

United States Treasury Bonds (\$50,000,000 par, 8.75% coupon, 05/15/17 maturity) (b).....		61,140,500
--	--	------------

TOTAL LONG-TERM INVESTMENTS 91.4%

(Cost of \$2,326,341,343) (a).....		2,858,857,096
------------------------------------	--	---------------

SHORT-TERM INVESTMENTS 7.0%

U.S. GOVERNMENT OBLIGATIONS 4.0%

Federal Home Loan Mortgage Corp. (\$13,000,000 par, yielding 5.21%, 11/13/96 maturity).....		12,975,683
Federal Home Loan Mortgage Corp. (\$50,000,000 par, yielding 5.30%, 01/24/97 maturity) (b).....		49,386,000
Federal National Mortgage Association (\$13,000,000 par, yielding 5.19%, 11/14/96 maturity).....		12,973,812
Federal National Mortgage Association (\$20,000,000 par, yielding 5.35%, 01/03/97 maturity).....		19,816,400
Federal National Mortgage Association (\$10,000,000 par, yielding 5.31%, 02/10/97 maturity).....		9,852,300
Federal National Mortgage Association (\$20,000,000 par, yielding 5.45%, 04/11/97 maturity).....		19,531,000

124,535,195

REPURCHASE AGREEMENTS 3.0%

BankAmerica Securities (\$34,685,000 par collateralized by U.S. Government obligations in a pooled cash account, dated 10/31/96, to be sold on 11/01/96 at \$34,690,395).....		34,685,000
---	--	------------

Prudential Securities Inc. (\$23,185,000 par collateralized by U.S. Government obligations in a pooled cash account, dated 10/31/96, to be sold on 11/01/96 at \$23,188,561).....	23,185,000
SBC Capital Markets Inc. (\$37,165,000 par collateralized by U.S. Government obligations in a pooled cash account, dated 10/31/96, to be sold on 11/01/96 at \$37,170,884).....	37,165,000

	95,035,000
TOTAL SHORT-TERM INVESTMENTS (Cost of \$219,554,148) (a).....	219,570,195
OTHER ASSETS IN EXCESS OF LIABILITIES 1.6%.....	50,160,044

NET ASSETS 100.0%.....	\$3,128,587,335

</TABLE>

- (a) At October 31, 1996, for federal income tax purposes cost including short-term investments is \$2,553,417,674, the aggregate gross unrealized appreciation is \$541,278,832 and the aggregate gross unrealized depreciation is \$16,269,215, resulting in net unrealized appreciation of \$525,009,617.
- (b) Assets segregated as collateral for open futures transactions.
- (c) Non-income producing security as this stock currently does not declare dividends.

See Notes to Financial Statements

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GROWTH FUND

STATEMENT OF ASSETS AND LIABILITIES

October 31, 1996

<TABLE>	
<S>	
ASSETS:	
Investments, at Market Value (Cost \$2,326,341,343) (Note 1).....	\$2,858,857,096
Short-Term Investments (Cost of \$124,519,148) (Note 1).....	124,535,195
Repurchase Agreement (Note 1).....	95,035,000
Cash.....	2,639
Receivables:	
Securities Sold.....	101,819,205
Dividends.....	2,230,898
Interest.....	2,021,060
Variation Margin on Futures (Note 5).....	959,000
Other.....	296,575

Total Assets.....	3,185,756,668

LIABILITIES:	
Payables:	
Securities Purchased.....	51,708,114
Fund Shares Repurchased.....	1,904,375
Distributor and Affiliates (Note 2).....	1,729,823
Investment Advisory Fee (Note 2).....	1,551,641
Accrued Expenses.....	212,684
Retirement Plan (Note 2).....	62,696

Total Liabilities.....	57,169,333

NET ASSETS.....	\$3,128,587,335

NET ASSETS CONSIST OF:	
Capital (Note 3).....	\$2,345,009,529
Net Unrealized Appreciation on Securities.....	532,627,910
Accumulated Net Realized Gain on Securities.....	226,812,341
Accumulated Undistributed Net Investment Income.....	24,137,555

NET ASSETS.....	\$3,128,587,335

MAXIMUM OFFERING PRICE PER SHARE:	
Class 1 Shares:	
Net asset value and redemption price per share (Based on net assets of \$3,005,162,569 and 167,171,713 shares of beneficial interest issued and outstanding) (Note 3).....	
	\$ 17.98
Maximum sales charge (8.50%* of offering price).....	1.67

Maximum offering price to public.....	\$ 19.65

Class A Shares:	
Net asset value and redemption price per share (Based on net assets of \$49,284,844 and 2,744,250 shares of beneficial interest issued and outstanding) (Note 3).....	
	\$ 17.96
Maximum sales charge (5.50%* of offering price).....	1.05

Maximum offering price to public.....	\$ 19.01

Class B Shares:

Net asset value and offering price per share (Based on net assets of \$74,139,922 and 4,135,444 shares of beneficial interest issued and outstanding) (Note 3)..... \$ 17.93

</TABLE>

*On sales of \$10,000 or more on Class 1 shares and \$50,000 or more on Class A shares, the sales charge will be reduced.

See Notes to Financial Statements

GROWTH FUND

STATEMENT OF OPERATIONS

For the Year Ended October 31, 1996

<TABLE>

<S>	<C>
INVESTMENT INCOME:	
Dividends.....	\$ 44,041,257
Interest.....	13,157,977

Total Income.....	57,199,234

EXPENSES:	
Investment Advisory Fee (Note 2).....	17,148,560
Shareholder Services (Note 2).....	7,572,904
Trustees Fees and Expenses (Note 2).....	249,315
Distribution (12b-1) and Service Fees (Attributed to Classes A and B of \$25,460 and \$157,762, respectively) (Note 6).....	183,222
Other	1,611,597

Total Expenses.....	26,765,598

NET INVESTMENT INCOME.....	\$ 30,433,636

REALIZED AND UNREALIZED GAIN/LOSS ON SECURITIES:	
Realized Gain/Loss on Securities:	
Investments.....	\$211,349,535
Options.....	124,017
Futures.....	21,850,672

Net Realized Gain on Securities.....	233,324,224

Unrealized Appreciation/Depreciation on Securities:	
Beginning of the Period.....	266,339,991

End of the Period:	
Investments.....	532,531,800
Futures.....	96,110

	532,627,910

Net Unrealized Appreciation on Securities During the Period.....	266,287,919

NET REALIZED AND UNREALIZED GAIN ON SECURITIES.....	\$499,612,143

NET INCREASE IN NET ASSETS FROM OPERATIONS.....	\$530,045,779

</TABLE>

STATEMENT OF CHANGES IN NET ASSETS

For the Years Ended October 31, 1996 and 1995

<TABLE>

<CAPTION>

	Year Ended October 31, 1996	Year Ended October 31, 1995
<S>	<C>	<C>
FROM INVESTMENT ACTIVITIES:		
Operations:		
Net Investment Income.....	\$ 30,433,636	\$ 24,386,716
Net Realized Gain on Securities.....	233,324,224	358,190,994
Net Unrealized Appreciation on Securities		
During the Period.....	266,287,919	130,227,400
	-----	-----
Change in Net Assets from Operations.....	530,045,779	512,805,110

Distributions from Net Investment Income (Note 1).....	(27,245,960)	(22,053,177)
Distributions from Net Realized Gain on Securities (Note 1).....	(358,762,393)	(147,259,430)
Total Distributions.....	(386,008,353)	(169,312,607)
NET CHANGE IN NET ASSETS FROM INVESTMENT ACTIVITIES.....	144,037,426	343,492,503
FROM CAPITAL TRANSACTIONS (NOTE 3):		
Proceeds from Shares Sold.....	386,037,987	294,906,458
Net Asset Value of Shares Issued Through Dividend Reinvestment.....	383,855,779	168,462,102
Cost of Shares Repurchased.....	(396,848,766)	(365,263,456)
NET CHANGE IN NET ASSETS FROM CAPITAL TRANSACTIONS.....	373,045,000	98,105,104
TOTAL INCREASE IN NET ASSETS.....	517,082,426	441,597,607
NET ASSETS:		
Beginning of the Period.....	2,611,504,909	2,169,907,302
End of the Period (Including undistributed net investment income of \$24,137,555 and \$20,950,803, respectively).....	\$3,128,587,335	\$2,611,504,909

</TABLE>

See Notes to Financial Statements

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GROWTH FUND

FINANCIAL HIGHLIGHTS

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

<TABLE>

<CAPTION>

Class 1 Shares	Year Ended October 31,				
	1996	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>
Net Asset Value, Beginning of the Period.....	\$17.46	\$15.31	\$16.26	\$16.02	\$15.47
Net Investment Income.....	.187	.16	.13	.116	.13
Net Realized and Unrealized Gain/Loss on Securities.....	2.916	3.18	.2075	2.0065	1.3925
Total from Investment Operations..	3.103	3.34	.3375	2.1225	1.5225
Less:					
Distributions from Net Investment Income.....	.183	.155	.1125	.115	.17
Distributions from and in Excess of Net Realized Gain on Securities.....	2.403	1.035	1.175	1.7675	.8025
Total Distributions.....	2.586	1.19	1.2875	1.8825	.9725
Net Asset Value, End of the Period.....	\$17.977	\$17.46	\$15.31	\$16.26	\$16.02
Total Return (a).....	19.94%	24.01%	2.04%	14.27%	9.83%
Net Assets at End of the Period (In millions).....	\$3,005.2	\$2,611.5	\$2,169.9	\$2,065.7	\$1,648.0
Ratio of Expenses to Average Net Assets.....	.93%	1.00%	1.09%	1.14%	1.18%
Ratio of Net Investment Income to Average Net Assets.....	1.08%	1.04%	.89%	.80%	.91%
Portfolio Turnover.....	202%	230%	164%	166%	134%
Average Commission Paid Per Equity Share Traded (b).....	\$.0602	--	--	--	--

</TABLE>

<TABLE>

<CAPTION>

Class A Shares	Class B Shares
----------------	----------------

	Period Ended October 31, 1996(c)	Period Ended October 31, 1996(c)
<S>	<C>	<C>
Net Asset Value, Beginning of the Period.....	\$16.630	\$16.630
Net Investment Income.....	.017	(.011)
Net Realized and Unrealized Gain/Loss on Securities.....	1.312	1.309
Total from Investment Operations.....	1.329	1.298
Net Asset Value, End of the Period...	\$17.959	\$17.928
Total Return (a).....	8.00%*	7.82%*
Net Assets at End of the Period (In millions).....	\$49.3	\$74.1
Ratio of Expenses to Average Net Assets.....	1.17%	1.93%
Ratio of Net Investment Income/Loss to Average Net Assets.....	.46%	(.29%)
Portfolio Turnover.....	202%	202%
Average Commission Paid Per Equity Share Traded (b).....	\$.0602	\$.0602

</TABLE>

*Non-Annualized

(a) Total return is based upon Net Asset Value which does not include payment of the maximum sales charge or contingent deferred sales charge.

(b) Presents the average brokerage commission paid on equity transactions entered into during the period for trades where commissions were applicable. This disclosure was not required in fiscal years prior to 1996.

(c) Class A and Class B shares commenced distribution on August 8, 1996.

See Notes to Financial Statements

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GROWTH AND INCOME FUND

PORTFOLIO OF INVESTMENTS

October 31, 1996

<TABLE>

<CAPTION>

Description	Shares	Market Value
<S>	<C>	<C>
COMMON STOCK 88.1%		
CONSUMER DISTRIBUTION 5.7%		
Eckerd Corp. (c).....	288,000	\$ 7,992,000
Federated Department Stores, Inc. (c).....	537,700	17,744,100
Gymboree Corp. (c).....	143,500	4,484,375
Sears Roebuck & Co.....	131,700	6,370,987
Talbots, Inc.....	174,400	4,970,400
Toys R Us, Inc. (c).....	137,000	4,640,875
Vons Companies, Inc. (c).....	120,300	6,661,612
Wal-Mart Stores, Inc.....	203,000	5,404,875
		58,269,224
CONSUMER DURABLES 1.9%		
Eastman Kodak Co.....	77,200	6,156,700
Hasbro, Inc.....	142,000	5,520,250
Masco Corp.....	189,000	5,929,875
Newell Co.....	52,000	1,475,500
		19,082,325
CONSUMER NON-DURABLES 6.3%		
Adidas Ads.....	234,200	10,012,050
Campbell Soup Co.....	109,300	8,744,000
Coca Cola Co.....	108,700	5,489,350
Colgate Palmolive Co.....	82,200	7,562,400
Nabisco Holdings Corp., Class A.....	362,000	13,484,500
Procter & Gamble Co.....	64,000	6,336,000
Quaker Oats Co.....	224,000	7,952,000
Ralston Purina Group.....	85,100	5,627,238
		65,207,538
CONSUMER SERVICES 3.7%		
H & R Block Inc.....	209,100	5,175,225
Deluxe Corp.....	159,800	5,213,475
Dun & Bradstreet Corp.....	78,300	4,531,612

Omnicom Group.....	158,642	7,892,440
Time Warner, Inc.....	120,000	4,470,000
Tribune Co.....	80,000	6,540,000
Walt Disney Co.....	61,500	4,051,313

37,874,065

ENERGY 10.8%

Amerada Hess Corp.....	104,000	5,759,000
Apache Corp.....	162,800	5,779,400
Burlington Resources, Inc.....	219,400	11,052,275
Chevron Corp.....	209,000	13,741,750
Coastal Corp.....	105,000	4,515,000
Pacific Enterprises.....	130,100	4,000,575
PanEnergy Corp.....	250,100	9,628,850
Royal Dutch Petroleum--ADR (UK).....	73,300	12,121,988
Sun, Inc.....	190,000	4,251,250
Texaco, Inc.....	294,500	29,928,563
Union Pacific Resources Group.....	55,474	1,525,535
Unocal Corp.....	251,000	9,192,875

111,497,061

FINANCE 14.3%

Allstate Corp.....	218,800	12,280,150
American International Group, Inc.....	99,100	10,764,738
Bankamerica Corp.....	213,000	19,489,500
Beacon Properties Corp.....	58,400	1,715,500

</TABLE>

See Notes to Financial Statements

GROWTH AND INCOME FUND

PORTFOLIO OF INVESTMENTS (CONTINUED)

October 31, 1996

<TABLE>

<CAPTION>

Description	Shares	Market Value
-------------	--------	--------------

<S> <C> <C>

FINANCE (CONTINUED)

Chase Manhattan Corp.....	139,400	\$ 11,953,550
Citicorp.....	45,500	4,504,500
Comerica, Inc.....	141,400	7,511,875
Everest Real Estate Holdings.....	266,800	6,803,400
Federal National Mortgage Association.....	443,400	17,348,025
First Bank System, Inc.....	95,300	6,289,800
Health Care Property Investors.....	45,000	1,580,625
Horace Mann Educators Corp.....	183,000	6,267,750
J.P. Morgan & Co., Inc.....	100,000	8,637,500
MBIA, Inc.....	75,800	6,717,775
Nationsbank Corp.....	53,000	4,995,250
Simon DeBartolo Group, Inc.....	85,204	2,247,256
Student Loan Marketing Association.....	104,000	8,606,000
USF&G Corp.....	388,000	7,372,000
Weingarten Realty Investors.....	35,800	1,373,825

146,459,019

HEALTH CARE 11.3%

Abbott Labs.....	202,000	10,226,250
Amgen, Inc. (c).....	125,000	7,664,062
Bristol Myers Squibb Co.....	112,000	11,844,000
Glaxo Sponsored PLC--ADR (UK).....	305,000	9,607,500
Merck & Co., Inc.....	160,000	11,860,000
Pacificare Health Systems, Inc., Class B (c).....	107,000	7,516,750
Pharmacia & Upjohn, Inc.....	174,700	6,289,200
Sandoz Limited Sponsored--ADR (Switzerland).....	220,000	12,677,500
Smithkline Beecham PLC, Class A--ADR (UK).....	230,000	14,403,750
Teva Pharmaceutical Limited--ADR (Germany).....	153,100	6,411,062
Warner Lambert Co.....	216,000	13,743,000
Watsons Pharmaceuticals, Inc. (c).....	127,000	4,238,625

116,481,699

PRODUCER MANUFACTURING 7.4%

AlliedSignal, Inc.....	196,700	12,883,850
Briggs & Stratton Corp.....	85,000	3,400,000
Canadian Pacific Limited.....	573,200	14,473,300
Cooper Industries, Inc.....	98,800	3,976,700
Foster Wheeler Corp.....	127,300	5,219,300
General Electric Co.....	72,100	6,975,675
Honeywell, Inc.....	126,000	7,827,750

Ingersoll Rand Co.....	185,000	7,700,625
Stewart & Stevenson Services, Inc.....	311,000	6,608,750
WMX Technologies, Inc.....	211,400	7,266,875

		76,332,825

RAW MATERIALS/PROCESSING INDUSTRIES 4.8%		
Betzdearborn, Inc.....	77,300	4,058,250
Crown Cork & Seal, Inc.....	303,800	14,582,400
Georgia Pacific Corp.....	30,000	2,250,000
Lubrizol Corp.....	137,000	4,075,750
Mead Corp.....	111,200	6,310,600
Monsanto Co.....	223,000	8,836,375
Morton International Industries, Inc.....	55,000	2,165,625
Praxair, Inc.....	155,300	6,872,025

