

SECURITIES AND EXCHANGE COMMISSION

FORM 485BPOS

Post-effective amendments [Rule 485(b)]

Filing Date: **1995-07-28**  
SEC Accession No. **0000950131-95-001975**

(HTML Version on [secdatabase.com](http://secdatabase.com))

FILER

**KEMPER INTERNATIONAL BOND FUND**

CIK: **931014** | State of Incorpor.: **MA** | Fiscal Year End: **1231**  
Type: **485BPOS** | Act: **33** | File No.: **033-85096** | Film No.: **95556899**

Mailing Address  
*120 S LASALLE ST  
120 S LASALLE ST  
CHICAGO IL 60603*

Business Address  
*120 S LASALLE ST  
CHICAGO IL 60603  
3127811121*

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JULY 28, 1995.

1933 ACT REGISTRATION NO. 33-85096  
1940 ACT REGISTRATION NO. 811-8818

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM N-1A

<TABLE>

<S>	<C>
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933	<input type="checkbox"/>
Pre-Effective Amendment No.	<input type="checkbox"/>
Post-Effective Amendment No. 1	<input checked="" type="checkbox"/>

and/or

REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940	<input type="checkbox"/>
Amendment No. 2	<input checked="" type="checkbox"/>

</TABLE>

(Check appropriate box or boxes)

KEMPER INTERNATIONAL BOND FUND

(Exact name of Registrant as Specified in Charter)

120 South LaSalle Street, Chicago, Illinois (Address of Principal Executive Office)	60603 (Zip Code)
--	---------------------

Registrant's Telephone Number, including Area Code: (312) 781-1121

Philip J. Collora

With a copy to:  
Charles F. Custer

Vice President and Secretary  
Kemper International Bond Fund  
120 South LaSalle Street  
Chicago, Illinois 60603  
(Name and Address of Agent for  
Service)

Vedder, Price, Kaufman & Kammholz  
222 North LaSalle Street  
Chicago, Illinois 60601

Registrant has registered an indefinite number of its shares under the Securities Act of 1933 pursuant to Rule 24f-2 under the Investment Company Act of 1940. The Rule 24f-2 Notice for Registrant's fiscal year ended December 31, 1995 will be filed on or about February 23, 1996.

It is proposed that this filing will become effective (check appropriate box)

immediately upon filing pursuant to paragraph (b)

on July 31, 1995 pursuant to paragraph (b)

60 days after filing pursuant to paragraph (a)(1)

on (date) pursuant to paragraph (a)(1)

75 days after filing pursuant to paragraph (a)(2)

on (date) pursuant to paragraph (a)(2) of Rule 485

If appropriate, check the following box:

this post-effective amendment designates a new effective date for a previously filed post-effective amendment.

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 -----  
 KEMPER INTERNATIONAL BOND FUND

CROSS-REFERENCE SHEET  
 BETWEEN ITEMS ENUMERATED IN PART A  
 OF FORM N-1A AND PROSPECTUS

<TABLE>

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ITEM NUMBER OF FORM N-1A	LOCATION IN PROSPECTUS
-----	-----
<C> <S>	<C>
1. Cover Page.....	Cover Page
2. Synopsis.....	Summary; Summary of Expenses
3. Condensed Financial Information.....	Performance; Supplement
4. General Description of Registrant.....	Summary; Investment Objectives and Policies
5. Management of the Fund..	Summary; Investment Objectives and Policies; Supplement
5A. Management's Discussion of Financial Performance.....	Inapplicable
6. Capital Stock and Other Securities.....	Summary; Dividends and Taxes; Purchase of Shares; Capital Structure
7. Purchase of Securities Being Offered.....	Summary; Investment Manager and Underwriter; Net Asset Value; Purchase of Shares
8. Redemption or	

Repurchase..... Summary; Redemption or Repurchase of Shares  
 9. Pending Legal  
 Proceedings..... Inapplicable  
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KEMPER INTERNATIONAL BOND FUND

SUPPLEMENT TO PROSPECTUS

DATED FEBRUARY 1, 1995

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FINANCIAL HIGHLIGHTS

The table below shows financial information for the Kemper International Bond Fund expressed in terms of one share outstanding throughout the period. The unaudited financial statements contained in the Fund's Semiannual Report to Shareholders for the period ended June 30, 1995, are incorporated herein by reference and may be obtained by writing or calling the Fund.

<TABLE>  
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	FEBRUARY 1, 1995 TO JUNE 30, 1995 -----
<S>	<C>
PER SHARE OPERATING PERFORMANCE	
Net asset value, beginning of period.....	\$ 9.00
Net investment income.....	.02
Net realized and unrealized gain on investments and foreign currency transactions.....	.40
	-----
Net asset value, end of period.....	\$ 9.42
	=====
TOTAL RETURN (%).....	4.67
RATIOS TO AVERAGE NET ASSETS (%):	
Expenses.....	.94
Net investment income.....	6.87
SUPPLEMENTAL DATA:	
Net assets at end of period.....	\$104,722
Portfolio turnover rate (%).....	60

</TABLE>  
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NOTE:  
 Ratios have been determined on an annualized basis. Total return is not annualized.

INVESTMENT MANAGER AND UNDERWRITER

Kemper Corporation, the parent of Kemper Financial Services, Inc. ("KFS,"

the investment manager for the Fund), has entered into an agreement with an investor group led by Zurich Insurance Company ("Zurich") pursuant to which Kemper Corporation would be acquired by the investor group in a merger transaction. As part of the transaction, Zurich or an affiliate would purchase KFS. The Kemper Corporation and Zurich boards have approved the transaction.

Consummation of the transaction is subject to a number of contingencies, including approval by the stockholders of Kemper Corporation and regulatory approvals. Because the transaction would constitute an assignment of the Fund's investment management agreement with KFS under the Investment Company Act of 1940, and therefore a termination of such agreement, KFS has received approval of a new agreement from the Fund's board and is seeking approval from the Fund's shareholders prior to consummation of the transaction. The transaction is expected to close in the fourth quarter of 1995 or early in 1996.

July 31, 199\_\_\_\_\_printed on recycled paper  
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KIBF-1D 7/95

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This prospectus contains information about the Fund that a prospective investor should know before investing and should be retained for future reference. A Statement of Additional Information dated February 1, 1995, has been filed with the Securities and Exchange Commission and is incorporated herein by reference. It is available upon request without charge from the Fund at the address or telephone number on this cover or the firm from which this prospec-

tus was received.

The Fund's shares are not deposits or obligations of, or guaranteed or endorsed by, any bank, nor are they federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other agency. Investment in the Fund's shares involves risk, including the possible loss of principal.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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KEMPER  
INTERNATIONAL BOND FUND

PROSPECTUS FEBRUARY 1, 1995

KEMPER INTERNATIONAL BOND FUND  
120 South LaSalle Street, Chicago, Illinois 60603  
1-800-621-1048

The objective of Kemper International Bond Fund is to provide a total return, a combination of income and capital appreciation. The Fund pursues its objective by investing primarily in a portfolio of investment grade foreign debt securities. There is no assurance that the Fund's objective will be achieved.

Shares of the Fund are offered primarily for investment by pension and profit sharing plans and other employee benefit plans, endowments, foundations, corporations, banks, insurance companies and other institutions and high net worth individuals. Shares are offered for sale at net asset value with no sales charge. The minimum initial investment is \$1 million.

KEMPER INTERNATIONAL BOND FUND  
120 SOUTH LASALLE STREET, CHICAGO, ILLINOIS 60603, TELEPHONE 1-800-621-1048

#### SUMMARY

**INVESTMENT OBJECTIVE.** Kemper International Bond Fund (the "Fund") is an open-end, non-diversified, management investment company. The Fund's investment objective is to provide a total return, a combination of income and capital appreciation. The Fund pursues its objective by investing primarily in a portfolio of investment grade foreign debt securities. The Fund may also engage in options, financial futures, delayed delivery and foreign currency transactions and may lend its portfolio securities. There is no assurance that the Fund's objective will be achieved.

**RISK FACTORS.** The Fund may invest without limit in securities of foreign issuers. Foreign investments involve risk and opportunity considerations not typically associated with investing in domestic securities. The U.S. Dollar value of a foreign security tends to decrease when the value of the U.S. Dollar rises against the foreign currency in which the security is denominated and tends to increase when the value of the U.S. Dollar falls against such

currency. Thus, the U.S. Dollar value of foreign securities in the Fund's portfolio, and the Fund's net asset value, may change in response to changes in currency exchange rates even though the value of the foreign securities in local currency terms may not have changed. While the Fund's investments in foreign securities will principally be in developed countries, the Fund may invest a small portion of its assets in developing or "emerging" markets, which involve exposure to economic structures that are generally less diverse and mature than in the United States, and to political systems that may be less stable. As a "non-diversified" investment company, the Fund will be able to invest a relatively high percentage of its assets in a limited number of issuers, therefore making the Fund more susceptible to a single economic, political or regulatory occurrence than a diversified company. Thus, an investment in the Fund should not be considered as a complete investment program. There are special risks associated with options, financial futures and foreign currency transactions and there is no assurance that use of those investment techniques will be successful. The Fund's returns and net asset value will fluctuate. See "Investment Objectives and Policies."

PURCHASES AND REDEMPTIONS. Shares of the Fund are offered primarily for investment by pension and profit sharing plans and other employee benefit plans, endowments, foundations, corporations, banks, insurance companies and other institutions and high net worth individuals. Shares are offered at net asset value with no sales charge. The minimum initial investment is \$1 million. Shares are redeemable at net asset value, which may be more or less than original cost. See "Purchase of Shares" and "Redemption or Repurchase of Shares."

INVESTMENT MANAGER AND UNDERWRITER. Kemper Financial Services, Inc. ("KFS") is the Fund's investment manager. KFS is paid by the Fund an annual investment management fee, payable monthly, on a graduated basis ranging from .75 of 1% of the first \$250 million of average daily net assets of the Fund to .62 of 1% of average daily net assets of the Fund over \$12.5 billion. The expenses of the Fund, and of other investment companies investing in foreign securities, can be expected to be higher than for investment companies investing primarily in domestic securities since the costs of operation are higher, including custody and transaction costs for foreign securities and investment management fees. Kemper Distributors, Inc. ("KDI"), an affiliate of KFS, is the principal underwriter of the Fund and acts as agent of the Fund in the sale of its shares. See "Investment Manager and Underwriter."

DIVIDENDS. The Fund normally distributes annual dividends of net investment income and any net realized short-term and long-term capital gains. Income and capital gain dividends of the Fund are automatically reinvested in additional shares of the Fund, without a sales charge, unless the investor makes a different election. See "Dividends and Taxes."

SUMMARY OF EXPENSES

<TABLE>

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SHAREHOLDER TRANSACTION EXPENSES (/1/)

Sales Charge on Purchases..... None

Sales Charge on Reinvested Dividends.....	None
Redemption Fees.....	None
Exchange Fee.....	None
Deferred Sales Charge.....	None

</TABLE>

- - - - -

(/1/Investment)dealers and other firms may independently charge fees for shareholder transactions or for advisory services; please see their materials for details.

<TABLE>

<S>	<C>	<C>
ANNUAL FUND OPERATING EXPENSES (as a percentage of average net assets)		
Management Fees.....	.75%	
12b-1 Fees.....	None	
Other Expenses (estimated).....	.20%	
	----	
Total Operating Expenses.....	.95%	
	====	

</TABLE>

EXAMPLE

You would pay the following expenses on a \$1,000 investment, assuming (1) 5% annual return and (2) redemption at the end of each time period:

<TABLE>

<CAPTION>

	1 YEAR	3 YEARS
<S>	<C>	<C>
	\$10	\$30

</TABLE>

The purpose of the preceding table is to assist investors in understanding the various costs and expenses that an investor in the Fund will bear directly or indirectly. "Other Expenses" have been estimated for the current fiscal year. The Fund's management fee is higher than that paid by most other investment companies including money market funds and funds that invest primarily in domestic securities.

The Example assumes a 5% annual rate of return pursuant to requirements of the Securities and Exchange Commission. This hypothetical rate of return is not intended to be representative of past or future performance of the Fund. The Example should not be considered to be a representation of past or future expenses. Actual expenses may be greater or lesser than those shown.

INVESTMENT OBJECTIVE AND POLICIES

OBJECTIVE. The objective of the Fund is to provide a total return, a combination of income and capital appreciation. In seeking to achieve its objective, the Fund will invest primarily in investment grade foreign debt securities. In managing the Fund's portfolio, the investment manager will be seeking to protect net asset value and to provide investors with a total



return, which is measured by changes in net asset value as well as income earned. In an effort to reduce volatility and increase returns, the investment manager may, as is discussed more fully below, adjust the Fund's portfolio across various foreign markets, maturity ranges, quality ratings and issuers based upon its view of interest rates and other market conditions prevailing throughout the world.

FOREIGN INVESTING. As an international fund, the Fund may invest in securities issued by any foreign issuer and denominated in any foreign currency and may hold foreign currency. Securities of issuers within a given country may be denominated in the currency of that country or another country, or in multinational currency units such as the European Currency Unit ("ECU"). Since the Fund invests primarily in foreign securities, the net asset value of the Fund will be affected by fluctuations in currency exchange rates. See "Special Risk Factors" below.

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The Fund may seek to capitalize on investment opportunities presented throughout the world and in international financial markets influenced by the increasing interdependence of economic cycles and currency exchange rates. Currently, more than 50% of the value of the world's debt securities is represented by securities denominated in currencies other than the U.S. Dollar. Over the past ten years, debt securities offered by certain foreign governments have generally provided higher investment returns than U.S. Government debt securities. Such returns reflect interest rates prevailing in those countries and the effect of gains and losses in the denominated currencies, which have had a substantial impact on investment in foreign debt securities. The relative performance of various countries' bond markets historically has reflected wide variations relating to the unique characteristics of each country's economy. Year-to-year fluctuations in certain markets have been significant, and negative returns have been experienced in various markets from time to time. The investment manager believes that investment of a portion of assets in an international portfolio can provide investors with more opportunities for attractive returns than investment exclusively in U.S. debt securities. Also, the flexibility to invest in bond markets around the world can reduce risk since, as noted above, different world markets have often performed, at a given time, in radically different ways.

The Fund will allocate its assets among securities of various issuers, geographic regions, and currency denominations in a manner that is consistent with its objective based upon relative interest rates among currencies, the outlook for changes in these interest rates, and anticipated changes in worldwide exchange rates. In considering these factors, a country's economic and political state, including such factors as inflation rate, growth prospects, global trade patterns and government policies, will be evaluated.

It is currently anticipated that the Fund's assets will be invested principally within Australia, Canada, Japan, New Zealand and Western Europe, and in securities denominated in the currencies of these countries or denominated in multinational currency units such as the ECU. The Fund may also acquire securities and currency in developing or "emerging" countries. It is currently intended that no more than 5% of the Fund's net assets will be

invested in developing or emerging market countries during the coming year. Under normal conditions, the Fund, as a fundamental policy, will invest at least 65% of its total assets in securities of issuers in not less than three different foreign countries. The Fund may, from time to time, have more than 25% of its assets invested in any major industrial or developed country that, in the view of the investment manager, poses no unique investment risk.

The Fund may invest in debt securities of supranational entities denominated in any currency. A supranational entity is an entity designated or supported by the national governments of two or more countries. Examples of supranational entities include, among others, the World Bank, the European Investment Bank and the Asian Development Bank. The Fund may, in addition, invest in debt securities denominated in the ECU of an issuer in any country (including supranational issuers). The Fund is further authorized to invest in "semi-governmental securities," which are debt securities issued by entities owned by either a national, state or equivalent government or are obligations of such a government jurisdiction that are not backed by its full faith and credit and general taxing powers.

The Fund is authorized to invest in the securities of any foreign issuer. Investments by the Fund in "bonds" may include obligations such as bonds, debentures, convertible debt instruments, notes, certificates of deposit, bankers' acceptances, time deposits, commercial paper, repurchase agreements and other debt instruments. Under normal market conditions, the Fund, as a fundamental policy, will invest at least 65%, and may invest up to 100%, of its total assets in bonds denominated in foreign currencies. Such securities may, without limitation, include obligations issued or guaranteed by foreign governments (including foreign states, provinces and municipalities) or their agencies and instrumentalities; obligations issued or guaranteed by supranational entities; and obligations of foreign corporations, banks and other business organizations. Although investments in repurchase agreements are not limited, the Fund currently does not intend to invest more than 5% of its net assets in repurchase agreements during the coming year. The Fund may also invest a portion of its assets in preferred stocks and may hold cash and cash equivalents. Some of the Fund's investments may be convertible into common stock or be traded together with warrants for the purchase of common stock, and the Fund may convert such securities into

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equities and hold them as equity upon conversion. Investments may include securities issued by enterprises that have undergone or are currently undergoing privatization. It is currently intended that no more than 5% of the Fund's net assets will be invested during the current year in securities of enterprises that have been privatized recently, i.e., have had an initial public offering within the preceding twelve months.

The securities in which the Fund may invest will be "investment grade" securities. Investment grade securities are those rated at the time of purchase within the four highest grades assigned by Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Corporation ("S&P"), IBCA Limited (including its affiliate IBCA, Inc.) ("IBCA") or any other Nationally Recognized Statistical Rating Organization ("NRSRO"); or that are unrated but are of comparable quality in the opinion of the investment manager. Most foreign fixed income securities are unrated. After the Fund has bought a

security, its quality level may fall below the minimum required for purchase by the Fund. That would not require the Fund to sell the security, but the investment manager will consider such an event in determining whether the Fund should continue to hold the security in its portfolio. Investors should note that investments in below investment grade securities entail relatively greater risk of loss of income and principal than investments in higher quality securities and market prices of such securities may fluctuate more than market prices of higher quality securities. The characteristics of the securities in the Fund's portfolio, such as the maturity and the type of issuer, will affect yields and yield differentials, which vary over time. The actual yield realized by the investor is subject, among other things, to the Fund's expenses and the investor's transaction costs.

When the investment manager deems it appropriate to invest for temporary defensive purposes, such as during periods of adverse market conditions, or when relative yields in other securities are not deemed attractive, part or all of the Fund's assets may be invested in cash (including foreign or U.S. Dollar currency) or foreign or domestic cash equivalent short-term obligations, either rated as high quality by an NRSRO or of comparable quality in the opinion of the investment manager; including, but not limited to, certificates of deposit, commercial paper, short-term notes, obligations issued or guaranteed by the U.S. Government or any of its agencies or instrumentalities, and repurchase agreements secured thereby. In particular, for defensive purposes a significant portion of the Fund's assets may be invested temporarily in U.S. Dollar-denominated obligations to reduce the risks inherent in non-U.S. Dollar-denominated assets.

The Fund will adjust its portfolio as considered advisable in view of prevailing or anticipated market conditions and the Fund's investment objective. Accordingly, the Fund may sell portfolio securities in anticipation of a rise in interest rates and purchase securities for inclusion in its portfolio in anticipation of a decline in interest rates. As an international fund, the Fund will have ongoing opportunities to adjust its portfolio across various markets and may experience a high portfolio turnover rate. See "Additional Investment Information" below.

The Fund may purchase and sell options on securities, index options, financial futures contracts and options on financial futures contracts, may enter into forward foreign currency exchange contracts, foreign currency options and foreign currency futures contracts and options thereon and may engage in delayed delivery transactions. See "Additional Investment Information" below.

**SPECIAL RISK FACTORS.** There are risks inherent in investing in any security, including shares of the Fund. The investment manager attempts to reduce risk through fundamental research; however, there is no guarantee that such efforts will be successful and the Fund's returns and net asset value will fluctuate over time. There are special risks associated with the Fund's investments that are discussed below.

**Foreign Currency Risks.** The U.S. Dollar value of a foreign security tends to decrease when the value of the U.S. Dollar rises against the foreign currency in which the security is denominated, and it tends to increase when the value of the U.S. Dollar falls against such currency. Fluctuations in exchange rates may also affect the earning power and asset value of the foreign entity issuing the security. Dividend and interest payments may be repatriated

based upon the exchange rate at the time of disbursement or payment, and restrictions on capital flows may be imposed. Losses and other expenses may be incurred in converting between various currencies in connection with purchases and sales of foreign securities.

Foreign securities may be subject to foreign government taxes that reduce their attractiveness. Other risks of investing in such securities include political or economic instability in the country involved, the difficulty of predicting international trade patterns and the possible imposition of exchange controls. The prices of such securities may be more volatile than those of domestic securities and the markets for such securities may be less liquid. In addition, there may be less publicly available information about foreign issuers than about domestic issuers. Many foreign issuers are not subject to uniform accounting, auditing and financial reporting standards comparable to those applicable to domestic issuers. There is generally less regulation of stock exchanges, brokers, banks and listed companies abroad than in the United States. Settlement of foreign securities trades may take longer and present more risk than for domestic securities. With respect to certain foreign countries, there is a possibility of expropriation or diplomatic developments that could affect investment in these countries.

Fixed Income. Since most foreign fixed income securities are not rated, the Fund will invest in foreign fixed income securities based upon the investment manager's analysis without relying on published ratings. Since such investments will be based upon the investment manager's analysis rather than upon published ratings, achievement of the Fund's goals may depend more upon the abilities of the investment manager than would otherwise be the case.

The value of the fixed income securities held by the Fund, and thus the net asset value of the Fund's shares, generally will fluctuate with (a) changes in the perceived creditworthiness of the issuers of those securities, (b) movements in interest rates, and (c) changes in the relative values of the currencies in which the Fund's investments in fixed income securities are denominated with respect to the U.S. Dollar. The extent of the fluctuation will depend on various factors, such as the average maturity of the Fund's investments in foreign fixed income securities, and the extent to which the Fund hedges its interest rate, credit and currency exchange rate risks. Many of the foreign fixed income obligations in which the Fund will invest will have intermediate maturities (three to ten years). A longer average maturity generally is associated with a higher level of volatility in the market value of such securities in response to changes in market conditions, and relative currency values.