		49,151,025

</TABLE>

See Notes to Financial Statements

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GROWTH AND INCOME FUND

PORTFOLIO OF INVESTMENTS (CONTINUED)

October 31, 1996

<TABLE>

<CAPTION>

Description	Shares	Market Value
<S>	<C>	<C>
TECHNOLOGY 11.9%		
3Com Corp. (c).....	166,000	\$ 11,225,750
BMC Software, Inc. (c).....	120,000	9,960,000
Boeing Co.....	124,600	11,883,725
Cisco Systems, Inc. (c).....	126,400	7,821,000
Computer Associates International, Inc.....	210,050	12,419,206
DSC Communications Corp. (c).....	155,000	2,150,625
Ericsson L M, Class B Sek 10--ADR (Sweden).....	192,000	5,304,000
General Instruments Corp. (c).....	357,000	7,184,625
General Signal Corp.....	198,200	8,076,650
Intel Corp.....	53,000	5,823,375
Linear Technology Corp.....	91,000	3,048,500
Lucent Technologies, Inc.....	146,514	6,886,157
Microsoft Corp. (c).....	51,500	7,068,375
Newbridge Networks Corp. (c).....	278,600	8,810,725
Nokia Corp. Ads.....	115,400	5,351,675
Oak Industries, Inc. (c).....	62,000	1,573,250
Tellabs, Inc. (c).....	88,400	7,525,050

		122,112,688

TRANSPORTATION 1.2%		
Canadian National Railway.....	242,700	6,674,250
Union Pacific Corp.....	98,000	5,500,250

		12,174,500

UTILITIES 8.8%		
Allegheny Power Systems, Inc.....	139,500	4,167,563
AT&T Corp.....	721,000	25,144,875
Cable & Wireless PLC--ADR (UK).....	213,000	5,085,375
Cincinnati Bell, Inc.....	150,400	7,426,000
Duke Power Co.....	10,200	498,525
Edison International.....	252,000	4,977,000
Frontier Corp.....	210,600	6,107,400
Houston Industries, Inc.....	131,000	2,996,625
MCI Communications Corp.....	312,300	7,846,538
National Power PLC Sponsored--ADR (UK).....	224,300	6,084,137
Pacificorp.....	337,600	7,131,800
Powergen PLC--ADR (UK).....	255,000	8,542,500
Scana Corp.....	170,000	4,547,500

		90,555,838

TOTAL COMMON STOCKS.....		905,197,807

CONVERTIBLE PREFERRED 1.8%		
Kmart Financing, 7.75%.....	78,900	3,747,750
SCI Finance LLC, 6.25%.....	51,200	4,870,400
Williams Cos., \$3.50 Dividend per share.....	118,700	9,911,450

TOTAL CONVERTIBLE PREFERRED.....		18,529,600

GROWTH AND INCOME FUND

PORTFOLIO OF INVESTMENTS (CONTINUED)

October 31, 1996

<TABLE>

<CAPTION>

Description	Market Value	
	<S>	<C>
CONVERTIBLE CORPORATE OBLIGATIONS 4.5%		
ADT Operations, Inc., LYON (\$15,600,000 par, 0% coupon, 07/06/10 maturity).....	\$	9,243,000
Continental Airlines, Inc., (\$1,975,000 par, 6.75% coupon, 04/15/06 maturity)....		2,024,375
MBL International (\$5,300,000 par, 3.00% coupon, 11/30/02 maturity).....		5,856,500
Merrill Lynch STRYPES (\$97,700 par, 6.00% coupon, 06/01/99 maturity).....		1,892,937
News America Holdings, Inc., LYON (\$12,300,000 par, 0% coupon, 03/11/13 maturity).....		5,750,250
Roche Holdings, Inc., LYONS (\$23,500,000 par, 0% coupon, 04/20/10 maturity).....	10,398,750	
Sandoz Ltd. (\$2,600,000 par, 2.00% coupon, 10/06/02 maturity).....		2,853,500
Sprint Corp., DECS (\$120,000 par, 8.25% coupon, 03/31/00 maturity).....		4,239,787
U S Cellular Corp., LYON (\$13,000,000 par, 0% coupon, 06/15/15 maturity).....		4,322,500
TOTAL CONVERTIBLE DEBT.....		46,581,599
TOTAL LONG-TERM INVESTMENTS 94.4%		
(Cost \$814,300,859) (a).....		970,309,006
SHORT-TERM INVESTMENTS 6.4%		
GOVERNMENT AGENCY OBLIGATIONS 4.3%		
Federal Home Loan Mortgage Corp. Disc Note (\$3,250,000 par, yielding 5.18%, 11/08/96 maturity).....		3,246,266
Federal Home Loan Mortgage Corp. Disc Note (\$4,000,000 par, yielding 5.19%, 11/13/96 maturity).....		3,992,518
Federal Home Loan Mortgage Corp. Disc Note (\$25,000,000 par, yielding 5.29%, 02/21/97 maturity) (b).....	24,591,000	
Federal National Mortgage Association Discount Note (\$12,000,000 par, yielding 5.20%, 11/14/96 maturity) (b).....		11,975,827
		43,805,611
REPURCHASE AGREEMENT 2.1%		
BankAmerica Securities (\$21,775,000 par collateralized by U.S. Government obligations in a pooled cash account, dated 10/31/96, to be sold on 11/01/96 at \$21,778,387).....		21,775,000
TOTAL SHORT-TERM INVESTMENTS (Cost \$65,578,809) (a).....		65,580,611
LIABILITIES IN EXCESS OF OTHER ASSETS (0.8%).....		(8,460,971)
NET ASSETS 100.0%.....	\$1,027,428,646	

</TABLE>

(a) At October 31, 1996, for federal income tax purposes, cost for long-term and short-term investments is \$882,121,724, the aggregate gross unrealized appreciation is \$176,584,424 and the gross unrealized depreciation is \$22,816,531, resulting in net realized appreciation of \$153,767,893.

(b) Assets segregated as collateral for open futures contracts.

(c) Non-income producing security as this stock currently does not declare dividends.

DECS-Dividend enhanced convertible stock.

LYON-Liquid yield option note.

STRYPES-Structured yield product exchangeable for common stock.

GROWTH AND INCOME FUND

STATEMENT OF ASSETS AND LIABILITIES

October 31, 1996

<hr/>	
<TABLE>	
<S>	<C>
ASSETS:	
Investments, at Market Value (Cost \$814,300,859) (Note 1).....	\$ 970,309,006
Short-Term Investments (Cost \$43,803,809) (Note 1).....	43,805,611
Repurchase Agreement (Note 1).....	21,775,000
Cash.....	1,660
Receivables:	
Securities Sold.....	8,958,543
Fund Shares Sold.....	2,166,003
Dividends.....	1,294,109
Variation Margin on Futures (Note 5).....	325,375
Interest.....	127,169
Other.....	237,572
	<hr/>
Total Assets.....	1,049,000,048
	<hr/>
LIABILITIES:	
Payables:	
Securities Purchased.....	18,745,030
Fund Shares Purchased.....	1,509,647
Investment Advisory Fee (Note 2).....	555,560
Distributor and Affiliates (Note 2).....	436,810
Accrued Expenses.....	303,130
Retirement Plan (Note 2).....	21,225
	<hr/>
Total Liabilities.....	21,571,402
	<hr/>
NET ASSETS.....	\$1,027,428,646
	<hr/>
NET ASSETS CONSIST OF:	
Capital (Note 3).....	\$ 746,317,281
Net Unrealized Appreciation on Securities.....	156,698,636
Accumulated Net Realized Gain on Securities.....	119,991,729
Accumulated Undistributed Net Investment Income.....	4,421,000
	<hr/>
NET ASSETS.....	\$1,027,428,646
	<hr/>
MAXIMUM OFFERING PRICE PER SHARE:	
Class 1 Shares:	
Net asset value and redemption price per share (Based on net assets of \$942,868,507 and 52,075,188 shares of beneficial interest issued and outstanding) (Note 3).....	\$ 18.11
Maximum sales charge (8.50%* of offering price).....	1.68
	<hr/>
Maximum offering price to public.....	\$ 19.79
	<hr/>
Class A Shares:	
Net asset value and redemption price per share (Based on net assets of \$32,489,335 and 1,794,453 shares of beneficial interest issued and outstanding) (Note 3).....	\$ 18.11
Maximum sales charge (5.50%* of offering price).....	1.05
	<hr/>
Maximum offering price to public.....	\$ 19.16
	<hr/>
Class B Shares:	
Net asset value and offering price per share (Based on net assets of \$52,070,804 and 2,878,964 shares of beneficial interest issued and outstanding) (Note 3).....	\$ 18.09
	<hr/>
</TABLE>	

*On sales of \$10,000 or more for Class 1 shares and \$50,000 or more for Class A shares, the sales charge will be reduced.

See Notes to Financial Statements

GROWTH AND INCOME FUND

STATEMENT OF OPERATIONS

For the Year Ended October 31, 1996

<hr/>	
<TABLE>	
<S>	<C>
INVESTMENT INCOME:	
Dividends.....	\$ 19,334,312

Interest.....	5,618,499
Total Income.....	24,952,811
EXPENSES:	
Investment Advisory Fee (Note 2).....	6,017,204
Shareholder Services (Note 2).....	1,815,960
Distribution (12b-1) and Service Fees (Attributed to Classes A and B of \$16,874 and \$111,249, respectively) (Note 6).....	128,123
Trustees Fees and Expenses (Note 2).....	95,509
Other	537,739
Total Expenses.....	8,594,535
NET INVESTMENT INCOME.....	\$ 16,358,276
REALIZED AND UNREALIZED GAIN/LOSS ON SECURITIES:	
Net Realized Gain/Loss on Securities:	
Investments.....	\$116,393,676
Options.....	22,970
Futures.....	4,467,847
Net Realized Gain on Securities.....	120,884,493
Unrealized Appreciation/Depreciation on Securities:	
Beginning of the Period.....	116,856,572
End of the Period:	
Investments.....	156,009,949
Futures.....	688,687
Net Unrealized Appreciation on Securities During the Period.....	39,842,064
NET REALIZED AND UNREALIZED GAIN ON SECURITIES.....	\$160,726,557
NET INCREASE IN NET ASSETS FROM OPERATIONS.....	\$177,084,833

</TABLE>

STATEMENT OF CHANGES IN NET ASSETS

For the Years Ended October 31, 1996 and 1995

<TABLE>

<CAPTION>

	Year Ended October 31, 1996	Year Ended October 31, 1995
<S>	<C>	<C>
FROM INVESTMENT ACTIVITIES:		
Operations:		
Net Investment Income.....	\$ 16,358,276	\$ 17,273,261
Net Realized Gain on Securities.....	120,884,493	84,851,910
Net Unrealized Appreciation/Depreciation on Securities During the Period.....	39,842,064	53,004,855
Change in Net Assets from Operations.....	177,084,833	155,130,026
Distributions from Net Investment Income (Note 1).....		
	(17,629,557)	(14,344,183)
Distributions from Net Realized Gain on Securities (Note 1).....		
	(85,264,726)	(71,729,488)
Total Distributions.....	(102,894,283)	(86,073,671)
NET CHANGE IN NET ASSETS FROM INVESTMENT ACTIVITIES.....	74,190,550	69,056,355
FROM CAPITAL TRANSACTIONS (NOTE 3):		
Proceeds from Shares Sold.....	168,779,871	94,833,007
Net Asset Value of Shares Issued Through Dividend Reinvestment.....	101,272,424	84,847,579
Cost of Shares Repurchased.....	(145,132,999)	(133,313,425)
NET CHANGE IN NET ASSETS FROM CAPITAL TRANSACTIONS.....	124,919,296	46,367,161
TOTAL INCREASE IN NET ASSETS.....	199,109,846	115,423,516
NET ASSETS:		
Beginning of the Period.....	828,318,800	712,895,284
End of the Period (Including undistributed		

net investment income of \$4,421,000 and \$5,483,984, respectively)..... \$1,027,428,646 \$828,318,800

</TABLE>

See Notes to Financial Statements

GROWTH AND INCOME FUND

FINANCIAL HIGHLIGHTS

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

<TABLE>
<CAPTION>

Class 1 Shares	Year Ended October 31,				
	1996	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>
Net Asset Value, Beginning of the Period..	\$16.95	\$15.77	\$17.13	\$15.54	\$14.70
Net Investment Income.....	.308	.36	.29	.29	.275
Net Realized and Unrealized Gain/Loss on Securities.....	2.943	2.715	(.2125)	1.8775	1.2875
Total from Investment Operations.....	3.251	3.075	.0775	2.1675	1.5625
Less:					
Distributions from Net Investment Income.	.340	.30	.275	.2775	.295
Distributions from Net Realized Gain on Securities.....	1.755	1.595	1.1625	.30	.4275
Total Distributions.....	2.095	1.895	1.4375	.5775	.7225
Net Asset Value, End of the Period.....	\$18.106	\$16.95	\$15.77	\$17.13	\$15.54
Total Return (a).....	20.58%	22.45%	.51%	14.13%	10.85%
Net Assets at End of the Period (In millions).....	\$942.9	\$828.3	\$712.9	\$712.4	\$591.0
Ratio of Expenses to Average Net Assets...	.91%	.96%	1.02%	1.05%	1.09%
Ratio of Net Investment Income to Average Net Assets.....	1.78%	2.27%	1.84%	1.76%	1.84%
Portfolio Turnover.....	121%	117%	88%	51%	32%
Average Commission Paid per Equity Share Traded (b).....	\$.056	N/A	N/A	N/A	N/A

</TABLE>

<TABLE>
<CAPTION>

	Class A Shares	Class B Shares
	Period Ended October 31, 1996(c)	Period Ended October 31, 1996(c)
<S>	<C>	<C>
Net Asset Value, Beginning of the Period.....	\$17.190	\$17.190
Net Investment Income.....	.071	.042
Net Realized and Unrealized Gain on Securities.....	.906	.899
Total from Investment Operations...	.977	.941
Less Distributions from Net Investment Income.....	.062	.044
Net Asset Value, End of the Period.	\$18.105	\$18.087
Total Return (a).....	5.72%*	5.49%*
Net Assets at End of the Period (In millions).....	\$ 32.5	\$ 52.1
Ratio of Expenses to Average Net Assets.....	1.16%	1.91%
Ratio of Net Investment Income to Average Net Assets.....	1.78%	1.05%
Portfolio Turnover.....	121%	121%
Average Commission Paid Per Equity Share Traded (b).....	\$.056	\$.056

</TABLE>

*Non-Annualized

(a) Total Return is based upon Net Asset Value which does not include payment of maximum sales charge or contingent deferred sales charge.

- (b) Represents the average brokerage commission paid on equity transactions entered into during the period for trades where commissions were applicable. This disclosure was not required in fiscal years prior to 1996.
(c) Class A and B Shares commenced distribution on August 8, 1996.