Non-Diversified Status. The Fund has registered as a "non-diversified" investment company so that it will be able to invest more than 5% of its assets in the obligations of an issuer, subject to the diversification requirements of Subchapter M of the Internal Revenue Code applicable to the Fund. This allows the Fund, as to 50% of its assets, to invest more than 5% of its assets, but not more than 25%, in the fixed income securities of an individual foreign government or corporate issuer. Currently, the Fund does not intend to invest more than 5% of its assets in any individual corporate issuer. Since the Fund may invest a relatively high percentage of its assets

in the obligations of a limited number of issuers, the Fund may be more susceptible to any single economic, political or regulatory occurrence than a diversified investment company. See "Investment Restrictions" in the Statement of Additional Information.

Portfolio Quality. As noted above, the Fund may invest in securities that are rated within the four highest grades by S&P, Moody's, IBCA or any other NRSRO or, if unrated, are of comparable quality as determined by the investment manager. Securities rated within the four highest grades are generally considered to be "investment grade." Like higher rated securities, securities rated in the fourth grade are considered to have adequate capacity to pay principal and interest, although they may have fewer protective provisions than higher rated securities and thus may be adversely affected by severe economic circumstances and are considered to have speculative characteristics. The characteristics of the rating categories are described in the Statement of Additional Information under "Appendix--Ratings of Investments."

General. Since interest rates vary with changes in economic, market, political and other conditions, there can be no assurance that past interest rates are indicative of future rates. The values of fixed income securities in the

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Fund's portfolio will fluctuate depending upon market factors and inversely with current interest rate levels. The Fund may engage in options, financial futures, foreign currency and delayed delivery transactions and may lend its portfolio securities. For a description of special risks associated with these investment techniques, see "Additional Investment Information" below.

ADDITIONAL INVESTMENT INFORMATION. It is anticipated that, under normal circumstances, the portfolio turnover rate for the Fund will not exceed 400%. The Fund will have ongoing opportunities to adjust its portfolio across various markets and may experience a high portfolio turnover rate (over 100%), which involves correspondingly greater brokerage or other transaction costs. Higher portfolio turnover may result in the realization of greater net short-term capital gains. In order to continue to qualify as a regulated investment company for federal income tax purposes, less than 30% of the annual gross income of the Fund must be derived from the sale or other disposition of securities and certain other investments held by the Fund for less than three months. See "Dividends and Taxes" in the Statement of Additional Information.

The Fund may take full advantage of the entire range of maturities of fixed income securities and may adjust the average maturity of its portfolio from time to time, depending upon its assessment of relative yields on securities of different maturities and its expectations of future changes in interest rates. Thus, the average maturity of the Fund's portfolio may be relatively short (under five years, for example) at some times and relatively long (over 10 years, for example) at other times. Generally, since shorter term debt securities tend to be more stable than longer term debt securities, the portfolio's average maturity will be shorter when interest rates are expected to rise and longer when interest rates are expected to fall. Since in most foreign markets debt securities generally are issued with maturities of ten years or less, it is currently anticipated that the average maturity of the Fund's portfolio will normally be in the intermediate range (three to ten years).

The Fund may not borrow money except as a temporary measure for extraordinary or emergency purposes, and then only in an amount up to one-third of the value of its total assets, in order to meet redemption requests without immediately selling any portfolio securities or other assets. If, for any reason, the current value of the Fund's total assets falls below an amount equal to three times the amount of its indebtedness from money borrowed, the Fund will, within three days (not including Sundays and holidays), reduce its indebtedness to the extent necessary. The Fund will not borrow for leverage purposes. The Fund may pledge up to 15% of its total assets to secure any such borrowings.

The Fund will not purchase illiquid securities, including repurchase agreements maturing in more than seven days, if, as a result thereof, more than 15% of the Fund's net assets valued at the time of the transaction would be invested in such securities. See "Investment Policies and Techniques--Over-the-Counter Options" in the Statement of Additional Information for a description of the extent to which over-the-counter traded options are in effect considered as illiquid for purposes of the Fund's limit on illiquid securities.

The Fund has adopted certain fundamental investment restrictions which are presented in the Statement of Additional Information and which, together with the investment objective and any policies of the Fund specifically designated in this prospectus as fundamental, cannot be changed without approval by holders of a majority of its outstanding voting shares. As defined in the Investment Company Act of 1940, this means the lesser of the vote of (a) 67% of the shares of the Fund present at a meeting where more than 50% of the outstanding shares are present in person or by proxy; or (b) more than 50% of the outstanding shares of the Fund. Policies of the Fund that are neither designated as fundamental nor incorporated into any of the fundamental investment restrictions referred to above may be changed by the Board of Trustees of the Fund without shareholder approval.

Options and Financial Futures Transactions. The Fund may deal in options on securities, securities indexes and foreign currencies, which options may be listed for trading on a national securities exchange or traded over-the-counter. The Fund may write (sell) covered call options and secured put options on up to 25% of its net assets and may purchase put and call options provided that no more than 5% of its net assets may be invested in premiums on such options.

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A call option gives the purchaser the right to buy, and the writer the obligation to sell, the underlying security or other asset at the exercise price during the option period. A put option gives the purchaser the right to sell, and the writer the obligation to buy, the underlying security or other asset at the exercise price during the option period. The writer of a covered call owns securities or other assets that are acceptable for escrow and the writer of a secured put invests an amount not less than the exercise price in eligible securities or other assets to the extent that it is obligated as a writer. If a call written by the Fund is exercised, the Fund foregoes any possible profit from an increase in the market price of the underlying security or other asset over the exercise price plus the premium received. In

writing puts, there is a risk that the Fund may be required to take delivery of the underlying security or other asset at a disadvantageous price.

Over-the-counter traded options ("OTC options") differ from exchange traded options in several respects. They are transacted directly with dealers and not with a clearing corporation, and there is a risk of non-performance by the dealer as a result of the insolvency of such dealer or otherwise, in which event the Fund may experience material losses. However, in writing options the premium is paid in advance by the dealer. OTC options are available for a greater variety of securities and other assets, and a wider range of expiration dates and exercise prices, than are exchange traded options.

The Fund may engage in financial futures transactions. Financial futures contracts are commodity contracts that obligate the long or short holder to take or make delivery of a specified quantity of a financial instrument, such as a security, or an amount of a foreign currency, or the cash value of a securities index during a specified future period at a specified price. The Fund will "cover" futures contracts sold by the Fund and maintain in a segregated account certain liquid assets in connection with futures contracts purchased by the Fund as described under "Investment Policies and Techniques" in the Statement of Additional Information. The Fund will not enter into a futures contract or option on a futures contract if the aggregate market value of the outstanding futures contracts of the Fund and futures contracts subject to outstanding options written by the Fund would exceed 50% of total Fund assets.

The Fund may engage in financial futures transactions and may use index options in an attempt to hedge against the effects of fluctuations in interest rates and other market conditions. For example, if the Fund owned long-term bonds and interest rates were expected to rise, it could sell financial futures contracts or the cash value of a securities index. If interest rates did increase, the value of the bonds in the Fund would decline, but this decline would be offset in whole or in part by an increase in the value of the Fund's futures contracts or the cash value of the securities index. If, on the other hand, long-term interest rates were expected to decline, the Fund could hold short-term debt securities and benefit from the income earned by holding such securities, while at the same time the Fund could purchase futures contracts on long-term bonds or the cash value of a securities index. Thus, the Fund could take advantage of the anticipated rise in the value of long-term bonds without actually buying them. The futures contracts and short-term debt securities could then be liquidated and the cash proceeds used to buy long-term bonds.

Futures contracts entail risks. If the investment manager's judgment about the general direction of interest rates, markets or exchange rates is wrong, the overall performance may be poorer than if no such contracts had been entered into. There may be an imperfect correlation between movements in prices of futures contracts and portfolio assets being hedged. In addition, the market prices of futures contracts may be affected by certain factors. If participants in the futures market elect to close out their contracts through offsetting transactions rather than meet margin requirements, distortions in the normal relationship between the assets and futures market could result. Price distortions also could result if investors in futures contracts decide to make or take delivery of underlying securities or other assets rather than engage in closing transactions because of the resultant reduction in the liquidity of the futures market. In addition, because, from the point of view

of speculators, margin requirements in the futures market are less onerous than margin requirements in the cash market, increased participation by speculators in the futures market could cause temporary price distortions. Due to the possibility of price distortions in the futures market and because of the imperfect correlation between movements in the prices of securities or other assets and movements in the prices of futures contracts, a correct forecast of market trends

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by the investment manager still may not result in a successful hedging transaction. If any of these events should occur, the Fund could lose money on the financial futures contracts and also on the value of its portfolio assets. The costs incurred in connection with futures transactions could reduce the Fund's return.

Index options involve risks similar to those risks relating to transactions in financial futures contracts described above. Also, an option purchased by the Fund may expire worthless, in which case the Fund would lose the premium paid therefor.

The Fund may engage in futures transactions only on commodities exchanges or boards of trade. The Fund will not engage in transactions in index options, financial futures contracts or related options for speculation, but only as an attempt to hedge against changes in interest rates or market conditions affecting the values of securities or other assets that the Fund owns or intends to purchase.

Foreign Currency Transactions. The Fund may engage in foreign currency transactions in connection with its investments in foreign securities. The Fund will not speculate in foreign currency exchange. The value of the foreign securities investments of the Fund measured in U.S. Dollars may be affected favorably or unfavorably by changes in foreign currency exchange rates and exchange control regulations, and the Fund may incur costs in connection with conversions between various currencies. The Fund will conduct its foreign currency exchange transactions either on a spot (i.e., cash) basis at the spot rate prevailing in the foreign currency exchange market, or through forward contracts to purchase or sell foreign currencies. A forward foreign currency exchange contract involves an obligation to purchase or sell a specific currency at a future date, which may be any fixed number of days from the date of the contract agreed upon by the parties, at a price set at the time of the contract. These contracts are traded directly between currency traders (usually large commercial banks) and their customers.

When the Fund enters into a contract for the purchase or sale of a security denominated in a foreign currency, it may want to establish the U.S. Dollar cost or proceeds, as the case may be. By entering into a forward contract in U.S. Dollars for the purchase or sale of the amount of foreign currency involved in an underlying security transaction, the Fund is able to protect itself against a possible loss between trade and settlement dates resulting from an adverse change in the relationship between the U.S. Dollar and such foreign currency. However, this tends to limit potential gains which might result from a positive change in such currency relationships. The Fund may also hedge its foreign currency exchange rate risk by engaging in currency financial futures and options transactions.



When the investment manager believes that the currency of a particular foreign country may suffer a substantial decline against another currency, it may enter into a forward contract to sell the foreign currency expected to decline and purchase the currency that is expected to increase against the currency sold in an amount approximating the value of some or all of the Fund's portfolio securities denominated in the foreign currency sold. In this situation the Fund may, in the alternative, enter into a forward contract to sell a different foreign currency for a fixed U.S. Dollar amount where the investment manager believes that the U.S. Dollar value of the currency to be sold pursuant to the forward contract will fall whenever there is a decline in the U.S. Dollar value of the currency in which portfolio securities of the Fund are denominated ("cross-hedge"). The Fund's foreign currency transactions may involve the purchase or sale of a foreign currency against the U.S. Dollar or may involve two foreign currencies, including currencies in which no portfolio securities are denominated. The forecasting of short-term currency market movement is extremely difficult and whether such a short-term hedging strategy will be successful is highly uncertain.

It is impossible to forecast with absolute precision the market value of portfolio securities at the expiration of a contract. Accordingly, it may be necessary for the Fund to purchase additional currency on the spot market (and bear the expense of such purchase) if the market value of the security is less than the amount of foreign currency the Fund is obligated to deliver when a decision is made to sell the security and make delivery of the foreign currency in settlement of a forward contract. Conversely, it may be necessary to sell on the spot market some of the foreign currency received upon the sale of the portfolio security if its market value exceeds the amount of foreign currency the Fund is obligated to deliver.

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The Fund will not speculate in foreign currency exchange. The Fund does not enter into forward contracts or maintain a net exposure in such contracts where the Fund would be obligated to deliver an amount of foreign currency in excess of the value of the Fund's portfolio securities or other assets (a) denominated in that currency or (b), in the case of a "cross-hedge," denominated in a currency or currencies that the investment manager believes will have price movements that tend to correlate closely with that currency. There is no limitation as to the percentage of the Fund's assets that may be committed to forward contracts for the purchase of a foreign currency. The Fund segregates cash or liquid high-grade securities in an amount not less than the value of the Fund's total assets committed to forward foreign currency exchange contracts entered into for the purchase of a foreign currency for U.S. Dollars. If the value of the securities segregated declines, additional cash or securities are added so that the segregated amount is not less than the amount of the Fund's commitments with respect to such contracts. A Fund generally does not enter into a forward contract with a term longer than one year.

Risk Considerations. The Statement of Additional Information contains further information about the characteristics, risks and possible benefits of options, futures and foreign currency transactions. See "Investment Policies and Techniques" in the Statement of Additional Information. The principal risks are: (a) possible imperfect correlation between movements in the prices of

options or futures contracts and movements in the prices of the securities or currencies hedged or used for cover; (b) lack of assurance that a liquid secondary market will exist for any particular option or futures contract at any particular time; (c) the need for additional skills and techniques beyond those required for normal portfolio management; (d) losses on futures contracts resulting from market movements not anticipated by the investment manager; and (e) the possible need to defer closing out certain options or futures contracts in order to continue to qualify for beneficial tax treatment afforded "regulated investment companies" under the Internal Revenue Code.

**Delayed Delivery Transactions.** The Fund may purchase or sell portfolio securities on a when-issued or delayed delivery basis. When-issued or delayed delivery transactions involve a commitment by the Fund to purchase or sell securities with payment and delivery to take place in the future in order to secure what is considered to be an advantageous price or yield to the Fund at the time of entering into the transaction. The value of fixed income securities to be delivered in the future will fluctuate as interest rates vary. Because the Fund is required to set aside cash or liquid high grade securities at least equal in value to its commitments to purchase when-issued or delayed delivery securities, flexibility to manage the Fund's investments may be limited if commitments to purchase when-issued or delayed delivery securities were to exceed 25% of the value of its assets.

To the extent the Fund engages in when-issued or delayed purchases, it will do so for the purpose of acquiring portfolio securities consistent with the Fund's investment objective and policies and not for the purpose of investment leverage or to speculate in interest rate changes. The Fund will only make commitments to purchase securities on a when-issued or delayed basis with the intention of actually acquiring the securities, but the Fund reserves the right to sell these securities before the settlement date if deemed advisable.

**Lending of Portfolio Securities.** Consistent with applicable regulatory requirements, the Fund may lend its portfolio securities (principally to broker-dealers) without limit where such loans are callable at any time and are continuously secured by segregated collateral (cash or U.S. Government securities) equal to no less than the market value, determined daily, of the securities loaned. The Fund will receive amounts equal to dividends or interest on the securities loaned. It also will earn income for having made the loan. Any cash collateral pursuant to these loans will be invested in short-term money market instruments. As with other extensions of credit, there are risks of delay in recovery or even loss of rights in the collateral should the borrower of the securities fail financially. However, the loans would be made only to firms deemed by the Fund's investment manager to be of good standing, and when the Fund's investment manager believes the potential earnings to justify the attendant risk. Management will limit such lending to not more than one-third of the value of the Fund's total assets.

#### INVESTMENT MANAGER AND UNDERWRITER

**INVESTMENT MANAGER.** Kemper Financial Services, Inc. ("KFS"), 120 South LaSalle Street, Chicago, Illinois 60603, is the investment manager of the Fund and provides the Fund with continuous professional investment supervision. KFS is one of the largest investment managers in the country and has been engaged in

the management of investment funds for more than forty-five years.

KFS and its affiliates provide investment advice and manage investment portfolios for the Kemper Funds, the Kemper insurance companies, Kemper Corporation and other corporate, pension, profit-sharing and individual accounts representing approximately \$60 billion under management. KFS acts as investment manager for 24 open-end and seven closed-end investment companies, with 56 separate investment portfolios representing more than 3 million shareholder accounts. KFS is a wholly-owned subsidiary of Kemper Financial Companies, Inc., which is a financial services holding company that is more than 95% owned by Kemper Corporation, a diversified insurance and financial services holding company.

Responsibility for overall management of the Fund rests with its Board of Trustees and officers. Professional investment supervision is provided by KFS. The investment management agreement provides that KFS shall act as the Fund's investment adviser, manage its investments and provide it with various services and facilities. KFS will utilize the services of Kemper Investment Management Company Limited, 1 Fleet Place, London EC4M 7RQ, a wholly owned subsidiary of KFS, with respect to foreign securities investments of the Fund including analysis, research, execution and trading services.

Gordon K. Johns is the portfolio manager of the Fund. He has served in this capacity since the Fund commenced operations in 1995. Mr. Johns joined Kemper Investment Management Company Limited ("KIM") in September 1988 and is currently an Executive Vice President of KFS, a Director and Managing Director of KIM and a Vice President of the Fund. He received a B.A. in law from Balliol College in Oxford, United Kingdom. As reflected above, KIM is an affiliate of KFS that provides services to KFS with respect to the Fund's foreign investments.

KFS has a Fixed Income Investment Committee that determines overall investment strategy for fixed income portfolios managed by KFS. The Fixed Income Committee is currently comprised of the following members: J. Patrick Beimford, Jr., Frank E. Collecchia, George Klein, Sandy A. Lincoln, Michael A. McNamara, Christopher J. Mier, Frank J. Rachwalski, Jr., Harry E. Resis, Jr., Robert H. Schumacher, John E. Silvia, Kenneth T. Urbaszewski and Christopher T. Vincent. The portfolio managers work together as a team with the Fixed Income Committee and various fixed income analysts and traders to manage the Fund's investments. Analysts provide market, economic and financial research and analysis that is used by the Fixed Income Committee to establish broad parameters for fixed income portfolios, including duration and cash levels. In addition, credit research by analysts is used by portfolio managers in selecting securities appropriate for the Fund's policies. The KFS International Fixed Income Investments area, directed by Gordon K. Johns, provides research and analysis regarding foreign investments to the portfolio managers. After investment decisions are made, fixed income traders execute the portfolio manager's instructions through various broker-dealer firms.

The Fund pays KFS an investment management fee, payable monthly, at the annual rate of .75 of 1% of the first \$250 million of its average daily net assets, .72 of 1% of average daily net assets between \$250 million and \$1 billion, .70 of 1% of average daily net assets between \$1 billion and \$2.5 billion, .68 of 1% of average daily net assets between \$2.5 billion and \$5 billion, .65 of 1% of average daily net assets between \$5 billion and \$7.5 billion, .64 of 1% of average daily net assets between \$7.5 billion and \$10 billion, .63 of 1% of

average daily net assets between \$10 billion and \$12.5 billion and .62 of 1% of its average daily net assets over \$12.5 billion. The expenses of the Fund, and of other investment companies investing in foreign securities, can be expected to be higher than for investment companies investing primarily in domestic securities since the costs of operation are higher, including custody and transaction costs for foreign securities and investment management fees.

PRINCIPAL UNDERWRITER. Pursuant to an underwriting agreement ("underwriting agreement") with the Fund, Kemper Distributors, Inc. ("KDI"), an affiliate of KFS, is the principal underwriter of the Fund's shares and acts as

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agent of the Fund in the sale of its shares. KDI bears all its expenses of providing services pursuant to the underwriting agreement. KDI provides for the preparation of advertising or sales literature and bears the cost of printing and mailing prospectuses to persons other than shareholders. KDI bears the cost of qualifying and maintaining the qualification of Fund shares for sale under the securities laws of the various states and the Fund bears the expense of registering its shares with the Securities and Exchange Commission. KDI may enter into related agreements with various financial services firms, including affiliates of KDI, that provide distribution services to investors. KDI also may provide some of the distribution services. KDI receives no compensation from the Fund as principal underwriter for the Fund and pays all expenses of distribution of the Fund's shares under the underwriting agreement not otherwise paid by dealers or other financial services firms.

CUSTODIAN AND SHAREHOLDER SERVICE AGENT. The Chase Manhattan Bank, N.A., Chase MetroTech Center, Brooklyn, New York 11245, as custodian, has custody of all securities and cash of the Fund held outside the United States. Investors Fiduciary Trust Company ("IFTC"), 127 West 10th Street, Kansas City, Missouri 64105, as custodian, and the United Missouri Bank, n.a., Tenth and Grand Streets, Kansas City, Missouri 64105 and State Street Bank and Trust Company, 225 Franklin Street, Boston, Massachusetts 02110, as sub-custodians, have custody of all securities and cash of the Fund maintained in the United States. They attend to the collection of principal and income, and payment for and collection of proceeds of securities bought and sold by the Fund. IFTC also is the Fund's transfer agent and dividend-paying agent. IFTC is owned equally by KFS and DST Systems, Inc. ("DST"), a company that is not affiliated with KFS. On September 27, 1994, KFS and DST entered into an agreement with State Street Boston Corporation for it to acquire IFTC. Pursuant to a services agreement with IFTC, Kemper Service Company, an affiliate of KFS, serves as "Shareholder Service Agent" of each Fund and, as such, performs all of IFTC's duties as transfer agent and dividend-paying agent. For a description of custodian, transfer agent and shareholder service agent fees payable to IFTC and the Shareholder Service Agent, see "Investment Manager and Underwriter" in the Statement of Additional Information.

PORTFOLIO TRANSACTIONS. KFS places all orders for purchases and sales of the Fund's securities. Subject to seeking best execution of orders, KFS may consider sales of shares of the Fund and other funds managed by KFS as a factor in selecting broker-dealers. See "Portfolio Transactions" in the Statement of Additional Information.