See Notes to Financial Statements

INTERNATIONAL EQUITY FUND

PORTFOLIO OF INVESTMENTS

October 31, 1996

<TABLE>		
<CAPTION>		
Description	Shares	Market Value
<S>	<C>	<C>
COMMON STOCK AND EQUIVALENTS 95.1%		
AUSTRALIA 3.8%		
Coca-Cola Amatil.....	50,781	\$ 698,360
AUSTRIA 3.6%		
Wolford, AG.....	5,000	659,346
CHILE 1.3%		
Embotelladora Andina, SA, ADR.....	7,000	241,500
FINLAND 1.1%		
Nokia (AB), Series A, Preferred Stock.....	4,100	189,314
Nokia (AB), Series K.....	400	18,876
		208,190
FRANCE 3.0%		
Castorama Dubois.....	1,674	286,504
Sidel, SA.....	4,000	266,875
		553,379
GERMANY 5.2%		
SAP AG.....	500	67,684
SAP AG, Preferred Stock.....	2,500	336,437
SGL Carbon.....	5,000	562,929
		967,050
HONG KONG 10.8%		
HKR International.....	314,160	398,175
Cheung Kong Holdings.....	50,000	400,921
HSBC Holdings.....	20,261	412,704
Hutchison Whampoa.....	50,000	349,189
Sun Hung Kai Properties.....	20,000	227,619
Swire Pacific.....	25,000	220,668
		2,009,276
INDIA 1.8%		
Mahindra & Mahindra, Ltd, GDR (a).....	30,000	330,000
IRELAND 5.4%		
Bank of Ireland.....	31,285	258,797
CRH PLC.....	12,220	125,961
Greencore Group.....	50,660	292,031
Independent News.....	60,639	317,958
		994,747
ITALY 8.3%		
De Rigo SPA, ADR (a).....	10,000	108,750
Fila Holdings SPA, ADR.....	6,000	432,000
Gucci Group, NV.....	7,000	483,000
Luxottica Group SPA, ADR.....	5,000	317,500
Telecom Italia, Mobile.....	100,000	206,658
		1,547,908
JAPAN 4.0%		
Bank of Tokyo.....	550	11,208
Noritsu Koki Co.....	6,000	313,556
Ohmoto Gumi Co.....	6,600	99,706
Sato Corp.....	7,700	155,549
Trans Cosmos, Inc.....	4,400	164,244
		744,263

MALAYSIA 6.4%		
Leisure Management.....	75,000	280,526
Seal, Inc.....	100,000	241,441
Sungei Way Holdings.....	75,000	427,469
Sunway Building Technology.....	75,000	235,998
		1,185,434
MEXICO 1.7%		
Gruma, Series B (a).....	65,102	323,182

</TABLE>

See Notes to Financial Statements

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INTERNATIONAL EQUITY FUND PORTFOLIO OF INVESTMENTS (CONTINUED)

October 31, 1996

<TABLE>

<CAPTION>

Description	Shares	Market Value
<C> <S>	<C>	<C>
NETHERLANDS 10.1%		
Baan Co., NV (a).....	7,500	\$ 277,500
Getronics, NV.....	17,132	421,055
Hunter Douglas, NV.....	7,500	530,441
IHC Caland, NV.....	10,000	558,142
Xeikon, NV (a).....	10,000	93,750
		1,880,888
NORWAY 4.4%		
Tomra Systems, AS.....	35,000	496,411
Transocean Offshore, Inc.....	5,000	316,250
		812,661
SINGAPORE 2.2%		
Cerebos Pacific.....	25,000	193,468
Singapore Technologies.....	100,000	217,252
		410,720
SWEDEN 4.9%		
Astra, AB, Series A.....	7,500	344,450
Autoliv, AB.....	7,000	297,002
Ericsson (LM) Telephone, Series B.....	10,000	270,694
		912,146
SWITZERLAND 3.7%		
Ciba Geigy, AG.....	500	615,902
Roche Holdings, Ltd.....	1,000	76,125
		692,027
THAILAND 1.3%		
Quality Houses Co.....	45,000	40,596
Siam Makro.....	50,000	209,845
		250,441
UNITED KINGDOM 12.1%		
Boxmore International.....	132,000	672,461
British Biotech (a).....	123,750	455,200
Powerscreen International.....	60,000	593,750
Rentokil Initial PLC.....	25,000	167,847
Serco Group.....	35,000	359,456
		2,248,714
TOTAL LONG-TERM INVESTMENTS 95.1%		
(Cost \$14,826,542) (b).....		17,670,232
REPURCHASE AGREEMENT 2.6%		
State Street Bank & Trust (U.S. Treasury Note, \$500,000 par, 4.750% coupon, due 8/31/98, dated 10/31/96, to be sold on 11/01/96 at \$482,026).....		482,000
FOREIGN CURRENCY 1.2%		
(Various Denominations, Cost \$221,205).....		224,537
OTHER ASSETS IN EXCESS OF LIABILITIES 1.1%		
		196,643

NET ASSETS 100.0%..... \$18,573,412

</TABLE>

(a) Non-income producing security as this stock currently does not declare dividends.

(b) At October 31, 1996, the cost for federal income tax purposes is \$14,826,542; the aggregate gross unrealized appreciation is \$3,484,616 and the aggregate gross unrealized depreciation is \$638,562, resulting in net unrealized appreciation on investments, including foreign currency translation of other assets and liabilities, of \$2,846,054.

See Notes to Financial Statements

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INTERNATIONAL EQUITY FUND

STATEMENT OF ASSETS AND LIABILITIES

October 31, 1996

<TABLE>

<S>	<C>
ASSETS:	
Investments, at Market Value (Cost \$14,826,542) (Note 1).....	\$17,670,232
Repurchase Agreement (Note 1).....	482,000
Foreign Currency, at Market Value (Cost \$221,205).....	224,537
Cash.....	316
Receivables:	
Fund Shares Sold.....	532,482
Securities Sold.....	78,807
Dividends.....	18,895
Unamortized Organizational Expenses (Note 1).....	13,921

Total Assets.....	19,021,190

LIABILITIES:	
Payables:	
Securities Purchased.....	239,568
Fund Shares Repurchased.....	98,561
Distributor and Affiliates (Notes 2 and 6).....	19,242
Accrued Expenses.....	87,808
Retirement Plan (Note 2).....	2,599

Total Liabilities.....	447,778

NET ASSETS.....	\$18,573,412

NET ASSETS CONSIST OF:

Capital (Note 3).....	\$15,761,457
Net Unrealized Appreciation on Securities.....	2,846,054
Accumulated Net Realized Loss on Securities.....	(33,287)
Accumulated Net Investment Loss.....	(812)

NET ASSETS..... \$18,573,412

MAXIMUM OFFERING PRICE PER SHARE:

Class 1 Shares:	
Net asset value and redemption price per share (Based on net assets of \$162,078 and 9,813 shares of beneficial interest issued and outstanding) (Note 3).....	\$ 16.52
Maximum sales charge (8.50%* of offering price).....	1.53

Maximum offering price to public..... \$ 18.05

Class A Shares:	
Net asset value and redemption price per share (Based on net assets of \$10,371,854 and 626,946 shares of beneficial interest issued and outstanding) (Note 3).....	\$ 16.54
Maximum sales charge (5.50%* of offering price).....	.96

Maximum offering price to public..... \$ 17.50

Class B Shares:	
Net asset value and offering price per share (Based on net assets of \$8,039,480 and 491,294 shares of beneficial interest issued and outstanding) (Note 3).....	\$ 16.36

*On sales of \$10,000 or more for Class 1 shares and \$50,000 or more for Class A shares, the sales charge will be reduced.

</TABLE>

See Notes to Financial Statements

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INTERNATIONAL EQUITY FUND

STATEMENT OF OPERATIONS

For the Year Ended October 31, 1996

<S>	<C>
INVESTMENT INCOME:	
Dividends (Net of foreign withholding taxes of \$18,975).....	\$ 140,260
Interest.....	15,175
Total Income.....	155,435
EXPENSES:	
Investment Advisory Fee (Note 2).....	130,149
Registration and Filing Fees.....	101,643
Custody.....	92,664
Shareholder Services (Note 2).....	80,198
Distribution (12b-1) and Service Fees (Attributed to Classes A and B of \$18,784 and \$54,930, respectively) (Note 6).....	73,714
Accounting (Note 2).....	30,600
Trustees Fees and Expenses (Note 2).....	17,663
Amortization of Organization Expenses (Note 1).....	4,179
Other	46,424
Total Expenses.....	577,234
Less Fees Waived and Expenses Reimbursed (\$130,149 and \$47,998, respectively) (Note 2).....	178,147
Net Expenses.....	399,087
NET INVESTMENT LOSS.....	\$ (243,652)
REALIZED AND UNREALIZED GAIN/LOSS ON SECURITIES:	
Realized Gain/Loss on Securities:	
Investments.....	\$ (33,287)
Foreign Currency Transactions.....	(11,703)
Net Realized Loss on Securities.....	(44,990)
Unrealized Appreciation/Depreciation on Securities:	
Beginning of the Period.....	605,490
End of the Period:	
Investments.....	2,843,690
Foreign Currency Translation.....	2,364
	2,846,054
Net Unrealized Appreciation on Securities During the Period.....	2,240,564
NET REALIZED AND UNREALIZED GAIN ON SECURITIES.....	\$2,195,574
NET INCREASE IN NET ASSETS FROM OPERATIONS.....	\$1,951,922

STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended October 31, 1996 and the Period February 21, 1995
(Commencement of Investment Operations) to October 31, 1995

<S>	Year Ended October 31, 1996	Period Ended October 31, 1995
FROM INVESTMENT ACTIVITIES:		
Operations:		
Net Investment Loss.....	\$ (243,652)	\$ (59,847)
Net Realized Gain/Loss on Securities.....	(44,990)	13,225
Net Unrealized Appreciation on Securities During the Period.....	2,240,564	605,490
NET CHANGE IN NET ASSETS FROM INVESTMENT ACTIVITIES.....	1,951,922	558,868
FROM CAPITAL TRANSACTIONS (NOTE 3):		
Proceeds from Shares Sold.....	11,512,611	8,899,218
Cost of Shares Repurchased.....	(4,212,850)	(136,557)
NET CHANGE IN NET ASSETS FROM CAPITAL TRANSACTIONS.....	7,299,761	8,762,661
TOTAL INCREASE IN NET ASSETS.....	9,251,683	9,321,529

NET ASSETS:		
Beginning of the Period.....	9,321,729	200
End of the Period (Including undistributed net investment loss of \$812 and \$0, respectively).....	\$18,573,412	\$9,321,729

</TABLE>

See Notes to Financial Statements

INTERNATIONAL EQUITY FUND

FINANCIAL HIGHLIGHTS

The following schedule presents financial highlights for one share of the Fund outstanding throughout the period indicated.

<TABLE>

<CAPTION>

	August 8, 1996 (Commencement of Distribution) to October 31, 1996 (a)	
Class 1 Shares		
<S>	<C>	
Net Asset Value, Beginning of the Period.....		\$16.00
Net Investment Loss.....		(.028)
Net Realized and Unrealized Gain on Securities.....		.545
Total from Investment Operations.....		.517
Net Asset Value, End of the Period.....		\$16.517
Total Return* (b).....		3.25%**
Net Assets at End of the Period (In millions).....		\$.2
Ratio of Expenses to Average Net Assets*.....		2.50%
Ratio of Net Investment Loss to Average Net Assets*....		(1.31%)
Portfolio Turnover.....		78%
Average Commission Paid Per Equity Share Traded (c)....		\$.0314
*If certain expenses had not been waived or reimbursed by VKAC, total return would have been lower and the ratios would have been as follows:		
Ratio of Expenses to Average Net Assets.....		3.87%
Ratio of Net Investment Loss to Average Net Assets.....		(2.67%)

</TABLE>

**Non-Annualized

(a) Based on average month-end shares outstanding.

(b) Total return is based upon net asset value which does not include payment of the maximum sales charge or contingent deferred sales charge.

(c) Represents the average brokerage commissions paid on equity transactions entered into during the period for trades where commissions were applicable.

See Notes to Financial Statements

INTERNATIONAL EQUITY FUND

FINANCIAL HIGHLIGHTS (CONTINUED)

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

<TABLE>

<CAPTION>

		February 21, 1995 (Commencement of Investment Operations) to October 31, 1995 (a)	
Class A Shares	Year Ended October 31, 1996		
<S>	<C>	<C>	
Net Asset Value, Beginning of the Period..	\$13.86		\$11.81
Net Investment Loss.....	(.189)		(.14)
Net Realized and Unrealized Gain on Securities.....	2.872		2.19
Total from Investment Operations.....	2.683		2.05
Net Asset Value, End of the Period.....	\$16.543		\$13.86

	-----	-----
Total Return* (b).....	19.34%	16.28%** (c)
Net Assets at End of the Period (In millions).....	\$10.4	\$6.6
Ratio of Expenses to Average Net Assets*.....	2.75%	3.64%
Ratio of Net Investment Loss to Average Net Assets*.....	(1.56%)	(1.40%)
Portfolio Turnover.....	78%	17%**
Average Commission Paid Per Equity Share Traded (d).....	\$.0314	--
*If certain expenses had not been waived or reimbursed by VKAC, total return would have been lower and the ratios would have been as follows:		
Ratio of Expenses to Average Net Assets.....	4.12%	5.97%
Ratio of Net Investment Loss to Average Net Assets.....	(2.92%)	(3.73%)

<CAPTION>

	Year Ended	February 21, 1995
	October 31, 1996	(Commencement of Investment Operations) to October 31, 1995 (a)
Class B Shares	October 31, 1996	October 31, 1995 (a)
<S>	<C>	<C>
Net Asset Value, Beginning of the Period..	\$13.79	\$11.81
Net Investment Loss.....	(.254)	(.21)
Net Realized and Unrealized Gain on Securities.....	2.828	2.19
Total from Investment Operations.....	2.574	1.98
Net Asset Value, End of the Period.....	\$16.364	\$13.79
Total Return* (b).....	18.64%	15.69%** (c)
Net Assets at End of the Period (In millions).....	\$8.0	\$2.7
Ratio of Expenses to Average Net Assets*.....	3.50%	4.33%
Ratio of Net Investment Loss to Average Net Assets*.....	(2.31%)	(2.80%)
Portfolio Turnover.....	78%	17%**
Average Commission Paid Per Equity Shares Traded (d).....	\$.0314	--
*If certain expenses had not been waived or reimbursed by VKAC, total return would have been lower and the ratios would have been as follows:		
Ratio of Expenses to Average Net Assets.....	4.87%	6.67%
Ratio of Net Investment Loss to Average Net Assets.....	(3.67%)	(5.13%)

</TABLE>
**Non-Annualized

(a)Based on average month-end shares outstanding.

(b)Total return is based upon net asset value which does not include payment of the maximum sales charge or contingent deferred sales charge.

(c)Total return from March 17, 1995 (date the Fund's investment strategy was implemented) through October 31, 1995.

(d) Represents the average brokerage commissions paid on equity transactions entered into during the period for trades where commissions were applicable. This disclosure was not required in fiscal years prior to 1996.

See Notes to Financial Statements

October 31, 1996

<TABLE>

<CAPTION>

Par Amount (000)	Description	Maturity	Discount Yield on Date of Purchase	Amortized Cost
<C>	<S>	<C>	<C>	<C>
	U.S. GOVERNMENT AND AGENCY OBLIGATIONS	68.7%		
\$2,000	Federal Home Loan Bank.....	03/17/97	5.57%	\$ 1,958,748
5,000	Federal Home Loan Mortgage Corp.....	11/08/96	5.19	4,994,256
7,000	Federal Home Loan Mortgage Corp.....	11/19/96	5.21	6,980,826
3,000	Federal Home Loan Mortgage Corp.....	01/07/97	5.30	2,970,307
4,000	Federal Home Loan Mortgage Corp.....	02/10/97	5.33	3,940,670
5,000	Federal National Mortgage Assn.....	11/05/96	5.39	4,996,362
5,000	Federal National Mortgage Assn.....	11/13/96	5.20	4,990,638
2,000	Federal National Mortgage Assn.....	12/10/96	5.44	1,988,244
2,000	Federal National Mortgage Assn.....	01/17/97	5.38	1,977,120
2,000	Federal National Mortgage Assn.....	02/18/97	5.43	1,967,550
2,000	Federal National Mortgage Assn.....	03/06/97	5.64	1,961,640
3,000	Federal National Mortgage Assn.....	03/27/97	5.46	2,934,953
	TOTAL U.S. GOVERNMENT AND AGENCY OBLIGATIONS.....			41,661,314
	COMMERCIAL PAPER	19.4%		
2,900	Chevron Oil Finance Co.....	11/05/96	5.25	2,897,889
2,900	General Electric Capital Corp.....	11/04/96	5.29	2,898,302
3,000	General Electric Co.	11/14/96	5.36	2,993,828
3,000	Metlife Funding Inc.....	12/09/96	5.27	2,983,003
	TOTAL COMMERCIAL PAPER.....			11,773,022
	REPURCHASE AGREEMENTS	12.1%		
	Lehman Brothers Inc. (\$3,675,000 par collateralized by U.S. Government obligations in a pooled cash account, dated 10/31/96, to be sold on 11/01/96 at \$3,675,582).....			3,675,000
	SBC Capital Markets Inc. (\$3,670,000 par collateralized by U.S. Government obligations in a pooled cash account, dated 10/31/96, to be sold on 11/01/96 at \$3,670,581).....			3,670,000
	TOTAL REPURCHASE AGREEMENTS.....			7,345,000
	TOTAL INVESTMENTS (A)	100.2%		60,779,336
	LIABILITIES IN EXCESS OF OTHER ASSETS (0.2%).....			(123,512)
	NET ASSETS	100.0%		\$60,655,824

</TABLE>

(a) At October 31, 1996, cost is identical for both book and federal income tax purposes.