## DIVIDENDS AND TAXES

DIVIDENDS. The Fund normally distributes annual dividends of net investment income and any net realized short-term and long-term capital gains.

Income dividends and capital gain dividends, if any, of the Fund will be credited to shareholder accounts in full and fractional shares of the Fund at net asset value except that, upon written request to the Shareholder Service Agent, a shareholder may select one of the following options:

- (1) To receive income and short-term capital gain dividends in cash and long-term capital gain dividends in shares at net asset value; or
- (2) To receive income and capital gain dividends in cash.

TAXES. The Fund intends to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code ("Code") and, if so qualified, will not be liable for federal income taxes to the extent its earnings are distributed. Dividends derived from net investment income and net short-term capital gains are taxable to shareholders as ordinary income and long-term capital gain dividends are taxable to shareholders as long-term capital gain regardless of how long the shares have been held and whether received in cash or shares. Long-term capital gain dividends received by individual shareholders are taxed at a maximum federal rate of 28%. Dividends declared in October, November or December to shareholders of record as of a date in one of those months and paid during the following January are treated as paid on December 31 of the calendar year declared. It is anticipated that only a small portion, if any, of the ordinary income dividends paid by the Fund will qualify for the dividends received deduction available to corporate shareholders.

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A dividend received shortly after the purchase of shares reduces the net asset value of the shares by the amount of the dividend and, although in effect a return of capital, will be taxable to the shareholder. If the net asset value of shares were reduced below the shareholder's cost by dividends representing gains realized on sales of securities, such dividends would be a return of investment though taxable as stated above.

The Fund may qualify for and may make the election permitted under Section 853 of the Code. If this election is made, shareholders will be able to claim a credit or deduction on their income tax returns for, and will be required to treat as part of the amounts distributed to them, their pro rata portion of the income taxes paid by the Fund to foreign countries (which taxes relate primarily to investment income). The shareholders of the Fund may claim a credit by reason of the Fund's election, subject to certain limitations imposed by Section 904 of the Code. Also, under the Code, no deduction for foreign taxes may be claimed by individual shareholders who do not elect to itemize deductions on their federal income tax returns; although such a shareholder may claim a credit for foreign taxes and in any event will be treated as having taxable income in the amount of the shareholder's pro rata share of foreign taxes paid by the Fund.

Gains and losses attributable to fluctuations in the value of foreign

currencies will be characterized generally as ordinary gain or loss under Section 988 of the Code. For example, if the Fund sold a foreign bond and part of the gain or loss on the sale were attributable to an increase or decrease in the value of a foreign currency, then the currency gain or loss would be treated as ordinary income or loss. If such transactions result in greater net ordinary income, the dividends paid by the Fund will be increased; if the result of such transactions is lower net ordinary income, a portion of dividends paid could be classified as a return of capital.

The Fund is required by law to withhold 31% of taxable dividends and redemption proceeds paid to certain shareholders who do not furnish a correct taxpayer identification number (in the case of individuals, a social security number) and in certain other circumstances. Trustees of qualified retirement plans and 403(b)(7) accounts are required by law to withhold 20% of the taxable portion of any distribution that is eligible to be "rolled over." The 20% withholding requirement does not apply to distributions from Individual Retirement Accounts ("IRAs") or any part of a distribution that is transferred directly to another qualified retirement plan, 403(b)(7) account, or IRA. Shareholders should consult with their tax advisers regarding the 20% withholding requirement.

After each transaction, shareholders will receive a confirmation statement giving complete details of the transaction except that confirmations will be sent quarterly for dividend reinvestment and periodic investment and redemption programs. In addition, the statement will show the details of prior transactions in the account during the calendar year. Information for income tax purposes will be provided after the end of the calendar year. Shareholders are encouraged to retain copies of their account confirmation statements or year-end statements for tax reporting purposes. However, those who have incomplete records may obtain historical account transaction information at a reasonable fee.

#### NET ASSET VALUE

The net asset value per share of the Fund is determined by dividing the value of the Fund's net assets by the number of shares outstanding. Portfolio securities that are primarily traded on a domestic securities exchange are valued at the last sale price on the exchange or, if there is no recent last sale price available, at the last current bid quotation. Portfolio securities that are primarily traded on foreign securities exchanges are generally valued at the preceding closing values of such securities on their respective exchanges where primarily traded. A security that is listed or traded on more than one exchange is valued at the quotation on the exchange determined to be the primary market for such security by the Board of Trustees or its delegates. Securities not so traded or listed are valued at the last current bid quotation if market quotations are available. Fixed income securities are valued by using market quotations, or independent pricing services that use prices provided by market makers or estimates of market values obtained from yield data relating to instruments or securities with similar characteristics. Exchange traded fixed income options are valued at the last sale price unless there is no sale price, in which event current prices provided by market makers are used. Over-the-counter traded fixed income options are valued based

upon current prices provided by market makers. Financial futures and options thereon are valued at the settlement price established each day by the board of trade or exchange on which they are traded. Other securities and assets are valued at fair value as determined in good faith by the Board of Trustees. Because of the need to obtain prices as of the close of trading on various exchanges throughout the world, the calculation of net asset value does not necessarily take place contemporaneously with the determination of the prices of the majority of the portfolio securities. For purposes of determining the Fund's net asset value, all assets and liabilities initially expressed in foreign currency values will be converted into U.S. Dollar values at the mean between the bid and offered quotations of such currencies against U.S. Dollars as last quoted by any recognized dealer. If an event were to occur after the value of a security was so established but before the net asset value per share was determined, which was likely to materially change the net asset value, then that security would be valued using fair value considerations by the Board of Trustees or its delegates. On each day the New York Stock Exchange (the "Exchange") is open for trading, the net asset value is determined as of the earlier of 3:00 p.m. Chicago time or the close of the Exchange.

#### PURCHASE OF SHARES

Shares of the Fund are available for purchase from KDI or from selected financial services firms having agreements with KDI. Such firms receive no selling concessions, distribution fees or transaction fees from KDI pursuant to such agreements. The public offering price of shares is the next determined net asset value per share. No initial or contingent deferred sales charge is applicable. The Fund's shares are not subject to any Rule 12b-1 distribution fees or administrative services fees. Shares of the Fund are offered primarily for investment by pension and profit sharing plans and other employee benefit plans, endowments, foundations, corporations, banks, insurance companies and other institutions and high net worth individuals.

The minimum initial investment for the Fund is \$1 million which amount may be changed at any time in management's discretion. Subsequent investments may be made in any amount.

Share certificates will not be issued unless requested in writing. It is recommended that investors not request share certificates unless needed for a specific purpose. You cannot redeem shares by telephone or wire transfer if share certificates have been issued. A lost or destroyed certificate is difficult to replace and can be expensive to the shareholder (a bond worth 2% or more of the certificate value is normally required).

GENERAL. Orders for the purchase of shares of the Fund will be confirmed at a price equal to the net asset value of the Fund next determined after receipt by KDI of the order accompanied by payment. However, orders received by dealers or other firms prior to the determination of net asset value (see "Net Asset Value") and received by KDI prior to the close of its business day will be confirmed at a price based on the net asset value effective on that day. The Fund reserves the right to determine the net asset value more frequently than once a day if deemed desirable.

Dealers and other financial services firms are obligated to transmit orders promptly. Collection may take significantly longer for a check drawn on a foreign bank than for a check drawn on a domestic bank. Therefore, if an order

is accompanied by a check drawn on a foreign bank, funds must normally be collected before shares will be purchased. See "Purchase and Redemption of Shares" in the Statement of Additional Information.

Investment dealers and other firms provide varying arrangements for their clients to purchase and redeem Fund shares. Some may establish higher minimum investment requirements than set forth above. Firms may arrange with their clients for other investment or administrative services. Such firms may independently establish and charge fees to their clients for such services, which charges would reduce the clients' return. Firms also may hold Fund shares in nominee or street name as agent for and on behalf of their customers. In such instances, the Fund's transfer agent will have no information with respect to or control over accounts of specific shareholders. Such shareholders may obtain access to their accounts and information about their accounts only from their firm. Certain of these firms may receive compensation from the Fund's Shareholder Service Agent for recordkeeping and other expenses relating to these nominee accounts; however, no such fees have yet been approved. In addition, certain privileges with respect to the purchase and redemption of shares or the reinvestment of dividends may not be available through such firms. Some firms may participate in a program allowing them access to their clients'

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accounts for servicing including, without limitation, transfers of registration and dividend payee changes; and may perform functions such as generation of confirmation statements and disbursement of cash dividends. Such firms, including affiliates of KFS, may receive compensation from the Fund through the Shareholder Service Agent for these services; however, no such fees have yet been approved. This prospectus should be read in connection with such firms' material regarding their fees and services.

The Fund reserves the right to withdraw all or any part of the offering made by this prospectus and to reject purchase orders. Also, from time to time, the Fund may temporarily suspend the offering of its shares to new investors. During the period of such suspension, persons who are already shareholders of such Fund normally are permitted to continue to purchase additional shares and to have dividends reinvested.

Shareholders should direct their inquiries to Kemper Service Company, 811 Main Street, Kansas City, Missouri 64105-2005 or to the firm from which they received this prospectus.

#### REDEMPTION OR REPURCHASE OF SHARES

GENERAL. Any shareholder may require the Fund to redeem his or her shares. When shares are held for the account of a shareholder by the Fund's transfer agent, the shareholder may redeem them by sending a written request with signatures guaranteed to Kemper Mutual Funds, Attention: Redemption Department, P.O. Box 419557, Kansas City, Missouri 64141-6557. When certificates for shares have been issued, they must be mailed to or deposited with the Shareholder Service Agent, along with a duly endorsed stock power and accompanied by a written request for redemption. Redemption requests and a stock power must be endorsed by the account holder with signatures guaranteed by a commercial bank, trust company, savings and loan association, federal



savings bank, member firm of a national securities exchange or other eligible financial institution. The redemption request and stock power must be signed exactly as the account is registered including any special capacity of the registered owner. Additional documentation may be requested from institutional and fiduciary account holders, such as corporations, custodians (e.g., under the Uniform Transfers to Minors Act), executors, administrators, trustees or guardians including, for corporate accounts, a current certificate of incumbency and a certified board resolution and, for fiduciary accounts, an appropriate verification of fiduciary capacity.

The redemption price for shares of the Fund will be the net asset value per share of the Fund next determined following receipt by the Shareholder Service Agent of a properly executed request with any required documents as described above. Payment for shares redeemed will be made in cash as promptly as practicable but in no event later than seven days after receipt of a properly executed request accompanied by any outstanding share certificates in proper form for transfer. When the Fund is asked to redeem shares for which it may not have yet received good payment, it may delay transmittal of redemption proceeds until it has determined that collected funds have been received for the purchase of such shares, which will be up to 15 days from receipt by the Fund of the purchase amount.

As an aid to maintaining low operating costs, the Fund reserves the right to redeem an account that falls below the applicable minimum investment level, currently \$1 million, as a result of redemptions. A shareholder will be notified in writing and will be allowed 60 days to make additional purchases to bring the account value up to the minimum investment level before the Fund redeems the shareholder account.