See Notes to Financial Statements

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October 31, 1996

<TABLE>

<S>	<C>
ASSETS:	
Investments, at Amortized Cost which Approximates Market (Note 1).....	\$53,434,336
Repurchase Agreements (Note 1).....	7,345,000
Cash.....	484
Receivable for Fund Shares Sold.....	272,791
Other.....	8,684
Total Assets.....	61,061,295
LIABILITIES:	
Payables:	
Income Distributions.....	226,440
Distributor and Affiliates (Note 2).....	121,628
Fund Shares Repurchased.....	43,698
Retirement Plan (Note 2).....	1,627
Accrued Expenses.....	12,078

Total Liabilities.....	405,471
NET ASSETS.....	\$60,655,824
NET ASSETS CONSIST OF:	
Capital (Note 3).....	\$60,654,421
Accumulated Undistributed Net Investment Income.....	1,403
NET ASSETS	\$60,655,824
MAXIMUM OFFERING PRICE PER SHARE:	
Class 1 Shares:	
Net asset value per share (Based on net assets of \$59,913,334 and 59,912,205 shares of beneficial interest issued and outstanding).....	\$ 1.00
Class A Shares:	
Net asset value per share (Based on net assets of \$728,835 and 728,810 shares of beneficial interest issued and outstanding)...	\$ 1.00
Class B Shares:	
Net asset value per share (Based on net assets of \$13,655 and 13,654 shares of beneficial interest issued and outstanding)....	\$ 1.00

</TABLE>

See Notes to Financial Statements

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MONEY MARKET FUND

STATEMENT OF OPERATIONS

For the Year Ended October 31, 1996

<TABLE>	
<S>	<C>
INVESTMENT INCOME:	
Interest.....	\$3,378,363
EXPENSES:	
Shareholder Services (Note 2).....	578,482
Investment Advisory Fee (Note 2).....	308,356
Registration and Filing Fees.....	97,800
Accounting (Note 2).....	62,857
Trustees Fees and Expenses (Note 2).....	21,914
Distribution (12b-1) and Service Fees (Attributed to Classes A and B of \$54 and \$4, respectively) (Note 6).....	58
Other.....	75,169
Total Expenses.....	1,144,636
Less Fees Waived and Expenses Reimbursed (\$308,356 and \$219,511, respectively) (Note 2).....	527,867
Net Expenses.....	616,769
NET INVESTMENT INCOME.....	\$2,761,594
NET INCREASE IN NET ASSETS FROM OPERATIONS.....	\$2,761,594

</TABLE>

STATEMENT OF CHANGES IN NET ASSETS

For the Years Ended October 31, 1996 and 1995

<TABLE>		
<CAPTION>		
	Year Ended	Year Ended
	October 31, 1996	October 31, 1995
<S>	<C>	<C>
FROM INVESTMENT ACTIVITIES:		
Operations:		
Net Investment Income.....	\$ 2,761,594	\$ 2,753,676
Distributions from Net Investment Income (Note 1).....	(2,761,337)	(2,753,721)
NET CHANGE IN NET ASSETS FROM INVESTMENT ACTIVITIES.....	257	(45)
FROM CAPITAL TRANSACTIONS (NOTE 3):		
Proceeds from Shares Sold.....	68,178,381	63,147,486

Net Asset Value of Shares Issued Through Dividend Reinvestment.....	2,715,171	2,705,499
Cost of Shares Repurchased.....	(70,542,884)	(61,949,391)
	-----	-----
NET CHANGE IN NET ASSETS FROM CAPITAL TRANSACTIONS.....	350,668	3,903,594
	-----	-----
TOTAL INCREASE IN NET ASSETS.....	350,925	3,903,549
NET ASSETS:		
Beginning of the Period.....	60,304,899	56,401,350
	-----	-----
End of the Period (Including undistributed net investment income of \$1,403 and \$1,146, respectively).....	\$60,655,824	\$60,304,899
	-----	-----

</TABLE>

See Notes to Financial Statements

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MONEY MARKET FUND

FINANCIAL HIGHLIGHTS

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

<TABLE>
<CAPTION>

Class 1 Shares	Year Ended October 31,				
	1996	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>
Net Asset Value, Beginning of the Period.....	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Net Investment Income.....	.045	.0492	.0288	.023	.0324
Less Distributions from Net Investment Income.....	(.045)	(.0492)	(.0288)	(.023)	(.0324)
Net Asset Value, End of the Period.....	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Total Return*.....	4.57%	5.01%	2.91%	2.31%	3.29%
Net Assets at End of the Period (In millions).....	\$59.9	\$60.3	\$56.4	\$59.2	\$72.5
Ratio of Expenses to Average Net Assets*.....	1.00%	1.00%	1.00%	1.00%	1.00%
Ratio of Net Investment Income to Average Net Assets*.....	4.48%	4.89%	2.87%	2.30%	3.27%
*If certain expenses had not been waived or reimbursed by VKAC, total return would have been lower and the ratios would have been as follows:					
Ratio of Expenses to Average Net Assets.....	1.86%	1.71%	1.84%	1.74%	1.60%
Ratio of Net Investment Income to Average Net Assets.....	3.62%	4.18%	2.03%	1.56%	2.67%

</TABLE>

<TABLE>
<CAPTION>

	Class A Shares		Class B Shares	
	Period Ended October 31, 1996(a)		Period Ended October 31, 1996(a)	
<S>	<C>		<C>	
Net Asset Value, Beginning of the Period.....	\$1.00		\$1.00	
Net Investment Income.....	.010		.007	
Less Distributions from Net Investment Income.....	(.010)		(.007)	
Net Asset Value, End of the Period....	\$1.00		\$1.00	
Total Return*(b).....	1.00%**		.73%**	
Net Assets at End of the Period (In millions).....	\$.7		\$.0	
Ratio of Expenses to Average Net Assets*.....	1.09%		1.75%	
Ratio of Net Investment Income to				

	Univ Hartford Ser D Rfdg.....	6.750	07/01/12	513,305
1,000	Mashantucket Western Pequot Tribe CT....	6.500	09/01/05	1,028,620

				2,503,185

	DELAWARE 0.2%			
250	Delaware St Econ Dev Auth Rev			
	Osteopathic Hosp Assoc DE Ser A.....	6.750	01/01/13	277,435

	DISTRICT OF COLUMBIA 0.9%			
500	District of Columbia Rev Howard Univ Ser A (MBIA Insd).....	8.000	10/01/17	527,375
500	District of Columbia Ser A (Prerefunded @ 06/01/00) (AMBAC Insd).....	7.500	06/01/10	560,020

				1,087,395

	FLORIDA 2.1%			
425	Broward Cnty, FL Res Recovery Rev.....	7.950	12/01/08	468,563
1,160	Dade Cnty, FL Professional Sports Franchise Fac Tax Rev (MBIA Insd).....	*	10/01/19	311,170
1,155	Dade Cnty, FL Professional Sports Franchise Fac Tax Rev (MBIA Insd).....	*	10/01/21	275,213
1,000	Florida St Correctional Privatization Comm Ctfs Partn (AMBAC Insd).....	5.000	08/01/17	935,560
500	Saint Petersburg, FL Hlth Fac Auth Rev (Prerefunded @ 12/01/99).....	7.750	12/01/15	559,405

				2,549,911

	HAWAII 0.8%			
1,000	Hawaii St Ser CD Rfdg.....	5.000	02/01/03	1,017,370

	ILLINOIS 7.2%			
500	Chicago, IL Metropolitan Wtr Reclamation Dist Gtr Chicago.....	7.000	01/01/11	581,435
2,650	Chicago, IL Wastewtr Transmission Rev (FGIC Insd).....	5.125	01/01/25	2,435,615
500	Chicago, IL Wastewtr Transmission Rev (Prerefunded @ 01/01/03) (FGIC Insd)....	6.300	01/01/12	550,010
500	Cook Cnty, IL (Prerefunded @ 11/01/00) (MBIA Insd).....	7.000	11/01/10	555,320
500	Cook Cnty, IL Cmnty College Dist No 508 Chicago Ctfs Partn (FGIC Insd).....	8.750	01/01/07	638,735
250	Crestwood, IL Tax Increment Rev Rfdg....	7.250	12/01/08	252,835
500	DuPage Cnty, IL Alt Rev Stormwtr Proj (Prerefunded @ 01/01/02).....	6.550	01/01/21	553,300

</TABLE>

See Notes to Financial Statements

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MUNICIPAL BOND FUND

PORTFOLIO OF INVESTMENTS (CONTINUED)
October 31, 1996

<TABLE>				
<CAPTION>				
Par				
Amount				
(000)	Description	Coupon	Maturity	Market Value
<C>	<S>	<C>	<C>	<C>
	ILLINOIS (CONTINUED)			
\$ 250	Illinois Dev Fin Auth Rev Columbus Cuneo Cabrini Med Cent Rfdg (Prerefunded @ 02/01/00).....	8.500%	02/01/15	\$ 284,303
500	Illinois Hlth Fac Auth Rev Delnor Cmnty Hosp Proj (Prerefunded @ 05/15/99).....	8.000	05/15/19	553,380
500	Illinois Hlth Fac Auth Rev IL Masonic Med Cent Ser B (Prerefunded @ 10/01/99).	7.700	10/01/19	554,855
500	Illinois Hlth Fac Auth Rev Lutheran Hlth Sys Ser B Rfdg (MBIA Insd).....	6.000	04/01/18	502,180
250	Illinois Hlth Fac Auth Rev Mem Hosp....	7.250	05/01/24	262,048
300	Illinois Hlth Fac Auth Rev Mercy Cent for Hlth Care Svcs.....	6.625	10/01/12	305,424
500	Illinois Hlth Fac Auth Rev Northwestern Mem Hosp.....	6.750	08/15/11	531,810
100	Illinois Hlth Fac Auth Rev Ser A (MBIA Insd).....	7.900	08/15/03	102,329
40	Illinois Hlth Fac Auth Rev Ser A Rfdg (MBIA Insd).....	7.900	08/15/03	45,509

					8,709,088
INDIANA 3.3%					
1,900	Avon, IN Cmnty Sch Bldg Corp First Mtg (AMBAC Insd)	5.250	01/01/22	1,762,402	
100	Carmel, IN Retirement Rental Hsg Rev Beverly Enterprises IN Proj	8.750	12/01/08	110,345	
1,000	Indiana Hlth Fac Fin Auth Hosp Rev Cmnty Hosp Proj (MBIA Insd)	6.850	07/01/22	1,101,430	
500	Merrillville, IN Multi Sch Bldg Corp 1st Mtg (Prerefunded @ 07/15/00)	7.500	07/15/09	561,570	
500	Saint Joseph Cnty, IN Hosp Auth Hosp Fac Rev Mem Hosp South Bend Proj (MBIA Insd)	6.250	08/15/22	516,080	
				4,051,827	
IOWA 0.9%					
1,000	Des Moines, IA Pkg Fac Rev Ser A (FGIC Insd)	7.250	07/01/15	1,088,300	
KANSAS 0.2%					
250	Newton, KS Hosp Rev Newton Hlth Care Corp Ser A	7.375	11/15/14	262,830	
LOUISIANA 0.2%					
220	Louisiana Pub Fac Auth Rev Indl Dev Beverly Enterprise Rfdg	8.250	09/01/08	238,011	
MAINE 0.4%					
250	Maine St Hsg Auth Mtg Pur Ser B	7.900	11/15/06	262,233	
250	Regional Waste Sys Inc Maine Solid Waste Resources Recovery Rev	7.950	07/01/10	272,900	
				535,133	
MASSACHUSETTS 2.2%					
500	Boston, MA Rev Boston City Hosp (FHA Gtd)	7.625	02/15/21	564,050	
1,000	Holyoke, MA Ser B Rfdg (FSA Insd)	6.000	06/15/07	1,065,440	
5	Massachusetts Muni Wholesale Elec Co Pwr Supply Sys Rev Ser A	8.750	07/01/18	6,164	
250	Massachusetts St Hsg Fin Agy Hsg Rev Single Family Ser 31	6.450	12/01/16	259,570	
250	Massachusetts St Indl Fin Agy Indl Rev Beverly Enterprises Rfdg	8.000	05/01/02	262,620	
500	Massachusetts St Wtr Res Auth Ser A (Prerefunded @ 04/01/00)	7.500	04/01/16	558,435	
				2,716,279	
MICHIGAN 2.9%					
500	Detroit, MI Area No 1 Ser A (Prerefunded @ 07/01/99)	7.600	07/01/10	550,490	
2,000	Detroit, MI Downtown Dev Auth Tax Increment Rev Dev Area No 1 Projs Ser Cl	6.250	07/01/25	2,040,480	
200	Huron Vly, MI Sch Dist (Prerefunded @ 05/01/01) (FGIC Insd)	7.100	05/01/08	224,638	
500	Kent Hosp Fin Auth MI Hosp Fac Rev Ser A (Prerefunded @ 01/15/00)	7.250	01/15/12	551,615	
195	Michigan St Hosp Fin Auth Rev Detroit Med Cent Ser A Rfdg (Prerefunded @ 08/15/98)	8.125	08/15/12	211,846	
				3,579,069	
MINNESOTA 0.1%					
150	Minneapolis, MN Hlth Care Fac Rev Ebenezer Society Proj Ser A	7.000	07/01/12	154,371	
MISSISSIPPI 0.8%					
500	Mississippi Hosp Equip & Fac Auth Rev Magnolia Hosp Proj Ser A	7.375	10/01/21	507,235	
500	Ridgeland, MS Urban Renewal Rev The Orchard Ltd Proj Ser A Rfdg	7.750	12/01/15	518,630	
				1,025,865	
MISSOURI 4.7%					
1,245	Cape Girardeau Cnty, MO Indl Dev Auth Multi Family Rev Hsg Cape Lacroix Ser A Rfdg (GNMA Collateralized)	6.400	06/20/31	1,274,643	
2,750	Kansas City, MO Muni Assist Corp Rev				

Rfdg (MBIA Insd).....	5.000	04/15/20	2,554,558
250 Missouri St Hlth & Edl Fac Auth.....	8.125	10/01/10	279,330
500 Missouri St Hlth & Edl Fac Auth Hlth Fac Rev.....	6.000	02/15/06	505,940

</TABLE>

See Notes to Financial Statements

MUNICIPAL BOND FUND PORTFOLIO OF INVESTMENTS (CONTINUED)
October 31, 1996

<TABLE>

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Par Amount (000)	Description	Coupon	Maturity	Market Value
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	MISSOURI (CONTINUED)			
\$ 500	Missouri St Hlth & Edl Fac Auth Hlth Fac Rev (Prerefunded @ 02/15/99).....	8.000%	02/15/11	\$ 549,610
500	Missouri St Hlth & Edl Fac Auth Hlth Fac Rev Heartland Hlth Sys Proj.....	6.875	11/15/04	533,635

				5,697,716

	NEBRASKA 2.3%			
2,855	Nebraska Pub Pwr Dist Rev Elec Sys Ser A (MBIA Insd).....	5.250	01/01/22	2,733,777

	NEVADA 1.9%			
2,000	Clark Cnty, NV Incl Dev Rev NV Pwr Co Proj C Rfdg (AMBAC Insd).....	7.200	10/01/22	2,273,140

	NEW HAMPSHIRE 0.8%			
520	New Hampshire Higher Edl & Hlth Fac Auth Rev.....	7.500	06/01/05	563,893
370	New Hampshire Higher Edl & Hlth Fac Auth Rev.....	9.000	06/01/14	413,120

				977,013

	NEW JERSEY 3.1%			
1,000	Jersey City, NJ Ser A Rfdg (AMBAC Insd).	6.000	10/01/06	1,074,560
1,500	Mercer Cnty, NJ Impt Auth Rev Cap Apprec.....	*	04/01/11	677,490
880	New Jersey Econ Dev Auth Holt Hauling & Warehsg Rev Ser G Rfdg.....	8.400	12/15/15	919,169
1,000	New Jersey St Tpk Auth Tpk Rev Ser C Rfdg (MBIA Insd).....	6.500	01/01/16	1,128,310

				3,799,529

	NEW MEXICO 0.9%			
1,000	Farmington, New Mexico Pollutn Ctl Rev Southern CA Edison Co Ser A Rfdg.....	7.200	04/01/21	1,089,140

	NEW YORK 6.0%			
350	New York City Incl Dev Agy Civic Fac Marymount Manhattan College Proj.....	7.000	07/01/23	362,467
500	New York City Muni Wtr Fin Auth & Swr Sys Rev (Prerefunded @ 06/15/01).....	7.750	06/15/20	574,670
1,000	New York City Ser C.....	7.000	08/15/16	1,077,710
500	New York St Dorm Auth Rev City Univ Sys Ser C.....	6.000	07/01/16	492,300
3,000	New York St Dorm Auth Rev Mental Hlth Svcs Fac Impt Ser B.....	5.375	02/15/26	2,744,460
750	New York St Dorm Auth Rev St Univ Edl Fac Ser A (Prerefunded @ 05/15/00).....	7.700	05/15/12	844,583
500	New York St Med Care Fac Fin Agy Rev Hosp & Nursing Home (FHA Gtd).....	7.250	02/15/24	534,220
500	Triborough Bridge & Tunnel Auth New York Rev Ser R (Prerefunded @ 01/01/00).....	7.375	01/01/16	551,800
150	Triborough Bridge & Tunnel Auth New York Spl Oblig Mtg Recording Tax Ser A (Prerefunded @ 01/01/98).....	8.000	01/01/18	159,300

				7,341,510

	NORTH CAROLINA 1.2%			
500	North Carolina Eastn Muni Pwr Agy Pwr			

	Sys Rev (Prerefunded @ 01/01/22).....	4.500	01/01/24	423,830
400	North Carolina Eastn Muni Pwr Agy Pwr Sys Rev Ser A Rfdg.....	8.000	01/01/21	426,333
250	North Carolina Med Care Comm Hlth Care Fac Rev (Prerefunded @ 10/01/99).....	7.800	10/01/19	278,530
250	North Carolina Muni Pwr Agy No 1 Catawba Elec Rev.....	7.875	01/01/19	266,449

				1,395,142

OHIO 6.6%

1,840	Brecksville Broadview Heights, OH City Sch Dist (FGIC Insd).....	6.500	12/01/16	2,040,781
500	Cleveland, OH Pkg Fac Rev (Prerefunded @ 09/15/02).....	8.000	09/15/12	592,665
250	Coshocton Cnty, OH Solid Waste Disp Rev Stone Container Corp Proj Rfdg.....	7.875	08/01/13	267,670
500	Cuyahoga Cnty, OH Hlth Care Fac Rev Judson Retirement Cmnty Rfdg.....	7.000	11/15/10	499,980
660	Delaware Cnty, OH Hlth Care Fac Rev Mtg Centrum at Willow Brook (FHA Gtd).....	6.550	02/01/35	676,546
1,000	Dublin, OH City Sch Dist (FGIC Insd)....	5.000	12/01/18	931,040
1,000	Greater Cincinnati OH Elderly Hsg Dev Corp Mtg Rev (FSA Insd).....	6.600	08/01/25	1,041,060
1,000	Miami Cnty, OH Hosp Fac Rev Upper Vly Med Cent Ser A Rfdg & Impt.....	6.000	05/15/06	1,012,930
1,000	Ohio St Wtr Dev Auth Pollutn Ctl Fac Rev OH Edison Co Proj Rfdg.....	5.950	05/15/29	955,110

				8,017,782

OKLAHOMA 0.5%

500	Tulsa, OK Incl Auth Hosp Rev Tulsa Regl Med Cent (Prerefunded @ 06/01/03).....	7.200	06/01/17	574,190

</TABLE>

See Notes to Financial Statements

MUNICIPAL BOND FUND PORTFOLIO OF INVESTMENTS (CONTINUED)
October 31, 1996

<TABLE>
<CAPTION>
Par
Amount
(000)

Description	Coupon	Maturity	Market Value
<C> <S>	<C>	<C>	<C>
OREGON 4.9%			
\$1,675 Emerald Peoples Util Dist OR Elec Sys (FGIC Insd).....	7.350%	11/01/13	\$ 2,017,337
1,920 Jackson Cnty, OR Sch Dist No 549C (FSA Insd).....	6.000	06/01/04	2,064,288
2,000 Oregon Hlth Sciences Univ Rev Ser B (MBIA Insd).....	5.250	07/01/28	1,912,260

			5,993,885

PENNSYLVANIA 4.9%			
250 Emmaus, PA Genl Auth Rev Ser A (BIGI Insd).....	8.150	05/15/18	267,490
500 Erie Cnty, PA Higher Ed Bldg Auth College Rev Ser A (Prerefunded @ 06/01/99).....	8.500	06/01/15	561,190
250 Erie Cnty, PA Hosp Auth Rev Metro Hlth Cent.....	7.250	07/01/12	226,430
500 Lebanon Cnty, PA Hlth Fac Auth Hlth Cent Rev United Church of Christ Homes Rfdg..	6.750	10/01/10	506,115
280 Montgomery Cnty, PA Incl Dev Auth Rev Pennsburg Nursing & Rehab Cent.....	7.625	07/01/18	288,733
100 Northeastern PA Hosp Auth Hosp Rev.....	7.500	07/01/12	111,061
500 Northeastern PA Hosp Auth Rev Wilkes Barre Genl Hosp (Prerefunded @ 07/01/97).....	8.375	07/01/06	524,035
500 Pennsylvania St Higher Edl Fac Auth College & Univ Rev Hahemann Univ Proj (Prerefunded @ 07/01/99) (MBIA Insd)....	7.200	07/01/19	546,435
150 Pennsylvania St Higher Edl Fac Auth Hosp Rev (Prerefunded @ 01/01/98).....	8.000	01/01/18	159,875
250 Pennsylvania St Higher Edl Fac Auth Rev			

	Med College PA Ser A (Prerefunded @ 03/01/99).....	8.375	03/01/11	276,950
500	Philadelphia, PA Hosps & Higher Ed Fac Auth Hosp Rev.....	6.250	07/01/06	513,815
250	Scranton Lackawanna, PA Hlth & Welfare..	8.500	07/01/20	270,688
500	Shenandoah Vly Sch Dist PA Ser B.....	*	02/01/12	206,915
1,000	South Fork Muni Auth PA Hosp Good Samaritan Med Cent Ser B Rfdg (MBIA Insd).....	5.250	07/01/26	941,990
500	Warren Cnty, PA Hosp Auth Rev Warren Genl Hosp Proj Ser A.....	6.900	04/01/11	518,155

				5,919,877

	RHODE ISLAND 0.5%			
500	Rhode Island Depositors Econ Protection Corp Spl Oblig Ser A (Prerefunded @ 08/01/02) (FSA Insd).....	6.625	08/01/19	558,570

	SOUTH DAKOTA 0.7%			
500	South Dakota St Hlth & Edl Fac Auth Rev Huron Regl Med Cent.....	7.250	04/01/20	526,065
20	South Dakota St Hlth & Edl Fac Auth Rev Sioux Vly Hosp.....	7.625	11/01/13	21,661
230	South Dakota St Hlth & Edl Fac Auth Rev Sioux Vly Hosp (Prerefunded @ 11/01/98)..	7.625	11/01/13	249,877

				797,603

	TENNESSEE 2.4%			
1,000	Metro Nashville & Davidson Cnty, TN Hlth & Edl Fac Brd Rev (AMBAC Insd).....	5.000	12/01/24	909,620
1,000	Sullivan Cnty, TN Indl Dev Brd Rev Brandy Mill Rfdg (GNMA Collateralized)...	6.350	07/20/27	1,029,360
890	Tennessee Hsg Dev Agy Homeownership Pgm.	6.800	07/01/17	931,474

				2,870,454

	TEXAS 10.2%			
685	Austin, TX Hsg Fin Corp Multi Family Hsg Rev Stassney Woods Apartments Proj Rfdg.	6.500	10/01/10	703,379
500	Bexar Cnty, TX Hlth Fac Dev Corp Hosp Rev Saint Lukes Lutheran Hosp (Prerefunded @ 05/01/03).....	7.900	05/01/18	587,351
250	Brazoria Cnty, TX Muni Util Dist No 2...	7.000	09/01/08	265,320
500	Brownsville, TX Util Sys Rev (Prerefunded @ 09/01/00) (AMBAC Insd)...	6.500	09/01/17	545,930
500	Ector Cnty, TX Hosp Dist Hosp Rev Med Cent Hosp.....	7.125	04/15/02	532,700
1,000	El Paso Cnty, TX Pkg Fac Rev Ctfs Oblig (Prerefunded @ 08/15/99).....	6.500	08/15/11	1,073,800
500	Frenship, TX Indpt Sch Dist.....	5.500	02/15/03	518,855
500	Frenship, TX Indpt Sch Dist.....	5.500	02/15/04	516,490
250	Harris Cnty, TX Hlth Fac Dev Corp Hosp Rev.....	7.125	06/01/15	269,908
1,250	Harris Cnty, TX Hlth Fac Dev Corp Thermal Util Rev Teco Proj Ser A (AMBAC Insd).....	7.250	02/15/15	1,365,213
500	Houston, TX Wtr Sys Rev (Prerefunded @ 12/01/97).....	7.250	12/01/07	528,125
1,500	Irving, TX Flood Ctl Dist Section 3 (AMBAC Insd).....	*	09/01/08	794,790
250	Rusk Cnty, TX Hlth Fac Corp Hosp Rev...	7.750	04/01/13	261,510
500	Sam Rayburn, TX Muni Pwr Agy Pwr Supply Sys Rev.....	6.750	10/01/14	468,220
500	Tarrant Cnty, TX Hlth Fac Dev Corp Hosp Rev Fort Worth Osteopathic Rfdg & Impt..	7.000	05/15/28	518,485
1,370	Temple, TX Junior College Dist Hsg Sys & Use Fee Rev (MBIA Insd).....	5.375	07/01/21	1,324,489

</TABLE>

See Notes to Financial Statements

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Par
Amount

(000)	Description	Coupon	Maturity	Market	Value
<C>	<S>	<C>	<C>	<C>	
	TEXAS (CONTINUED)				
\$ 130	Texas Genl Svcs Comm Partn Interests Office Bldg & Land Aquisition Proj.....	7.000%	08/01/14	\$	133,923
330	Texas Genl Svcs Comm Partn Interests Office Bldg & Land Aquisition Proj.....	7.000	08/01/24		339,959
230	Texas Hsg Agy Mtg Rev Ser A.....	7.150	09/01/12		239,361
485	Texas Hsg Agy Residential Dev Rev Ser A (GNMA Collateralized).....	7.600	07/01/16		514,003
500	Texas Wtr Resources Fin Auth Rev (AMBAC Insd).....	7.500	08/15/13		536,890
250	Winters, TX Wtrwks & Swr Sys Rev (Prerefunded @ 08/01/03).....	8.500	08/01/17		305,430
					----- 12,344,131 -----
	UTAH 0.3%				
250	Utah St Bldg Ownership Auth Lease Rev Dept Employment Security Proj (Prerefunded @ 08/15/98).....	7.800	08/15/10		266,275
70	Utah St Hsg Fin Agy Mtg Ser G.....	8.100	07/01/16		71,940
					----- 338,215 -----
	VIRGINIA 4.4%				
3,500	Chesapeake Bay Bridge & Tunnel Comm VA Dist Rev (MBIA Insd).....	5.000	07/01/22		3,213,350
1,000	Norfolk, VA Indl Dev Auth Rev Hosp Rfdg Santara Hosp Ser A.....	6.500	11/01/13		1,059,950
1,000	Peninsula Ports Auth VA Coal Terminal Rev.....	7.375	06/01/20		1,063,820
					----- 5,337,120 -----
	WASHINGTON 3.6%				
1,120	King Cnty, WA Sch Dist No 412 Shoreline Ser A (FSA Insd).....	6.000	12/01/05		1,203,877
2,750	Washington St Pub Pwr Supply Sys Nuclear Proj No 1 Rev (FGIC Insd).....	5.375	07/01/15		2,623,583
250	Washington St Pub Pwr Supply Sys Nuclear Proj No 1 Rev (FGIC Insd).....	7.125	07/01/16		297,585
250	Washington St Pub Pwr Supply Sys Nuclear Proj No 2 Rev (Prerefunded @ 01/01/01)..	7.625	07/01/10		283,770
					----- 4,408,815 -----
	WISCONSIN 2.0%				
250	Jefferson, WI Sewage Sys Wtrwks & Elec Sys Mtg Rev (Prerefunded @ 07/01/01)....	7.400	07/01/16		280,693
150	Wisconsin Hsg & Econ Dev Auth Hsg Rev Ser B.....	8.000	11/01/18		157,164
1,000	Wisconsin St Hlth & Edl Fac Auth Rev Marquette Univ Proj (FGIC Insd).....	6.450	12/01/19		1,075,510
1,000	Wisconsin St Hlth & Edl Fac Auth Waukesha Mem Hosp Ser A (AMBAC Insd)....	5.250	08/15/19		949,620
					----- 2,462,987 -----
	TOTAL LONG-TERM INVESTMENTS 97.0%				
	(Cost \$111,773,576) (a).....				117,832,855
	OTHER ASSETS IN EXCESS OF LIABILITIES 3.0%.....				
					3,632,775
	NET ASSETS 100.0%.....				
					\$121,465,630 -----

</TABLE>

*Zero coupon bond

(a) At October 31, 1996, cost for federal income tax purposes is \$111,773,576; the aggregate gross unrealized appreciation is \$6,210,908 and the aggregate gross unrealized depreciation is \$151,629, resulting in net unrealized appreciation of \$6,059,279.

See Notes to Financial Statements

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MUNICIPAL BOND FUND

STATEMENT OF ASSETS AND LIABILITIES

October 31, 1996

<TABLE>

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ASSETS:

Investments, at Market Value (Cost \$111,773,576) (Note 1).....	\$117,832,855
Cash.....	413,393
Receivables:	
Securities Sold.....	2,586,251
Interest.....	2,127,118
Fund Shares Sold.....	1,067,641
Options at Market Value (Net premiums paid of \$32,012) (Note 5)...	2,922
Other.....	43,014

Total Assets.....	124,073,194

LIABILITIES:	
Payables:	
Securities Purchased.....	1,779,877
Income Distributions.....	483,869
Fund Shares Repurchased.....	130,870
Distributor and Affiliates (Note 2).....	95,441
Investment Advisory Fee (Note 2).....	60,701
Accrued Expenses.....	54,443
Retirement Plan (Note 2).....	2,363

Total Liabilities.....	2,607,564

NET ASSETS.....	\$121,465,630

NET ASSETS CONSIST OF:	
Capital (Note 3).....	\$115,004,705
Net Unrealized Appreciation on Securities.....	6,030,189
Accumulated Net Realized Gain on Securities.....	341,691
Accumulated Undistributed Net Investment Income.....	89,045

NET ASSETS.....	\$121,465,630

MAXIMUM OFFERING PRICE PER SHARE:	
Class 1 Shares:	
Net asset value and redemption price per share (Based on net assets of \$118,684,512 and 8,582,302 shares of beneficial interest issued and outstanding) (Note 3).....	\$13.83
Maximum sales charge (4.75%* of offering price).....	.69

Maximum offering price to public.....	\$14.52

Class A Shares:	
Net asset value and redemption price per share (Based on net assets of \$2,128,552 and 153,942 shares of beneficial interest issued and outstanding) (Note 3).....	\$13.83
Maximum sales charge (4.50%* of offering price).....	.65

Maximum offering price to public.....	\$14.48

Class B Shares:	
Net asset value and offering price per share (Based on net assets of \$652,566 and 47,211 shares of beneficial interest issued and outstanding) (Note 3).....	\$13.82

</TABLE>

* On sales of \$10,000 or more for Class 1 shares and \$50,000 or more for Class A shares, the sales charge will be reduced.

See Notes to Financial Statements

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MUNICIPAL BOND FUND

STATEMENT OF OPERATIONS

For the Year Ended October 31, 1996

<TABLE>	
<S>	<C>
INVESTMENT INCOME:	
Interest.....	\$7,494,525

EXPENSES:	
Investment Advisory Fees (Note 2).....	728,210
Shareholder Services (Note 2).....	242,636
Registration and Filing Fees.....	101,838
Accounting (Note 2).....	99,374
Trustees Fees and Expenses (Note 2).....	26,958
Legal (Note 2).....	3,164
Distribution (12b-1) and Service Fees (Attributed to Classes A and B of \$419 and \$762, respectively) (Note 6).....	1,181
Other	70,496

Total Expenses.....	1,273,857

NET INVESTMENT INCOME.....	\$6,220,668

REALIZED AND UNREALIZED GAIN/LOSS ON SECURITIES:	
Net Realized Gain on Investments.....	\$ 350,316

Unrealized Appreciation/Depreciation on Securities:	
Beginning of the Period.....	5,538,937

End of the Period:	
Investments.....	6,059,279
Options.....	(29,090)

	6,030,189

Net Unrealized Appreciation on Securities During the Period.....	491,252

NET REALIZED AND UNREALIZED GAIN ON SECURITIES.....	\$ 841,568

NET INCREASE IN NET ASSETS FROM OPERATIONS.....	\$7,062,236

</TABLE>

STATEMENT OF CHANGES IN NET ASSETS

For the Years Ended October 31, 1996 and 1995

<TABLE>

<CAPTION>

	Year Ended October 31, 1996	Year Ended October 31, 1995
<S>	<C>	<C>
FROM INVESTMENT ACTIVITIES:		
Operations:		
Net Investment Income.....	\$ 6,220,668	\$ 6,314,995
Net Realized Gain on Securities.....	350,316	401,050
Net Unrealized Appreciation on Securities During the Period.....	491,252	6,922,298
-----		-----
Change in Net Assets from Operations.....	7,062,236	13,638,343
-----		-----
Distributions from Net Investment Income (Note 1)..	(6,299,276)	(6,187,572)
Distributions from Net Realized Gain on Securities (Note 1).....	(373,830)	-0-
-----		-----
Total Distributions.....	(6,673,106)	(6,187,572)
-----		-----
NET CHANGE IN NET ASSETS FROM INVESTMENT ACTIVITIES.....	389,130	7,450,771
-----		-----
FROM CAPITAL TRANSACTIONS (NOTE 3):		
Proceeds from Shares Sold.....	29,491,790	26,976,160
Net Asset Value of Shares Issued Through Dividend Reinvestment.....	5,768,806	5,355,586
Cost of Shares Repurchased.....	(33,307,016)	(32,748,016)
-----		-----
NET CHANGE IN NET ASSETS FROM CAPITAL TRANSACTIONS.	1,953,580	(416,270)
-----		-----
TOTAL INCREASE IN NET ASSETS.....	2,342,710	7,034,501
NET ASSETS:		
Beginning of the Period.....	119,122,920	112,088,419
-----		-----
End of the Period (Including undistributed net investment income of \$89,045 and \$158,581, respectively).....	\$121,465,630	\$119,122,920
-----		-----

</TABLE>

See Notes to Financial Statements

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MUNICIPAL BOND FUND

FINANCIAL HIGHLIGHTS

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

<TABLE>

<CAPTION>

	Year Ended October 31,				
	1996	1995	1994	1993	1992
Class 1 Shares					

<S>	<C>	<C>	<C>	<C>	<C>
Net Asset Value, Beginning of the Period.....	\$13.77	\$12.89	\$14.07	\$13.03	\$12.84
Net Investment Income.....	.704	.74	.71	.728	.725
Net Realized and Unrealized Gain/Loss on Securities.....	.111	.867	(1.182)	1.038	.2175
Total from Investment Operations.....	.815	1.607	(.472)	1.766	.9425
Less:					
Distributions from Net Investment Income.....	.713	.727	.708	.726	.7525
Distributions from Net Realized Gain on Securities (Note 1).....	.043	.000	.000	.000	.000
Total Distributions.....	.756	.727	.708	.726	.7525
Net Asset Value, End of the Period.....	\$13.829	\$13.77	\$12.89	\$14.07	\$13.03
Total Return (a).....	6.09%	12.72%	(3.38%)	13.84%	7.57%
Net Assets at End of the Period (In millions).....	\$118.7	\$119.1	\$112.1	\$95.9	\$60.3
Ratio of Expenses to Average Net Assets.....	1.05%	.96%	.99%	.96%	1.14%
Ratio of Net Investment Income to Average Net Assets.....	5.13%	5.58%	5.27%	5.29%	5.56%
Portfolio Turnover.....	80%	49%	4%	4%	6%

<TABLE>
<CAPTION>

	Class A Shares	Class B Shares
	Period Ended	Period Ended
	October 31, 1996 (b)	October 31, 1996 (b)
<S>	<C>	<C>
Net Asset Value, Beginning of the Period.....	\$13.780	\$13.780
Net Investment Income.....	.106	.091
Net Realized and Unrealized Gain on Securities.....	.045	.038
Total from Investment Operations... Less Distributions from Net Investment Income.....	.151	.129
	.104	.087
Net Asset Value, End of the Period.....	\$13.827	\$13.822
Total Return (a).....	1.12%*	.93%*
Net Assets at End of the Period (In millions).....	\$2.1	\$0.7
Ratio of Expenses to Average Net Assets.....	1.30%	2.05%
Ratio of Net Investment Income to Average Net Assets.....	4.82%	4.06%
Portfolio Turnover.....	80%	80%

</TABLE>
*Non-Annualized

(a) Total return is based upon net asset value which does not include payment of the maximum sales charge or contingent deferred sales charge.