Shareholders can request the following telephone privileges: expedited wire transfer redemptions for individual and institutional accounts and pre-authorized telephone redemption transactions for certain institutional accounts. Shareholders may choose these privileges on the account application or by contacting the Shareholder Service Agent for appropriate instructions. Neither the Fund nor its agents will be liable for any loss, expense or cost arising out of any telephone request pursuant to these privileges, including any fraudulent or unauthorized request, and THE SHAREHOLDER WILL BEAR THE RISK OF LOSS, so long as the Fund or its agent reasonably believes, based upon reasonable verification procedures, that the telephonic instructions are genuine. The verification procedures include recording instructions, requiring certain identifying information before acting upon instructions and sending written confirmations.

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TELEPHONE REDEMPTIONS. If the proceeds of the redemption are \$25,000 or less and the proceeds are payable to the shareholder of record at the address of record, normally a telephone request or a written request by any one account holder without signature guarantee is sufficient for redemptions by individual or joint account holders, and trust, executor and guardian account holders (excluding custodial accounts for gifts and transfers to minors), provided the trustee, executor or guardian is named in the account registration. Other institutional account holders may exercise this special privilege of redeeming shares by telephone request or written request without signature guarantee subject to the same conditions as individual account holders and subject to

the limitations on liability described under "General" above, provided that this privilege has been pre-authorized by the institutional account holder by written instruction to the Shareholder Service Agent with signatures guaranteed. Telephone requests may be made by calling 1-800-621-1048. Shares purchased by check may not be redeemed under this privilege of redeeming shares by telephone request until such shares have been owned for at least 15 days. This privilege of expedited redemption of shares by telephone request or by written request without a signature guarantee may not be used to redeem shares held in certificated form and may not be used if the shareholder's account has had an address change within 60 days of the redemption request. During periods when it is difficult to contact the Shareholder Service Agent by telephone, it may be difficult to use the telephone redemption privilege, although investors can still redeem by mail. The Fund reserves the right to terminate or modify this privilege at any time.

REPURCHASES (CONFIRMED REDEMPTIONS). A request for repurchase may be communicated by a shareholder through a securities dealer or other financial services firm to KDI, which the Fund has authorized to act as its agent. There is no charge by KDI with respect to repurchases; however, dealers or other firms may charge customary commissions for their services. Dealers and other financial services firms are obligated to transmit orders promptly. The repurchase price will be the net asset value next determined after receipt of a request by KDI. However, requests for repurchases received by dealers or other firms prior to the determination of net asset value (see "Net Asset Value") and received by KDI prior to the close of KDI's business day will be confirmed at the net asset value effective on that day. The offer to repurchase may be suspended at any time. Requirements as to stock powers, certificates, payments and delay of payments are the same as for redemptions.

EXPEDITED WIRE TRANSFER REDEMPTIONS. If the account holder has given authorization for expedited wire redemption to the account holder's brokerage or bank account, shares of the Fund can be redeemed and proceeds sent by federal wire transfer to a single previously designated account. Requests received by the Shareholder Service Agent prior to the determination of net asset value will result in shares being redeemed that day at the net asset value effective on that day and normally the proceeds will be sent to the designated account the following business day. Delivery of the proceeds of a wire redemption request of \$250,000 or more may be delayed by the Fund for up to seven days if KFS deems it appropriate under then current market conditions. Once authorization is on file, the Shareholder Service Agent will honor requests by telephone at 1-800-621-1048 or in writing, subject to the limitations on liability described under "General" above. The Fund is not responsible for the efficiency of the federal wire system or the account holder's financial services firm or bank. The Fund currently does not charge the account holder for wire transfers. The account holder is responsible for any charges imposed by the account holder's firm or bank. There is a \$1,000 wire redemption minimum. To change the designated account to receive wire redemption proceeds, send a written request to the Shareholder Service Agent with signatures guaranteed as described above or contact the firm through which shares of the Fund were purchased. Shares purchased by check may not be redeemed by wire transfer until such shares have been owned for at least 15 days. Account holders may not use this privilege to redeem shares held in certificated form. During periods when it is difficult to contact the Shareholder Service Agent by telephone, it may be difficult to use the expedited redemption privilege. The Fund reserves the right to terminate or modify this privilege at any time.

## TAX-SHELTERED RETIREMENT PLANS

KFS provides retirement plan services and documents and can establish investor accounts in any of the following types of retirement plans:

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- . Individual Retirement Accounts ("IRAs") trusted by IFTC. This includes Simplified Employee Pension Plan ("SEP") IRA accounts and prototype documents.
- . 403(b)(7) Custodial Accounts also trusted by IFTC. This type of plan is available to employees of most non-profit organizations.
- . Prototype money purchase pension and profit-sharing plans may be adopted by employers. The maximum annual contribution per participant is the lesser of 25% of compensation or \$30,000.

Brochures describing the above plans as well as model defined benefit plans, target benefit plans, 457 plans, 401(k) plans and materials for establishing them are available from KFS upon request. The brochures for plans trusted by IFTC describe the current fees payable to IFTC for its services as trustee. Investors should consult with their own tax advisers before establishing a retirement plan.

## PERFORMANCE

The Fund may advertise several types of performance information, including "average annual total return," "total return" and "yield." Each of these figures is based upon historical results and is not representative of the future performance of the Fund.

The Fund's yield is a measure of the net investment income per share earned over a specific one month or 30-day period expressed as a percentage of the net asset value of the Fund's shares. Yield is an annualized figure, which means that it is assumed that the Fund generates the same level of net investment income over a one year period. Net investment income is assumed to be compounded semiannually when it is annualized.

Average annual total return and total return figures measure both the net investment income generated by, and the effect of any realized and unrealized appreciation or depreciation of, the underlying investments in the Fund's portfolio for the period in question, assuming the reinvestment of all dividends. Thus, these figures reflect the change in the value of an investment in the Fund during a specified period. Average annual total return will be quoted for at least the one, five and ten year periods ending on a recent calendar quarter (or if such periods have not yet elapsed, at the end of a shorter period corresponding to the life of the Fund). Average annual total return figures represent the average annual percentage change over the period in question. Total return figures represent the aggregate percentage or dollar value change over the period in question.

A Fund's performance may be compared to that of the Consumer Price Index or various unmanaged bond indexes such as the Salomon Brothers High Grade

Corporate Bond Index, the Lehman Brothers Government/Corporate Bond Index, the Salomon Brothers Non-U.S. Dollar World Government Bond Index and the J.P. Morgan Government Bond Index (Non-U.S.) and may also be compared to the performance of other mutual funds or mutual fund indexes as reported by independent mutual fund reporting services such as Lipper Analytical Services, Inc. ("Lipper"). Lipper performance calculations are based upon changes in net asset value with all dividends reinvested. Also, investors may want to compare the historical returns of various global securities markets. Such returns would not be representative of the future performance of such markets or of the performance of the Fund.

The Fund may quote information from publications such as Morningstar, Inc., The Wall Street Journal, Money Magazine, Forbes, Barron's, Fortune, The Chicago Tribune, USA Today, Institutional Investor and Registered Representative. Also, investors may want to compare the historical returns of various investments, performance indexes of those investments or economic indicators, including but not limited to stocks, bonds, certificates of deposit, money market funds and U.S. Treasury obligations. Bank product performance may be based upon, among other things, the BANK RATE MONITOR National Index<sup>TM</sup> or various certificate of deposit indexes. Money market fund performance may be based upon, among other things, the IBC/Donoghue's Money Fund Averages<sup>TM</sup> (All Taxable). Performance of U.S. Treasury obligations may be based upon, among other things, various U.S. Treasury bill indexes. Certain of these alternative investments may offer fixed rates of return and guaranteed principal and may be insured.

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The Fund may depict the historical performance of the securities in which the Fund may invest over periods reflecting a variety of market or economic conditions either alone or in comparison with alternative investments, performance indexes of those investments or economic indicators. The Fund may also describe its portfolio holdings and depict its size or relative size compared to other mutual funds, the number and make-up of its shareholder base and other descriptive factors concerning the Fund.

The Fund may include in its sales literature and shareholder reports a quotation of the current "distribution rate" of the Fund. Distribution rate is simply a measure of the level of dividends distributed for a specified period. It differs from yield, which is a measure of the income actually earned by the Fund's investments, and from total return, which is a measure of the income actually earned by, plus the effect of any realized and unrealized appreciation or depreciation of such investments during the period. Distribution rate is, therefore, not intended to be a complete measure of performance. Distribution rate may sometimes be greater than yield since, for instance, it may include gains from the sale of options or other short-term and possibly long-term gains (which may be non-recurring) and may not include the effect of amortization of bond premiums. As reflected under "Investment Objectives and Policies--Additional Investment Information," option writing can limit the potential for capital appreciation.

The Fund's returns and net asset value will fluctuate and shares of the Fund are redeemable by an investor at the then current net asset value, which may be more or less than original cost. Additional information concerning the Fund's performance appears in the Statement of Additional Information.

Additional information about the Fund's performance will also appear in the Fund's Annual Report to Shareholders which may be obtained without charge from the Fund when it is available.

## CAPITAL STRUCTURE

The Fund is open-end management investment company, organized as a separate business trust under the laws of Massachusetts. The Fund was organized as a business trust under the laws of Massachusetts on March 2, 1990. The Fund may issue an unlimited number of shares of beneficial interest in one or more series, all having no par value. Currently, the Fund offers shares of a single series. The Board of Trustees may authorize the issuance of additional series if deemed desirable, each with its own investment objective, policies and restrictions. Since the Fund may offer multiple series, it is known as a "series company." Shares of a series have equal noncumulative voting rights and equal rights with respect to dividends, assets and liquidation of such series and are subject to any preferences, rights or privileges of any classes of shares of a series. Shares are fully paid and nonassessable when issued, are transferable without restriction and have no preemptive or conversion rights. The Fund is not required to hold annual shareholder meetings and does not intend to do so. However, it will hold special meetings as required or deemed desirable for such purposes as electing trustees, changing fundamental policies or approving an investment management agreement. Subject to the Agreement and Declaration of Trust of the Fund, shareholders may remove trustees. If shares of more than one series are outstanding, shareholders will vote by series and not in the aggregate except when voting in the aggregate is required under the Investment Company Act of 1940, such as for the election of trustees. Any series of the Fund may be divided by the Board of Trustees into classes of shares, subject to receipt of an appropriate order from the Securities and Exchange Commission. The Fund's shares currently are not divided into classes. Shares of a series would be subject to any preferences, rights or privileges of any classes of shares of the series. Generally each class of shares issued by a particular series of the Fund would differ as to the allocation of certain expenses of the series such as distribution and administrative expenses permitting, among other things, different levels of service or methods of distribution among various classes.