(b) Class A and Class B shares commenced distribution on August 8, 1996.

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

October 31, 1996

1. SIGNIFICANT ACCOUNTING POLICIES

Common Sense Trust (the "Trust"), is registered under the Investment Company Act of 1940, as amended, as a diversified open-end management investment company comprised of seven funds: Emerging Growth Fund ("Emerging Growth"), Government Fund ("Government"), Growth Fund ("Growth"), Growth and Income Fund ("Growth and Income"), International Equity Fund ("International Equity"), Money Market Fund ("Money Market") and Municipal Bond Fund ("Municipal Bond") (collectively the "Funds"). Each Fund is accounted for as a separate entity. During the period, Emerging Growth and International Equity issued Class 1 Shares and were reorganized from a series of the Common Sense Trust II to a series of the Trust. Also during the period, Government, Growth, Growth and Income, Money Market and Municipal Bond issued Class A Shares and Class B Shares. Each Fund currently offers three classes of shares, Class 1, Class A and Class B.

The investment goals of each Fund are as follows: Emerging Growth seeks capital appreciation by primarily investing in common stock of small and medium sized companies. Government seeks high current return consistent with preservation of capital by primarily investing in debt securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities. Growth seeks capital appreciation by investing in common stocks. Growth & Income seeks reasonable growth and income by primarily investing in equity securities that provide dividend income and securities that are convertible into common or preferred stocks. International Equity seeks growth and income by investing at least 65% of its assets in non-United States equity securities. Money Market seeks protection of capital and income through investments in short-term money market instruments. Municipal Bond seeks as high a level of current income exempt from federal income tax as is consistent with preservation of capital.

The following is a summary of significant accounting policies consistently followed by the Trust in the preparation of its financial statements. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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 amounts may differ from the estimates.

A. SECURITY VALUATION-Investments in securities listed on a securities exchange are valued at their sale price as of the close of such securities exchange. Fixed income investments are stated at value using market quotations. Unlisted securities and listed securities for which the last sales price is not available are valued at the last bid price. For those securities where quotations or prices are not available, valuations are determined in accordance with procedures established in good faith by the Board of Trustees. Short-term securities with remaining maturities of 60 days or less are valued at amortized cost. For Money Market, all investments are valued at amortized cost.

Investments in foreign securities involve certain risks not ordinarily associated with investments in securities of domestic issuers, including fluctuations in foreign exchange rates, future political and economic developments, and the possible imposition of exchange controls or other foreign governmental laws or restrictions.

Municipal Bond investments include lower-rated debt securities which may be more susceptible to adverse economic conditions than other investment grade holdings. These securities are often subordinated to the prior claims of other senior lenders and uncertainties exist as to an issuer's ability to meet principal and interest payments. At the end of the period, debt securities rated below investment grade and comparable unrated securities represented approximately 10.3% of Municipal Bond's investment portfolio. Issuers of certain securities owned by Municipal Bond have obtained insurance guaranteeing their timely payment of principal at maturity and interest. The insurance reduces financial risk but not market risk of these securities.

B. SECURITY TRANSACTIONS-Security transactions are recorded on a trade date basis. Realized gains and losses are determined on an identified cost basis. Government and Municipal Bond may purchase and sell securities on a "when issued" or "delayed delivery" basis, with settlement to occur at a later date. The value of the security so purchased is

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

October 31, 1996

subject to market fluctuations during this period. Government and Municipal Bond will maintain, in a segregated account with its custodian, assets having an aggregate value at least equal to the amount of the when issued or delayed delivery purchase commitments until payment is made. At October 31, 1996, Municipal Bond had no when issued or delayed delivery purchase commitments. The Funds may invest in repurchase agreements which are short-term investments in which a Fund acquires ownership of a debt security and the seller agrees to repurchase the security at a future time and specified price. Each fund may invest independently in repurchase agreements, or transfer uninvested cash balances into a pooled cash account along with certain other investment companies advised by Van Kampen American Capital Asset Management, Inc. (the "Adviser"), the daily aggregate of which is invested in repurchase agreements. Repurchase agreements are fully collateralized by the underlying debt security. Each fund will make payment for such securities only upon physical delivery or evidence of book entry transfer to the account of the custodian bank. The seller is required to maintain the value of the underlying security at not less than the repurchase proceeds due each fund.

C. INVESTMENT INCOME-Dividend income is recorded on the ex-dividend date and interest income is recorded on an accrual basis. Issuers of Payment-in-Kind securities may make dividend or interest payments by issuing additional stocks or bonds in lieu of cash payments. Original issue discount is amortized over the expected life of each applicable security. With the exception of Money Market and Municipal Bond, premiums on debt securities are not amortized. Market dis-

counts are recognized at the time of sale as realized gains for book purposes and ordinary income for tax purposes. Under the applicable foreign tax laws, a tax may be imposed on interest, dividends, and realized gains generated from foreign investments. Such taxes are generally reflected on the Statement of Operations as a reduction of the related income or gains.

D. ORGANIZATIONAL EXPENSES-Emerging Growth and International Equity have reimbursed PFS Distributors or its affiliates (collectively "PFS") for costs incurred in connection with each Fund's organization in the amount of \$20,906 per Fund. These costs for Emerging Growth and International Equity are being amortized on a straight line basis over the 60 month period ending February, 2000 and March, 2000, respectively. The Adviser has agreed that in the event any of the initial shares of these funds originally purchased by Van Kampen American Capital Distributors, Inc. or its affiliates (collectively "VKAC") are redeemed during the amortization period, these funds will be reimbursed for any unamortized organizational expenses in the same proportion as the number of shares redeemed bears to the number of initial shares held at the time of redemption.

E. FEDERAL INCOME TAXES-It is each Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable income to its shareholders. Therefore, no provision for federal income taxes is required. Each Fund intends to utilize provisions of the Federal income tax laws which allow it to carry a realized capital loss forward for eight years following the year of the loss and offset such losses against any future capital gains realized by such Fund. The following table presents the realized capital loss carryforward at October 31, 1996, along with its expiration period.

<TABLE>
<CAPTION>

	EMERGING GROWTH	GOVERNMENT	GROWTH	GROWTH AND INTERNATIONAL INCOME	INTERNATIONAL EQUITY	MONEY MARKET	MUNICIPAL BOND
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Realized capital loss carryforward.....	\$3,686,606	\$34,520,669	--	--	\$33,287	\$4,136	--
Expiration dates of capital loss carryforward.....	2003-2004	2002-2004	--	--	2004	2002-2003	--

</TABLE>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

October 31, 1996

F. DISTRIBUTION OF INCOME AND GAINS-Government, Money Market and Municipal Bond declare dividends from net investment income on each business day. Growth and Income declares dividends quarterly. Emerging Growth, Growth and International Equity declare dividends annually. Dividends and distributions to shareholders are recorded on the record date. Distributions from net realized gains for book purposes may include short-term capital gains and gains on option and futures transactions. All short-term capital gains and a portion of option and futures gains are included in ordinary income for tax purposes. For the year ended October 31, 1996, distributions were as follows:

<TABLE>

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
	EMERGING GROWTH	GOVERNMENT	GROWTH	GROWTH AND INTERNATIONAL INCOME	INTERNATIONAL EQUITY	MONEY MARKET	MUNICIPAL BOND	
DISTRIBUTIONS FROM AND IN EXCESS OF NET INVESTMENT INCOME								
Class 1.....	\$ -0-	\$21,453,795	\$27,245,960	\$17,403,926	\$ -0-	\$2,758,939	\$6,288,593	
Class A.....	-0-	153,693	-0-	103,649	-0-	2,375	7,781	
Class B.....	-0-	174,701	-0-	121,982	-0-	23	2,902	
Total.....	\$ -0-	\$21,782,189	\$27,245,960	\$17,629,557	\$ -0-	\$2,761,337	\$6,299,276	
DISTRIBUTIONS FROM NET REALIZED GAIN ON SECURITIES								
Class 1.....	\$ -0-	\$ -0-	\$358,762,393	\$85,264,726	\$ -0-	\$ -0-	\$373,830	
Class A.....	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
Class B.....	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
Total.....	\$ -0-	\$ -0-	\$358,762,393	\$85,264,726	\$ -0-	\$ -0-	\$373,830	

</TABLE>

The distributions from net realized gain on securities include distributions from long-term capital gains for Class 1 shares on Growth, Growth and Income and Municipal Bond in the amounts of \$100,252,969, \$57,961,436 and \$104,979, respectively.

For the year ended October 31, 1995, distributions were as follows:

<S>	<C> EMERGING GROWTH	<C> GOVERNMENT	<C> GROWTH	<C> GROWTH AND INCOME	<C> INTERNATIONAL EQUITY	<C> MONEY MARKET	<C> MUNICIPAL BOND
DISTRIBUTIONS FROM AND IN EXCESS OF NET INVESTMENT INCOME							
Class 1.....	--	\$22,389,062	\$22,053,177	\$14,344,183	--	\$2,753,721	\$6,187,572
Class A.....	\$ -0-	--	--	--	\$ -0-	--	--
Class B.....	-0-	--	--	--	-0-	--	--
Total.....	\$ -0-	\$22,389,062	\$22,053,177	\$14,344,183	\$ -0-	\$2,753,721	\$6,187,572
DISTRIBUTIONS FROM NET REALIZED GAIN ON SECURITIES							
Class 1.....	--	\$ -0-	\$147,259,430	\$71,729,488	--	\$ -0-	\$ -0-
Class A.....	\$ -0-	--	--	--	\$ -0-	--	--
Class B.....	-0-	--	--	--	-0-	--	--
Total.....	\$ -0-	\$ -0-	\$147,259,430	\$71,729,488	\$ -0-	\$ -0-	\$ -0-

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

October 31, 1996

Due to inherent differences in the recognition of income, expenses and realized gains/losses under generally accepted accounting principles and federal income tax purposes, the following permanent differences between book and tax basis reporting for the 1996 fiscal year have been identified and appropriately reclassified.

<S>	<C> EMERGING GROWTH	<C> GOVERNMENT	<C> GROWTH	<C> GROWTH AND INCOME	<C> INTERNATIONAL EQUITY	<C> MONEY MARKET	<C> MUNICIPAL BOND
Accumulated Undistributed Net							
Investment Income (a,b,c,d)...	\$1,067,479	\$118,304	\$ (924)	\$ 208,297	\$ 242,840	--	\$ 9,072
Accumulated Net Realized							
Gain/Loss on Securities (b,c).	--	(239,533)	(407,610)	(258,709)	11,703	--	(9,072)
Capital (a,b,c,d)							
Class 1.....	(580)	(82,125)	--	--	(763)	--	--
Class A.....	(492,878)	90,576	159,328	19,368	(146,617)	--	--
Class B.....	(574,021)	112,778	249,206	31,044	(107,163)	--	--

- (a) For federal income tax purposes, net operating losses may not be used to offset income generated in future tax years, therefore, these losses have been reclassified from accumulated net investment income to capital.
- (b) For federal income tax purposes, realized gains and losses on transactions in foreign currencies are included as ordinary income. These realized gains and losses are included in net realized gain/loss on securities for financial reporting purposes and have been reclassified from accumulated net realized gain/loss on securities to accumulated undistributed net investment income.
- (c) Accretion of market discounts on bonds and paydowns of mortgage pool obligations are recognized as ordinary income for federal income tax purposes but as realized gains or losses for book purposes. These permanent differences have been reclassified from accumulated net realized gain/loss on securities to accumulated undistributed net investment income.
- (d) Due to the Trust reorganization (see note 3), certain temporary differences of the Target Funds became permanent differences as a result of the merger. These items have been reclassified between accumulated undistributed net investment income, accumulated net realized gain/loss on securities and capital.

G. FOREIGN CURRENCY TRANSLATION-The market values of foreign securities, forward currency exchange contracts and other assets and liabilities denominated in a foreign currency are translated into U.S. dollars based on quoted exchange rates as of noon Eastern Time. The cost of securities is determined using his-

torical exchange rates. Income and expenses are translated at prevailing exchange rates when accrued or incurred. Gains and losses on the sale of securities are not segregated for financial reporting purposes between amounts arising from changes in exchange rates and amounts arising from changes in the market prices of securities. Realized gain and loss on foreign currency includes the net realized amount from the sale of currency and the amount realized between trade date and settlement date on security transactions.

H. PRIVATE PLACEMENTS-A Fund may own securities purchased in private placement transactions, which have not been registered under the Securities Act of 1933. Such securities generally may be resold only in a privately negotiated transaction with a limited number of purchasers or in a public offering after they have been registered under the Securities Act of 1933. The issuers of privately placed debt securities held by a Fund generally have agreed to register the securities within specified time periods or increase the interest paid on such securities.

2. INVESTMENT ADVISORY AGREEMENT AND OTHER TRANSACTIONS WITH AFFILIATES

Under the terms of the Trust's Investment Advisory Agreement, the Adviser will provide investment advice and facilities to the Trust for an annual fee, payable monthly, based on the average daily net assets of the Funds as follows:

<TABLE>
<CAPTION>
EMERGING GROWTH, GROWTH
&
GROWTH AND INCOME

AVERAGE DAILY NET ASSETS	ANNUAL RATE
<S>	<C>
First \$1 billion.....	.65%
Next \$1 billion.....	.60%
Next \$1 billion.....	.55%
Next \$1 billion.....	.50%
Over \$4 billion.....	.45%

</TABLE>
<TABLE>
<CAPTION>

GOVERNMENT

AVERAGE DAILY NET ASSETS	ANNUAL RATE
<S>	<C>
First \$1 billion.....	.60%
Next \$1 billion.....	.55%
Next \$1 billion.....	.50%
Next \$1 billion.....	.45%
Next \$1 billion.....	.40%
Over \$5 billion.....	.35%

</TABLE>
<TABLE>
<CAPTION>

MONEY MARKET

AVERAGE DAILY NET ASSETS	ANNUAL RATE
<S>	<C>
First \$2 billion.....	.50%
Next \$2 billion.....	.475%
Over \$4 billion.....	.45%

</TABLE>
<TABLE>
<CAPTION>

MUNICIPAL BOND

AVERAGE DAILY NET ASSETS	ANNUAL RATE
<S>	<C>
First \$1 billion.....	.60%
Next \$1 billion.....	.55%

Next \$1 billion. .50%
 Over \$3 billion. .45%
 </TABLE>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

October 31, 1996

The Adviser has entered into a subadvisory agreement with Smith Barney Mutual Funds Management, Inc. (the "Subadviser"), who provides advisory services to International Equity and the Adviser with respect to its investments in foreign securities. Advisory fees for International Equity are calculated monthly, based on the average daily net assets of the Fund at the annual rate of 1.00%. The Adviser pays 50% of its advisory fee to the Subadviser.

The Adviser has voluntarily elected to reimburse Money Market for any ordinary business expenses in excess of 1.00% of its average daily net assets. The Adviser may modify or terminate this election at any time without prior notice. During the period, the adviser waived advisory fees of \$308,356 and reimbursed other expenses of \$219,511.

The Adviser has agreed that it will reimburse the Funds for any expenses (including the advisory fee, but excluding interest, brokerage commissions, distribution and service fees, and other extraordinary expenses) in excess of the most restrictive limitation imposed by state securities commissions. The most restrictive expense limitation is presently believed to be 2.5% of the Fund's average daily net assets up to \$30 million, 2.0% of the next \$70 million of such net assets and 1.5% of the Fund's net assets in excess of \$100 million. The Trust received from California a waiver which allows each Fund to exclude shareholder service costs from the calculation of the expense limitation. The Adviser and, in the case of International Equity, the Subadviser may, from time to time, agree to waive their respective investment advisory fees or any portion thereof or elect to reimburse a Fund for ordinary business expenses in excess of an agreed upon amount. For International Equity, \$46,643 of the expense reduction was voluntary and \$131,504 was reimbursed due to the contractual expense limitation. The Adviser prepaid the Fund's initial registration and filing expenses. Emerging Growth and International Equity amortized their portion of such expenses over a ten month period that ended December 1995.

Amounts paid by the Funds to PFS and VKAC during the period were as follows:

<TABLE>

<CAPTION>

	EMERGING GROWTH	GOVERNMENT	GROWTH	GROWTH AND INCOME	INTERNATIONAL EQUITY	MONEY MARKET	MUNICIPAL BOND
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Accounting services.....	\$ 79,620	\$ 93,056	\$ 406,931	\$ 168,039	\$ 30,600	\$ 62,857	\$ 99,374
Shareholder servicing fees.....	404,745	419,709	6,662,929	1,511,492	65,341	498,131	194,704

</TABLE>

For the year ended October 31, 1996, the Funds incurred expenses as shown in the table above representing VKAC's cost of providing accounting and cash management services to the Funds. These services are provided by VKAC at cost. PFS Distributors (the "Distributor"), a wholly owned subsidiary of Travelers Group, Inc. serves as Distributor of the Fund's shares. The Distributor has an exclusive selling agreement with PFS Investments Inc. to sell shares of the Trust. During the period, the Trust paid brokerage commissions of \$345,196 to companies which are deemed affiliates of the Distributor's parent because it owns more than 5% of the companies' outstanding voting securities.

PFS Shareholder Services ("PFSS"), an affiliate of the Distributor, serves as the shareholder servicing agent for the Funds. For the year ended October 31, 1996, the Funds incurred expenses as shown in the table above, representing PFSS' cost of providing transfer agency and shareholder services plus a profit. Certain officers and trustees of the Funds are also officers and directors of PFS and VKAC. The Funds do not compensate their officers or trustees who are officers of PFS and VKAC.

The Trustees of the Trust instituted a Retirement Plan effective April 1, 1996. The Plan is not funded, and obligations under the Plan will be paid solely out of the Trust's general account. The Trust will not reserve or set aside funds for the payment of its obligations under the Plan by any form of trust or escrow. For the current Trustees not affiliated with the Adviser, the annual retirement benefit payable per year for a ten year period is based upon the highest total annual compensation received in any of the three calendar years preceding retirement. Trustees with more than five but less than ten years of service at retirement will receive a proportionally reduced benefit. Under the Plan, for the Trustees retiring with the effectiveness of the Plan, the annual retirement benefit payable per year for a ten year period is equal to 75% of the total compensation received from the Trust during the 1995 calendar year.

October 31, 1996

3. CAPITAL TRANSACTIONS

The Funds have three classes of shares of beneficial interest, Classes 1, A and B, each with a par value of \$.01 per share. There are an unlimited number of shares authorized.

For the year ended October 31, 1996, share transactions were as follows:

<TABLE>

<CAPTION>

	EMERGING GROWTH	GOVERNMENT	GROWTH	GROWTH AND INCOME	INTERNATIONAL EQUITY	MONEY MARKET	MUNICIPAL BOND
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
SALES							
Class 1.....	38,105	2,871,610	16,457,335	5,320,300	9,813	67,367,316	1,942,660
Class A.....	2,000,873	1,149,244	2,868,484	1,861,875	396,481	797,434	153,756
Class B.....	1,592,107	1,410,035	4,253,128	2,953,516	335,699	13,631	47,012
Total Sales.....	3,631,085	5,430,889	23,578,947	10,135,691	741,993	68,178,381	2,143,428
DIVIDEND REINVESTMENT							
Class 1.....	-0-	1,767,746	24,543,242	6,129,820	-0-	2,712,773	418,529
Class A.....	-0-	14,411	-0-	5,681	-0-	2,375	561
Class B.....	-0-	16,399	-0-	6,789	-0-	23	210
Total Dividend Reinvestment.....	-0-	1,798,556	24,543,242	6,142,290	-0-	2,715,171	419,300
REPURCHASES							
Class 1.....	-0-	(7,862,750)	(23,362,241)	(8,236,939)	-0-	(70,471,885)	(2,428,730)
Class A.....	(283,852)	(95,253)	(124,234)	(73,103)	(243,560)	(70,999)	(375)
Class B.....	(178,667)	(96,131)	(117,684)	(81,341)	(43,903)	-0-	(11)
Total Repurchases.....	(462,519)	(8,054,134)	(23,604,159)	(8,391,383)	(287,463)	(70,542,884)	(2,429,116)

For the year ended October 31, 1995, share transactions were as follows:

<CAPTION>

	EMERGING GROWTH	GOVERNMENT	GROWTH	GROWTH AND INCOME	INTERNATIONAL EQUITY	MONEY MARKET	MUNICIPAL BOND
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
SALES							
Class 1.....	--	3,887,096	19,019,524	6,095,770	--	63,147,478	2,026,724
Class A.....	1,125,630	--	--	--	480,871	--	--
Class B.....	732,333	--	--	--	202,578	--	--
Total Sales.....	1,857,963	3,887,096	19,019,524	6,095,770	683,449	63,147,478	2,026,724
DIVIDEND REINVESTMENT							
Class 1.....	--	1,865,887	12,278,591	6,153,341	--	2,705,499	402,352
Class A.....	-0-	--	--	--	-0-	--	--
Class B.....	-0-	--	--	--	-0-	--	--
Total Dividend Reinvestment.....	-0-	1,865,887	12,278,591	6,153,341	-0-	2,705,499	402,352
REPURCHASES							
Class 1.....	--	(8,448,288)	(23,505,333)	(8,600,756)	--	(61,949,391)	(2,471,996)
Class A.....	(70,836)	--	--	--	(6,846)	--	--
Class B.....	(14,613)	--	--	--	(3,080)	--	--
Total Repurchases.....	(85,449)	(8,448,288)	(23,505,333)	(8,600,756)	(9,926)	(61,949,391)	(2,471,996)

</TABLE>

October 31, 1996

For the year ended October 31, 1996, capital transactions were as follows:

<TABLE>

<CAPTION>

	EMERGING GROWTH	GOVERNMENT	GROWTH	GROWTH AND INCOME	INTERNATIONAL EQUITY	MONEY MARKET	MUNICIPAL BOND
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
SALES							
Class 1.....	\$ 724,896	\$ 30,153,836	\$ 276,405,770	\$ 91,685,267	\$ 163,259	\$ 67,367,316	\$ 26,742,300
Class A.....	34,657,451	11,822,387	44,341,185	29,746,398	6,181,070	797,434	2,109,316
Class B.....	26,926,301	14,598,261	65,291,032	47,348,206	5,168,282	13,631	640,174
Total Sales.....	\$62,308,648	\$ 56,574,484	\$ 386,037,987	\$ 168,779,871	\$11,512,611	\$ 68,178,381	\$ 29,491,790
DIVIDEND REINVESTMENT							
Class 1.....	\$ -0-	\$ 18,444,465	\$ 383,855,779	\$ 101,050,427	\$ -0-	\$ 2,712,773	\$ 5,758,155
Class A.....	-0-	148,139	-0-	101,172	-0-	2,375	7,749
Class B.....	-0-	168,546	-0-	120,825	-0-	23	2,902
Total Dividend Reinvestment.....	\$ -0-	\$ 18,761,150	\$ 383,855,779	\$ 101,272,424	\$ -0-	\$ 2,715,171	\$ 5,768,806
REPURCHASES							
Class 1.....	\$ -0-	\$ (81,974,033)	\$ (392,656,318)	\$ (142,390,951)	\$ -0-	\$ (70,471,885)	\$ (33,301,708)
Class A.....	(4,998,044)	(977,331)	(2,155,576)	(1,300,278)	(3,522,695)	(70,999)	(5,158)
Class B.....	(3,094,195)	(982,903)	(2,036,872)	(1,441,770)	(690,155)	-0-	(150)
Total Repurchases...	\$ (8,092,239)	\$ (83,934,267)	\$ (396,848,766)	\$ (145,132,999)	\$ (4,212,850)	\$ (70,542,884)	\$ (33,307,016)
ENDING CAPITAL							
Class 1.....	\$ 724,316	\$318,925,659	\$ 2,239,161,226	\$ 671,692,316	\$ 162,496	\$ 59,911,957	\$112,249,872
Class A.....	43,717,671	11,083,771	42,344,937	28,566,660	8,563,858	728,810	2,111,907
Class B.....	33,313,743	13,896,682	63,503,366	46,058,305	7,035,103	13,654	642,926
Total Capital.....	\$77,755,730	\$343,906,112	\$ 2,345,009,529	\$ 746,317,281	\$15,761,457	\$ 60,654,421	\$115,004,705

For the year ended October 31, 1995, capital transactions were as follows:

<CAPTION>

	EMERGING GROWTH	GOVERNMENT	GROWTH	GROWTH AND INCOME	INTERNATIONAL EQUITY	MONEY MARKET	MUNICIPAL BOND
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
SALES							
Class 1.....	\$ --	\$ 40,107,323	\$ 294,906,458	\$ 94,833,007	\$ --	\$ 63,147,486	\$ 26,976,160
Class A.....	15,578,206	--	--	--	6,176,592	--	--
Class B.....	10,263,657	--	--	--	2,722,626	--	--
Total Sales.....	\$25,841,863	\$ 40,107,323	\$ 294,906,458	\$ 94,833,007	\$ 8,899,218	\$ 63,147,486	\$ 26,976,160
DIVIDEND REINVESTMENT							
Class 1.....	\$ --	\$ 19,322,483	\$ 168,462,102	\$ 84,847,579	\$ --	\$ 2,705,499	\$ 5,355,586
Class A.....	--	--	--	--	--	--	--
Class B.....	--	--	--	--	--	--	--
Ending Capital.....	\$ --	\$ 19,322,483	\$ 168,462,102	\$ 84,847,579	\$ --	\$ 2,705,499	\$ 5,355,586
REPURCHASES							
Class 1.....	\$ --	\$ (87,084,035)	\$ (365,263,456)	\$ (133,313,425)	\$ --	\$ (61,949,391)	\$ (32,748,016)
Class A.....	(1,037,611)	--	--	--	(94,421)	--	--
Class B.....	(215,177)	--	--	--	(42,136)	--	--
Total Repurchases...	\$ (1,252,788)	\$ (87,084,035)	\$ (365,263,456)	\$ (133,313,425)	\$ (136,557)	\$ (61,949,391)	\$ (32,748,016)
ENDING CAPITAL							
Class 1.....	\$ -0-	\$352,383,516	\$ 1,971,555,995	\$ 621,347,573	\$ -0-	\$ 60,303,753	\$113,051,125
Class A.....	14,551,142	-0-	-0-	-0-	6,052,100	-0-	-0-
Class B.....	10,055,658	-0-	-0-	-0-	2,664,139	-0-	-0-
Total Capital.....	\$24,606,800	\$352,383,516	\$ 1,971,555,995	\$ 621,347,573	\$ 8,716,239	\$ 60,303,753	\$113,051,125

</TABLE>

Class B shares are offered without a front end sales charge, but are subject to a contingent deferred sales charge (CDSC). The CDSC will be imposed on most redemptions made within five years of the purchase as detailed in the following schedule. Class B shares bear the expense of their respective deferred sales arrangements, including higher distribution and service fees and incremental transfer agency costs.

<TABLE>
<CAPTION>

YEAR OF REDEMPTION	EMERGING GROWTH, GROWTH, GROWTH AND INCOME & INTERNATIONAL EQUITY CLASS B SHARE CONTINGENT DEFERRED SALES CHARGE	GOVERNMENT & MUNICIPAL BOND CLASS B SHARE CONTINGENT DEFERRED SALES CHARGE
<S>	<C>	<C>
First.....	5.00%	4.00%
Second.....	4.00%	4.00%
Third.....	3.00%	3.00%
Fourth.....	2.50%	2.50%
Fifth.....	1.50%	1.50%
Sixth and Thereafter.....	None	None

For the year ended October 31, 1996, PFS, as Distributor for the Funds, received commissions on sales of the Funds' Class 1 and Class A shares of approximately \$4,702,900 and CDSC on redeemed shares of approximately \$173,800. Sales charges do not represent expenses of the Funds.

On August 9, 1996, Government, Growth and Growth and Income (the "Acquiring Funds") acquired all of the assets and liabilities of the similarly named Common Sense Trust II Funds (the "Target Funds"), through a tax free reorganization approved by Target Funds' shareholders on August 6, 1996. The Acquiring Funds issued shares in exchange for the Target Funds' net assets as shown in the table below. Included in these net assets were tax basis capital loss carryforwards as applicable which are included in accumulated net realized gain/loss on securities. Shares issued in connection with this reorganization are included in Class A and Class B shares sales for the current period. Also shown in the table below are the combined net assets on the date of acquisition.

<TABLE>
<CAPTION>

	GOVERNMENT	GROWTH	GROWTH AND INCOME
<S>	<C>	<C>	<C>
SHARES ISSUED BY ACQUIRING FUNDS			
Class A.....	976,227	2,491,446	1,557,123
Class B.....	1,280,125	3,884,873	2,628,487
NET ASSETS EXCHANGED BY TARGET FUNDS			
Class A.....	\$10,103,950	\$41,532,398	\$26,751,368
Class B.....	\$13,249,295	\$64,760,829	\$45,157,410
CAPITAL LOSS CARRYFORWARD.....	\$ 142,818	\$ -0-	\$ -0-
COMBINED NET ASSETS AT AUGUST 9, 1996 (In Thousands).....	\$ 319,050	\$ 2,929,999	\$ 979,433

4. INVESTMENT TRANSACTIONS

During the period, the cost of purchases and proceeds from sales of investment securities, excluding short-term investments and forward purchase commitments, were:

<TABLE>
<CAPTION>

	EMERGING GROWTH	GOVERNMENT	GROWTH	GROWTH AND INCOME	INTERNATIONAL EQUITY	MUNICIPAL BOND
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Purchases.....	\$89,935,496	\$727,284,219	\$5,276,442,545	\$1,092,548,420	\$17,246,772	\$95,587,964
Sales.....	43,054,728	737,176,528	5,290,512,752	1,047,616,562	9,774,072	96,711,008

5. DERIVATIVE FINANCIAL INSTRUMENTS

A derivative financial instrument in very general terms refers to a security whose value is "derived" from the value of an underlying asset, reference rate or index.

The Funds have a variety of reasons to use derivative instruments, such as to attempt to protect the Funds against possible changes in the market value of its portfolio, manage the portfolio's effective yield, foreign currency exposure, maturity and duration or generate potential gain. All of the Funds' portfolio holdings, including derivative instruments, are marked to market each day with the change in value reflected in the unrealized appreciation/depreciation on securities. Upon disposition, a realized gain or loss is recognized accordingly, except for exercised option contracts where the recognition of gain or loss is postponed until the disposal of the security underlying the option contract.

Summarized below are the specific types of derivative financial instruments used by the Funds.

A. OPTION CONTRACTS--An option contract gives the buyer the right, but not the obligation to buy (call) or sell (put) an underlying item at a fixed exercise price during a specified period. Municipal Bond generally invests in options on U.S. Treasury bonds which are generally used to manage the portfolio's effective maturity and duration. Growth and Growth and Income generally invest in options on the S&P 500 Index which are used as a substitute for purchasing or selling specific securities.

Transactions in options for the year ended October 31, 1996, were as follows:

<TABLE>
<CAPTION>

	GROWTH		GROWTH AND INCOME		MUNICIPAL BOND	
	CONTRACTS	PREMIUM	CONTRACTS	PREMIUM	CONTRACTS	PREMIUM
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Outstanding at October 31, 1995.....	-0-	\$ -0-	-0-	\$ -0-	-0-	\$ -0-
Options Written and Purchased (Net).....	66,000	(124,017)	84,300	(180,090)	457	(554,703)
Options Exercised.....	-0-	-0-	(75,000)	157,120	-0-	-0-
Options Expired.....	(66,000)	124,017	(9,300)	22,970	-0-	-0-
Options Terminated in Closing Transactions (Net).....	-0-	-0-	-0-	-0-	(440)	522,691
Outstanding at October 31, 1996.....	-0-	\$ -0-	-0-	\$ -0-	17	\$ (32,012)

</TABLE>

The related futures contracts of the outstanding option transactions for Municipal Bond as of October 31, 1996, and the description and market value are as follows:

<TABLE>
<CAPTION>

	CONTRACTS	EXP. MONTH / EXERCISE PRICE	MARKET
			VALUE OF OPTIONS
<S>	<C>	<C>	<C>
U.S. Treasury Bond Futures December 1996-- Purchased Puts.....	17	Dec / 110	\$2,922

</TABLE>

B. FUTURES CONTRACTS--A futures contract is an agreement involving the delivery of a particular asset on a specified future date at an agreed upon price. Government generally invests in exchange traded futures on U.S. Treasury bonds and notes which are typically used to manage the portfolio's effective maturity and duration. Growth and Growth and Income generally invest in futures on the S&P 500 Index as a substitute for purchasing or selling specific securities. Upon entering into futures contracts, the Funds maintain, in a segregated account with its custodian, securities with a value equal to its obligation under the futures contracts. During the period the futures contract is open, payments are received from or made to the broker based upon changes in the value of the contract (the variation margin). The cost of securities acquired through delivery under a contract is adjusted by the unrealized gain or loss on the contract.