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## INSTITUTIONAL ACCOUNT APPLICATION GUIDE KEMPER INTERNATIONAL BOND FUND

### INSTRUCTIONS

Please make sure you are using the correct application. Use the Institutional Account Application for Corporate, Trust or other Fiduciary accounts. Use the Individual Account Application for Individual, Joint Owners and Transfer to Minor accounts.

THIS APPLICATION CANNOT BE USED TO ESTABLISH A RETIREMENT ACCOUNT WITH INVESTORS FIDUCIARY TRUST COMPANY AS TRUSTEE. This application also cannot be used for any modification of an existing account. To obtain an application for Retirement Accounts, or forms to modify your account, call 1-800-621-1048.

.Please print information exactly as you wish it to appear on the account.

.Please check the box that is applicable to the type of account you are opening.

.PLEASE BE SURE TO COMPLETE BOTH SECTIONS I AND III.

.PLEASE BE SURE TO SIGN THIS APPLICATION.

.Signature(s) of authorized person(s) are required.

#### READ THIS IMPORTANT INFORMATION

#### FUND FEATURES

Wire Redemptions. If you elect this option:

- . You are authorizing the Fund or its agents to honor telephone or other instructions from ANY PERSON for the redemption of Fund shares. Proceeds will be wire transferred to the bank account referenced on the application.
- . Shares held in certificated form may not be redeemed under this privilege.
- . The amount redeemed must be at least \$1,000.

Telephone Redemptions. If you elect this option:

- . You are authorizing the Fund or its agents to honor telephone or other instructions from ANY PERSON for the redemption of Fund shares. Redemptions may not exceed \$25,000 and proceeds are to be payable to the shareholder of record and mailed to the address of record.
- . Shares held in certificated form may not be redeemed under this privilege.

#### CERTIFICATION

The account holders certify that they have the power and authority to establish this account and select the privileges requested. Account holders can request the following telephone privileges on this application: expedited wire transfer redemptions and pre-authorized telephone redemption transactions. Neither the Fund nor its agents will be liable for any loss, expense or cost arising out of any telephone request pursuant to these privileges, including any fraudulent or unauthorized request, and THE ACCOUNT HOLDER WILL BEAR THE RISK OF LOSS, so long as the Fund or its agent reasonably believes, based upon reasonable verification procedures, that the telephonic instructions are genuine. The verification procedures include recording instructions, requiring certain identifying information before acting upon instructions and sending written confirmations. The account holders certify that the current prospectus for the Fund has been received and read and that the authorizations hereon shall continue until the Fund receives written notice of a modification signed by all appropriate parties or a termination signed by any party. This account is subject to the terms of the Fund's prospectus, as amended from time to time, and the terms herein set forth, and is subject to acceptance by the Fund and to the laws of Illinois. All terms shall be binding upon the heirs, representatives, successors and assigns of the account holders.

All persons signing as representatives warrant as individuals that each person signing is an authorized representative of the account holder, that the account and privileges selected have been duly authorized, that all signatures hereon are genuine and that the persons indicated hereon are authorized to sign.

The account holders authorize the Fund to provide the trustees or custodian of their tax-deferred retirement plan any information necessary to administer such a plan.

#### QUESTIONS

Shareholders may call 1-800-621-1048 to speak with a Kemper Shareholder Services Representative.

Financial Representatives may call 1-800-621-5027 to speak with a Kemper Sales Support Representative.

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INSTITUTIONAL ACCOUNT APPLICATION--SECTION I OF II  
KEMPER INTERNATIONAL BOND FUND

MAIL TO: KEMPER MUTUAL FUNDS, ATTENTION: NEW APPLICATIONS, P.O. BOX 419356,  
KANSAS CITY, MO 64141-6356

1. YOUR ACCOUNT REGISTRATION.

NAME OF TRUSTEE(S)/AUTHORIZED SIGNER(S)

FIRST NAME \_\_\_\_\_ M.I. LAST NAME

FIRST NAME \_\_\_\_\_ M.I. LAST NAME

NAME OF ORGANIZATION

-----  
-----

2. IS THIS A RETIREMENT PLAN\*?  Yes  No. If Yes, designate type below. If No, complete Item 3.

Self Directed IRA

Defined Benefit

Profit Sharing Plan

Target Benefit

Money Purchase Pension Plan

401(k) Salary Deferral

Other \_\_\_\_\_

\*If each participant is to have a separate account for the contributions, call 1-800-621-1048 for special forms.

3. TYPE OF ORGANIZATION (COMPLETE IF ANSWER TO ITEM 2 ABOVE IS NO.).

Corporation

Sole Proprietorship  Other \_\_\_\_\_

Partnership

Trust

Trust Date (required)

4. MAILING ADDRESS.

Street Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Tax ID No. \_\_\_\_\_

Please Do Not Write In This Space

5. AMOUNT INVESTED AND FUND SELECTION.

Make checks payable to Kemper International Bond Fund.

-----  
The minimum initial investment is \$1 million.  
-----

AMOUNT

Kemper \$  
International Bond ----  
Fund

6. YOUR BROKER/DEALER. Representative's Phone Number \_\_\_\_\_

Dealer Number \_\_\_\_\_ Branch Number Representative's Number \_\_\_\_\_

Firm Name \_\_\_\_\_ Representative's Last Name \_\_\_\_\_

Branch Address \_\_\_\_\_

-----  
INSTITUTIONAL ACCOUNT APPLICATION--SECTION II OF II  
-----

7. DIVIDENDS.

Choose how you wish to receive dividends. IF NO BOXES ARE CHECKED, OPTION A WILL BE ASSIGNED.

- A.  All income and capital gains dividends REINVESTED in the account.
- B.  All income and short-term capital gains dividends IN CASH and long-term capital gains REINVESTED in the account. (COMPLETE CASH DIVIDENDS SECTION BELOW.)
- C.  All income and capital gains dividends paid IN CASH. (COMPLETE CASH DIVIDENDS SECTION BELOW.)

PLEASE SEND CASH DIVIDENDS TO (if no special payee, cash dividends will be sent to the account registration address):

Account registration address.  Special Payee as follows:

Name of Payee \_\_\_\_\_ Account No. (if applicable)

Street Address \_\_\_\_\_

City \_\_\_\_\_ State Zip  
-----

8. WIRE REDEMPTIONS (OPTIONAL).

PLEASE CROSS OUT THIS SECTION IF THIS PRIVILEGE IS NOT WANTED.

The Fund or its agents are authorized to honor telephone or other instructions from ANY PERSON for the redemption of Fund shares. Proceeds are to be wire transferred to the bank account referenced below. (\$1,000 minimum per redemption.)

Name of Depositor \_\_\_\_\_  
(as shown on bank records)

Name of Bank \_\_\_\_\_ Bank Account No. \_\_\_\_\_  
(a savings and loan or credit union may not be able to receive wire redemptions)



Address of Bank \_\_\_\_\_

City \_\_\_\_\_

State Zip

9. TELEPHONE REDEMPTIONS (OPTIONAL).  Yes  No

PLEASE CROSS OUT THIS SECTION IF THIS PRIVILEGE IS NOT WANTED.

The Fund or its agents are authorized to honor telephone or other instructions from ANY PERSON for the redemption of Fund shares. The amount of the redemption shall not exceed \$25,000 and the proceeds are to be payable to the shareholder of record and mailed to the address of record.

10. CERTIFICATION AND SIGNATURE (SUBJECT TO CERTIFICATION SHOWN ON APPLICATION GUIDE).

Under penalties of perjury, the account owner hereby certifies (1) that the Tax I.D. Number above is correct and (2) that the account owner is not subject to backup withholding because (a) the account owner has not been notified of being subject to backup withholding as a result of a failure to report all interest or dividends, or (b) the I.R.S. has provided notification that the account owner is no longer subject to backup withholding. (Cross out (2) if it is not correct.)

X \_\_\_\_\_  
Authorized Signature Title

X \_\_\_\_\_  
Authorized Signature Title

\_\_\_\_\_  
Date Daytime Phone #

X \_\_\_\_\_  
Authorized Signature Title

SIGNATURE GUARANTEE: REQUIRED ONLY IF ITEM 8 (WIRE REDEMPTIONS) OR ITEM 9 (TELEPHONE REDEMPTIONS) IS SELECTED. A signature guarantee must be supplied by a commercial bank, trust company, savings and loan association, federal savings bank, member of a national securities exchange or other eligible financial institution.

AFFIX SIGNATURE GUARANTEE STAMP

\_\_\_\_\_  
Signature Guaranteed by

\_\_\_\_\_  
Authorized Signature

INDIVIDUAL ACCOUNT APPLICATION GUIDE  
KEMPER INTERNATIONAL BOND FUND

INSTRUCTIONS

Please make sure you are using the correct application. Use the Individual Account Application for Individual, Joint Owners and Transfer to Minor accounts. Use the Institutional Account Application for Corporate, Trust or other Fiduciary accounts. This application cannot be used for any modification of an existing account. This application also cannot be used to establish an Individual Retirement Account (IRA) with Investors Fiduciary Trust Company as trustee. To obtain an IRA application, or forms to modify your account, call 1-800-621-1048.

. Please print information exactly as you wish it to appear on the account.

- . Please check the box that is applicable to the type of account you are opening.
- . Please insure that the social security number for a joint account is for the first named registrant and for a transfer to minor account is for the minor.
- . PLEASE BE SURE TO COMPLETE BOTH SECTIONS I AND II.
- . PLEASE BE SURE TO SIGN THIS APPLICATION. If the account is registered in the name of:
  - . an individual, the individual must sign.
  - . joint owners, all must sign.
  - . a custodian for a minor, the custodian must sign.

READ THIS IMPORTANT INFORMATION

FUND FEATURES

Wire Redemptions. If you elect this option:

- . You are authorizing the Fund or its agents to honor telephone or other instructions from ANY PERSON for the redemption of Fund shares. Proceeds will be wire transferred to the bank account referenced on the application.
- . Shares held in certificated form may not be redeemed under this privilege.
- . The amount redeemed must be at least \$1,000.

CERTIFICATION

The account holders certify that they have the power and authority to establish this account and select the privileges requested. Account holders can request the following telephone privilege on this application: expedited wire transfer redemption. Neither the Fund nor its agents will be liable for any loss, expense or cost arising out of any telephone request pursuant to this privilege, including any fraudulent or unauthorized request, and THE ACCOUNT HOLDER WILL BEAR THE RISK OF LOSS, so long as the Fund or its agent reasonably believes, based upon reasonable verification procedures, that the telephonic instructions are genuine. The verification procedures include recording instructions, requiring certain identifying information before acting upon instructions, and sending written confirmations. The account holders certify that the current prospectus for the Fund has been received and read and that the authorizations hereon shall continue until the Fund receives written notice of a modification signed by all appropriate parties or a termination signed by any party. This account is subject to the terms of the Fund's prospectus, as amended from time to time, and the terms herein set forth, and is subject to acceptance by the Fund and to the laws of Illinois. All terms shall be binding upon the heirs, representatives and assigns of the account holders.

QUESTIONS

Shareholders may call 1-800-621-1048 to speak with a Kemper Shareholder Services Representative.

Financial Representatives may call 1-800-621-5027 to speak with a Kemper Sales Support Representative.