For the year ended October 31, 1996, futures transactions were as follows:

<TABLE>
<CAPTION>

	GOVERNMENT	GROWTH	GROWTH AND INCOME
<S>	<C>	<C>	<C>
Outstanding at October 31, 1995.....	490	340	110
Futures Opened.....	7,238	3,930	414
Futures Closed.....	(7,123)	(3,990)	(429)
Outstanding at October 31, 1996.....	605	280	95

</TABLE>

The futures contracts outstanding as of October 31, 1996, and the description and unrealized appreciation are as follows:

<TABLE>
<CAPTION>

		UNREALIZED CONTRACTS	APPRECIATION
<S>	<C>	<C>	
GOVERNMENT			
U.S. Treasury Bond Futures December 1996 Buy to Open (Notional Value of \$113,000 per contract).....	409	\$1,548,855	
Ten-year U.S. Treasury Note Futures December 1996 Buy to Open (Notional Value of \$109,625 per contract).....	196	229,722	
Total Government.....	605	\$1,778,577	
GROWTH			
S&P 500 Index Future December 1996 Buy to Open (Notional Value of \$354,825 per contract).....	280	\$ 96,110	
GROWTH AND INCOME			
S&P 500 Index Future December 1996 Buy to Open (Notional Value of \$354,825 per contract).....	95	\$ 688,687	

</TABLE>

C. FORWARD COMMITMENTS-The Government Fund trades certain securities under the terms of forward commitments, whereby the settlement occurs at a specific future date. Forward commitments are privately negotiated transactions between the Fund and dealers. While forward commitments are outstanding, the Fund maintains sufficient collateral of cash or securities in a segregated account with its custodian. Forward purchase commitments are included in the portfolio of investments, with changes in value reflected as a component of unrealized appreciation/depreciation on securities.

6. DISTRIBUTION AND SERVICE PLANS

The Funds and their shareholders have adopted a distribution plan pursuant to Rule 12b-1 under the Investment Company Act of 1940 and a service plan (collectively the "Plans"). The Plans govern payments for the distribution of such Fund's shares, ongoing shareholder services and maintenance of shareholder accounts.

Annual fees under the Plans of up to .25% (.10% for Money Market) of Class A net assets and 1.00% (.75% for Money Market) of Class B net assets are accrued daily.

RESULTS OF SHAREHOLDER MEETINGS (UNAUDITED)

A Special Meeting of Shareholders of Common Sense Trust - Common Sense II Government Fund, Common Sense II Growth Fund and Common Sense II Growth and Income Fund was scheduled for July 17, 1996. The meeting was adjourned until August 6, 1996 to provide shareholders additional time to submit their proxies.

The following were voted on at the meeting:

1) Approval of the plan of reorganization providing for the transfer of assets and liabilities of the Common Sense II Government Fund to Common Sense Government Fund in exchange for shares of the Common Sense Government Fund and the subsequent dissolution of the Common Sense II Government Fund.

1,100,795 shares voted for the proposal; 32,062 voted against and 104,615 abstained.

2) Approval of the plan of reorganization providing for the transfer of assets and liabilities of the Common Sense II Growth Fund to Common

Sense Growth Fund in exchange for shares of the Common Sense Growth Fund and the subsequent dissolution of the Common Sense II Growth Fund. 3,257,347 shares voted for the proposal; 153,556 voted against and 559,972 abstained.

3) Approval of the plan of reorganization providing for the transfer of assets and liabilities of the Common Sense II Growth and Income Fund to Common Sense Growth and Income Fund in exchange for share of the Common Sense Growth and Income Fund and the subsequent dissolution of the Common Sense II Growth and Income Fund. 2,226,163 shares voted for the proposal; 96,705 voted against and 333,682 abstained.

A Special Meeting of Shareholders of Common Sense Trust was held on October 29, 1996.

1) With respect to the Trust on behalf of each Fund, approval of a new investment advisory agreement between Van Kampen American Capital Asset Management, Inc. and Common Sense Trust.

<TABLE>
<CAPTION>

	# OF SHARES		
	IN FAVOR	AGAINST	ABSTAINING
<S>	<C>	<C>	<C>
Emerging Growth Fund.....	2,065,440	47,835	196,370
Government Fund.....	16,154,057	337,865	1,642,226
Growth Fund.....	79,970,124	2,732,551	10,059,999
Growth and Income Fund.....	28,035,106	841,617	3,047,768
International Equity Fund.....	514,311	11,086	55,639
Money Market Fund.....	30,265,609	1,095,560	3,507,462
Municipal Bond Fund.....	4,690,133	98,251	451,704

2) With respect to the Trust on behalf of Common Sense International Equity Fund, approval of a new investment subadvisory agreement between Van Kampen American Capital Asset Management, Inc. and Smith Barney Mutual Funds Management, Inc. 516,674 shares voted for the proposal; 9,405 voted against and 54,958 abstained.

3) With respect to the Trust on behalf of Common Sense Municipal Bond Fund, approval of certain changes to its fundamental investment policies with respect to investment in other investment companies. 4,647,287 shares voted for the proposal; 141,570 voted against and 451,230 abstained.

4) With respect to the Trust, ratification of the selection of Ernst & Young LLP as independent accountants for the current fiscal year.

RESULTS OF SHAREHOLDER MEETINGS (UNAUDITED) (CONTINUED)

<TABLE>
<CAPTION>

	# OF SHARES		
	IN FAVOR	AGAINST	ABSTAINING
<S>	<C>	<C>	<C>
Emerging Growth Fund.....	2,039,624	42,077	227,945
Government Fund.....	16,110,137	292,012	1,761,999
Growth Fund.....	79,796,788	2,275,273	10,690,614
Growth and Income Fund.....	28,176,761	582,189	3,165,542
International Equity Fund.....	516,876	6,432	57,727
Money Market Fund.....	30,574,140	766,566	3,527,926
Municipal Bond Fund.....	4,693,192	69,056	477,840

FUND PERFORMANCE DATA

Each of the graphs below shows the total return performance of a different Common Sense Fund compared to a benchmark index. While the Securities and Exchange Commission requires that we provide this comparison, it may not be meaningful in evaluating your fund's performance against its specific objectives and your time frame. The indexes do not reflect any commissions or fees that would be paid by an investor purchasing the securities they represent. All sales charges and all other fees and expenses are reflected in the performance shown for Class 1 or Class A shares of each Common Sense Fund at maximum offering price. In addition, since investors purchase shares of the Funds with varying sales

charges depending primarily on volume purchased, each Fund's performance at net asset value also is shown. The performance of the other classes of shares of each Fund will differ from that of the class shown because of the difference in sales charges and/or expenses paid by shareholders investing in the various classes of shares of the Fund. Performance is noted for either Class 1 or Class A, depending upon which class of shares has the longest performance.

For details on market conditions and each fund's performance during the reporting period, see pages 3 through 5 of this report.

Comparison of \$10,000 Investment in
Common Sense Emerging Growth Fund
vs. Russell 2000 Stock Index

[Chart Appears Here]

<S>	<C> 2/21/95	<C> 6/95	<C> 9/95	<C> 12/95	<C> 3/96	<C> 6/96	<C> 9/96	<C> 10/31/96
Common Sense Emerging Growth Fund (Class A) at Maximum Offering Price	\$ 9,448	\$10,840	\$12,400	\$12,760	\$13,528	\$14,800	\$15,376	\$14,856
Russell 2000 Stock Index*	10,000	11,126	12,225	12,490	13,131	13,784	13,830	13,617
Common Sense Emerging Growth Fund (Class A) at Net Asset Value	10,000	11,473	13,124	13,506	14,318	15,665	16,274	15,724

<S>	<C> 1 Year	<C> Inception (2/21/95)
Average Annual Total Returns-- Class A		
At Net Asset Value	22.82%	30.71%
With maximum 5.50% sales charge	16.06%	26.39%

Comparison of \$10,000 Investment in
Common Sense Government Fund vs.
Lehman Brothers Mutual Fund General U.S. Government Index

[Chart Appears Here]

<S>	<C> 4/14/87	<C> 1987	<C> 1988	<C> 1989	<C> 1990	<C> 1991	<C> 1992	<C> 1993	<C> 1994	<C> 1995	<C> 10/31/96
Common Sense Government Fund (Class 1) at Maximum Offering Price	\$ 9,328	\$ 9,371	\$ 9,992	\$11,422	\$12,346	\$14,253	\$15,220	\$16,465	\$15,718	\$18,384	\$18,077
Lehman Brothers Mutual Fund General U.S. Government Index*	10,000	10,355	11,083	12,661	13,766	15,877	17,024	18,838	18,203	21,540	22,162
Common Sense Government Fund (Class 1) at Net Asset Value	10,000	10,046	10,712	12,245	13,235	15,279	16,316	17,652	16,850	19,709	20,023

<S>	<C> 1 Year	<C> 5 Years	<C> Inception (4/14/87)
Average Annual Total Returns-- Class 1			
At Net Asset Value	4.58%	6.43%	7.54%
With maximum 6.75% sales charge	(2.46%)	4.95%	6.76%

Comparison of \$10,000 Investment in
Common Sense Growth Fund vs. S&P 500
[Chart Appears Here]

<TABLE>
<CAPTION>

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
	4/14/87	1987	1988	1989	1990	1991	1992	1993	1994	1995	10/31/96
Common Sense Growth Fund (Class 1) at Maximum Offering Price	\$ 9,226	\$ 7,851	\$ 8,787	\$11,243	\$10,860	\$15,050	\$16,124	\$17,634	\$17,230	\$22,889	\$26,313
Standard & Poor's 500-Stock Index*	10,000	8,510	9,525	12,187	11,771	16,313	17,477	19,114	18,676	24,809	28,521
Common Sense Growth Fund (Class 1) at Net Asset Value	10,000	9,059	10,553	13,887	13,454	17,536	18,870	20,763	21,045	28,926	33,675

<TABLE> <CAPTION>			
<S>	<C>	<C>	<C>
Average Annual Total Returns-- Class 1	1 Year	5 Years	Inception (4/14/87)
At Net Asset Value	19.94%	13.75%	11.60%
With maximum 8.50% sales charge	9.76%	11.75%	10.57%

Comparison of \$10,000 Investment in
Common Sense Growth & Income Fund vs. S&P 500
[Chart Appears Here]

<TABLE> <CAPTION>												
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
	4/14/87	1987	1988	1989	1990	1991	1992	1993	1994	1995	10/31/96	
Common Sense Growth & Income Fund (Class 1) at Maximum Offering Price	\$ 9,226	\$ 8,008	\$ 8,817	\$11,218	\$10,870	\$14,272	\$15,318	\$16,758	\$16,227	\$22,162	\$24,788	
Standard & Poor's 500-Stock Index*	10,000	9,059	10,553	13,887	13,454	17,536	18,870	20,763	21,045	28,926	33,675	
Common Sense Growth & Income Fund (Class 1) at Net Asset Value	10,000	8,680	9,557	12,159	11,782	15,470	16,603	18,164	17,589	24,022	26,868	

<TABLE> <CAPTION>			
<S>	<C>	<C>	<C>
Average Annual Total Returns-- Class 1	1 Year	5 Years	Inception (4/14/87)
At Net Asset Value	20.58%	13.43%	10.90%
With maximum 8.50% sales charge	10.35%	11.42%	9.88%

*Past performance is not indicative of future performance. The comparative indexes used are broad-based, unmanaged indexes of securities that do not reflect any commissions or fees that would be paid by an investor purchasing the securities they represent.

FUND PERFORMANCE DATA (CONTINUED)

Comparison of \$10,000 Investment in
Common Sense International Equity Fund
vs. Europe-Australasia-Far East Index + DV

[GRAPH APPEARS HERE]

<TABLE> <CAPTION>	
Common Sense International Equity Fund (Class A) at Maximum Offering Price	Common Sense International Equity Fund (Class A) at Net Asset Value
Europe Australasia Far East Index + DV*	

<S>	<C>	<C>	<C>	<C>
3/17/95	9453	10000	10000	10000
6/95	10714	10081	11334	11334
9/95	11182	10509	11829	11829
12/95	11364	10943	12022	12022
3/96	12347	11267	13062	13062
6/96	13148	11454	13909	13909
9/96	13228	11448	13993	13993
10/31/96	13109	11334	13867	13867

Comparison of \$10,000 Investment in
Common Sense Municipal Bond Fund
vs. Lehman Brothers Municipal Bond Index

[GRAPH APPEARS HERE]

<TABLE>
<CAPTION>

	Common Sense Municipal Bond Fund (Class 1) at Maximum Offering Price	Lehman Brothers Municipal Bond Index*	Common Sense Municipal Bond Fund (Class 1) at Net Asset Value
<S>	<C>	<C>	<C>
7/13/88	9528	10000	10000
1988	10008	10448	10503
1989	10858	11575	11396
1990	11485	12418	12054
1991	12782	13926	13415
1992	13870	15154	14557
1993	15419	17015	16183
1994	14781	16136	15492
1995	17208	18952	18060
10/31/96	17667	19518	18542

<TABLE>
<CAPTION>

AVERAGE ANNUAL
TOTAL RETURNS-- INCEPTION
CLASS A 1 YEAR (3/17/95)

<S>	<C>	<C>
At Net Asset Value	19.34%	22.21%

With maximum 5.50% sales charge	12.75%	18.06%
------------------------------------	--------	--------

</TABLE>
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<CAPTION>

AVERAGE ANNUAL
TOTAL RETURNS-- INCEPTION
CLASS 1 1 YEAR 5 YEARS (7/13/88)

<S>	<C>	<C>	<C>
At Net Asset Value	6.09%	7.19%	7.72%

With maximum 4.75% sales charge	1.02%	6.15%	7.10%
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</TABLE>

*Past performance is not indicative of future performance. The comparative indexes used are broad-based, unmanaged indexes that do not reflect any commissions or fees that would be paid by an investor purchasing the securities they represent.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of Trustees of Common Sense Trust

We have audited the accompanying statements of assets and liabilities (including the portfolio of investments) of Common Sense Growth Fund, Common Sense Growth and Income Fund, Common Sense Government Fund, Common Sense Municipal Bond Fund, Common Sense Money Market Fund, Common Sense Emerging

Growth Fund, and Common Sense International Equity Fund (cumulatively the "Funds"), constituting the series of the Common Sense Trust (the "Trust"), as of October 31, 1996, and for each of the Funds, 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 (for the Common Sense Emerging Growth and International Equity Funds, we audited the statement of changes in net assets for the year then ended and the period from February 21, 1995 (commencement of investment operations) through October 31, 1996) 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 generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of October 31, 1996, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of each of the respective funds of the Common Sense Trust listed above at October 31, 1996, the results of their operations, the changes in their net assets and the financial highlights for each of the periods identified above, in conformity with generally accepted accounting principles.

ERNST & YOUNG LLP

Houston, Texas
December 6, 1996

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COMMON SENSE TRUST

BOARD OF TRUSTEES

DONALD M. CARLTON

A. BENTON COCANOUGH

STEPHEN RANDOLPH GROSS

JEFFREY B. LANE*

ALAN G. MERTEN

STEVEN MULLER

F. ROBERT PAULSEN

R. RICHARDSON PETTIT

DON G. POWELL*--Chairman

ALAN B. SHEPARD, JR.

OFFICERS

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Executive Vice President

RONALD A. NYBERG*
Vice President and Secretary

EDWARD C. WOOD, III*
Vice President and Chief Financial Officer

CURTIS W. MORELL*
Vice President and Chief Accounting Officer

JOHN L. SULLIVAN*
Treasurer

TANYA M. LODEN*

Controller

GERALD BAXTER*

GREGORY PITTS*

ALAN T. SACHTLEBEN*

PAUL R. WOLKENBERG*

D. RICHARD WILLIAMS*
Vice Presidents

INVESTMENT ADVISER

VAN KAMPEN AMERICAN CAPITAL ASSET MANAGEMENT INC.
One Parkview Plaza
Oakbrook Terrace, IL 60181

INVESTMENT SUBADVISER
(INTERNATIONAL EQUITY FUND)

SMITH BARNEY MUTUAL FUNDS
MANAGEMENT, INC.
388 Greenwich Street
New York, New York 10013

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PFS DISTRIBUTORS
3100 Breckinridge Blvd.
Duluth, Georgia 30199

SHAREHOLDER SERVICING AGENT

PFS SHAREHOLDER SERVICES
3100 Breckinridge Blvd.
Duluth, Georgia 30199

CUSTODIAN

STATE STREET BANK
AND TRUST COMPANY
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Boston, Massachusetts 02110

LEGAL COUNSEL

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1025 Connecticut Avenue N.W.
Washington, D.C. 20036

INDEPENDENT ACCOUNTANTS

ERNST & YOUNG LLP
1221 McKinney Street, Suite 2400
Houston, Texas 77010

Shareholder inquiries should be directed in writing to the Shareholder Service Agent. PFS Shareholder Services, 3100 Breckinridge Blvd., Duluth, Georgia 30199-0062, or by calling (800) 544-5445.

* "Interested" persons of the Trust, as defined in the Investment Company Act of 1940.

This report is submitted for the general information of the shareholders of the Trust. It is not authorized for distribution to prospective investors unless it has been preceded or is accompanied by an effective prospectus of the Trust which contains additional information on how to purchase shares and other pertinent data.