KEMPER INTERNATIONAL BOND FUND

MAIL TO: KEMPER MUTUAL FUNDS, ATTENTION: NEW APPLICATIONS, P.O. BOX 419356, KANSAS CITY, MO 64141-6356

1. YOUR ACCOUNT REGISTRATION.

[ ] INDIVIDUAL

FIRST NAME \_\_\_\_\_ M.I. \_\_\_\_\_ LAST NAME \_\_\_\_\_

OR FIRST NAME \_\_\_\_\_ M.I. \_\_\_\_\_ LAST NAME \_\_\_\_\_

[ ] JOINT TENANT\*

FIRST NAME \_\_\_\_\_ M.I. \_\_\_\_\_ LAST NAME \_\_\_\_\_

\*Joint accounts will be registered as joint tenants with rights of survivorship unless otherwise indicated.

[ ] TRANSFER TO A

Custodian's Name \_\_\_\_\_ Minor's Name \_\_\_\_\_

MINOR (only one permitted) (only one permitted)

2. YOUR MAILING ADDRESS.

Street Address \_\_\_\_\_ Apt. # \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

I am a citizen of [ ] U.S. [ ] Other Social Security No. \_\_\_\_\_ (Please specify) \_\_\_\_\_ (for first registrant or minor)

3. AMOUNT INVESTED AND FUND.

Make checks payable to Kemper Mutual Funds. The minimum initial investment is \$1 million. Please Do Not Write In This Space

4. DIVIDENDS.

AMOUNT

Choose how you wish to receive dividends. IF NO BOXES ARE CHECKED, OPTION A WILL BE ASSIGNED.

Kemper International Bond Fund

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- A. [ ] All income and capital gains dividends REINVESTED in my account.
B. [ ] All income and short-term capital gains dividends IN CASH and long-term capital gains REINVESTED in my account. (COMPLETE CASH DIVIDENDS SECTION BELOW.)
C. [ ] All income and capital gains dividends paid to me IN CASH. (COMPLETE CASH DIVIDENDS SECTION BELOW.)

Account Number \_\_\_\_\_

PLEASE SEND CASH DIVIDENDS TO (if no special payee, cash dividends will be sent to the account registration address):

[ ] Account registration address. [ ] Special Payee as follows:

Name of Payee \_\_\_\_\_ Account No. (if applicable) \_\_\_\_\_

Street Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

5. YOUR BROKER/DEALER.

Representative's Phone Number \_\_\_\_\_

Dealer Number \_\_\_\_\_ Branch Number \_\_\_\_\_

Representative's Number \_\_\_\_\_

Firm Name \_\_\_\_\_

Representative's Last Name \_\_\_\_\_

Branch Address \_\_\_\_\_

6. WIRE REDEMPTIONS (OPTIONAL).

PLEASE CROSS OUT THIS SECTION IF THIS PRIVILEGE IS NOT WANTED.

I authorize the Fund or its agents to honor telephone or other instructions from ANY PERSON for the redemption of Fund shares. Proceeds are to be wire transferred to the bank account referenced below. (\$1,000 minimum per redemption.)

Name of Depositor \_\_\_\_\_

(as shown on bank records)

Name of Bank \_\_\_\_\_ Bank Account No. \_\_\_\_\_

(a savings and loan or credit union may not be able to receive wire redemptions)

Address of Bank \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

7. CERTIFICATION AND SIGNATURE (SUBJECT TO CERTIFICATION SHOWN ON APPLICATION GUIDE).

Under penalties of perjury, the undersigned hereby certify (1) that the Social Security Number above is correct and (2) that the account owner is not subject to backup withholding because (a) the account owner has not been notified of being subject to backup withholding as a result of a failure to report all interest or dividends, or (b) the I.R.S. has provided notification that the account owner is no longer subject to backup withholding. (Cross out (2) if it is not correct.)

X \_\_\_\_\_  
Signature

X \_\_\_\_\_  
Co-Owner (if applicable)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Daytime Phone #

X \_\_\_\_\_  
Co-Owner (if applicable)

INVESTMENT MANAGER  
Kemper Financial Services, Inc.  
PRINCIPAL UNDERWRITER  
Kemper Distributors, Inc.  
120 South LaSalle Street  
Chicago, Illinois 60603

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KEMPER  
INTERNATIONAL  
BOND  
FUND

PROSPECTUS  
AND APPLICATION

February 1, 1995  
LOGO

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KEMPER

KEMPER INTERNATIONAL BOND FUND

CROSS-REFERENCE SHEET  
BETWEEN ITEMS ENUMERATED IN PART B  
OF FORM N-1A AND STATEMENT OF ADDITIONAL INFORMATION

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ITEM NUMBER OF FORM N-1A -----	LOCATION IN STATEMENT OF ADDITIONAL INFORMATION -----
<C> <S>	<C>
10. Cover Page.....	Cover Page
11. Table of Contents.....	Table of Contents
12. General Information and History.....	Inapplicable
13. Investment Objectives and Policies.....	Investment Restrictions; Investment Policies and Techniques; Appendix--Ratings of Investments
14. Management of the Fund.....	Investment Manager and Underwriter; Officers and Trustees; Supplement
15. Control Persons and Principal Holders of Securities.....	Officers and Trustees
16. Investment Advisory and Other Services.....	Investment Manager and Underwriter
17. Brokerage Allocation and Other Practices.....	Portfolio Transactions
18. Capital Stock and Other Securities.....	Dividends and Taxes; Shareholder Rights
19. Purchase, Redemption and Pricing of Securities Being Offered.....	Purchase and Redemption of Shares
20. Tax Status.....	Dividends and Taxes
21. Underwriters.....	Investment Manager and Underwriter
22. Calculation of Performance Data.....	Performance

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KEMPER INTERNATIONAL BOND FUND

SUPPLEMENT TO STATEMENT OF ADDITIONAL

INFORMATION

DATED FEBRUARY 1, 1995

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FINANCIAL STATEMENTS

The financial statements (unaudited) appearing in the Fund's Semiannual Report to Shareholders for the period ended June 30, 1995 are incorporated into the Statement of Additional Information by reference. The Fund's Semiannual Report accompanies the Statement of Additional Information. All adjustments necessary for a fair statement of the results of operations for the period covered by such report are included. All such adjustments are of a normal recurring nature.

OFFICERS AND TRUSTEES

Stephen B. Timbers, a Trustee of the Fund, has been elected President of the Fund replacing Charles M. Kierscht. Mr. Timbers (120 S. LaSalle St., Chicago, Illinois) is Chairman, Chief Executive Officer, Chief Investment Officer and a Director of Kemper Financial Services, Inc. ("KFS"); President, Chief Operating Officer and a Director of Kemper Corporation; and a Director of Kemper Financial Companies, Inc. ("KFC") and several other Kemper Corporation subsidiaries. Mr. Timbers also serves as a Director of Gillett Holdings, Inc. and LTV Corporation.

David B. Mathis has been elected a Trustee of the Fund replacing Charles M. Kierscht. Mr. Mathis (Kemper Center, Long Grove, Illinois) is Chairman, Chief Executive Officer and a Director of Kemper Corporation; and a Director of KFS and KFC. Mr. Mathis also serves as a Director of IMB Global Inc. and Lumbermens Mutual Casualty Company.

Mr. Timbers is the President and Trustee of 31 investment companies managed by KFS, and Mr. Mathis is a Trustee of 28 such investment companies.

July 31, 1995

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STATEMENT OF ADDITIONAL INFORMATION  
FEBRUARY 1, 1995

KEMPER INTERNATIONAL BOND FUND  
120 SOUTH LASALLE STREET, CHICAGO, ILLINOIS 60603

This Statement of Additional Information is not a prospectus. It is the Statement of Additional Information for Kemper International Bond Fund (the "Fund"). It should be read in conjunction with the prospectus of the Fund dated February 1, 1995. The prospectus may be obtained without charge from the Fund.

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INVESTMENT RESTRICTIONS

The Fund has adopted certain fundamental investment restrictions which, together with the investment objective and fundamental policies of the Fund, cannot be changed without approval of a "majority" of its outstanding voting shares. As defined in the Investment Company Act of 1940, this means the lesser of (1) 67% of the Fund's shares present at a meeting where more than 50% of the outstanding shares are present; or (2) more than 50% of the Fund's outstanding shares.

The Fund may not, as a fundamental policy:

- (1) Purchase securities of any issuer (other than obligations of, or guaranteed by, the U.S. Government, its agencies or instrumentalities) if, as a result, more than 5% of the total value of the Fund's assets would be invested in securities of that issuer except that, with respect to 50% of the Fund's total assets, the Fund may invest up to 25% of its total assets in securities of any one issuer.

- (2) Purchase more than 10% of any class of voting securities of any issuer.
- (3) Make loans to others provided that the making of time or demand deposits with banks and the purchase of debt securities such as bonds, debentures, commercial paper, repurchase agreements and short-term obligations are not prohibited and the Fund may lend its portfolio securities.
- (4) Borrow money except as a temporary measure for extraordinary or emergency purposes, and then only in an amount up to one-third of the value of its total assets, in order to meet redemption requests without immediately selling any portfolio securities. If, for any reason, the current value of the Fund's total assets falls below an amount equal to three times the amount of its indebtedness from money borrowed, the Fund will, within three days (not including Sundays and holidays), reduce its indebtedness to the extent necessary. The Fund will not borrow for leverage purposes and will not purchase securities or make investments while borrowings are outstanding.
- (5) Pledge, hypothecate, mortgage or otherwise encumber more than 15% of its total assets and then only to secure borrowings permitted by restriction 4 above. (The collateral arrangements with respect to options, financial futures, delayed delivery and currency transactions and any margin payments in connection therewith are not deemed to be pledges or other encumbrances.)
- (6) Purchase securities on margin, except to obtain such short-term credits as may be necessary for the clearance of transactions; however, the Fund may make margin deposits in connection with options and financial futures transactions.
- (7) Make short sales of securities or other assets or maintain a short position for the account of the Fund unless at all times when a short position is open it owns an equal amount of such securities or other assets or owns securities which, without payment of any further consideration, are convertible into or exchangeable for securities or other assets of the same issue as, and equal in amount to, the securities or other assets sold short and unless not more than 10% of the Fund's total assets is held as collateral for such sales at any one time.
- (8) Write or sell put or call options, combinations thereof or similar options on more than 25% of the Fund's net assets; nor may the Fund purchase put or call options if more than 5% of the Fund's net assets would be invested in premiums on put and call options, combinations thereof or similar options; however, the Fund may buy or sell options on financial futures contracts.
- (9) Purchase securities (other than securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities) if as a result of such purchase 25% or more of the Fund's total assets would be invested in any one industry.
- (10) Invest in commodities or commodity futures contracts, although it may buy or sell financial futures contracts and options on such contracts, and engage in foreign currency transactions; or in real estate (including real estate

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limited partnerships), although it may invest in securities which are secured by real estate and securities of issuers which invest or deal in real estate



including real estate investment trusts.

(11) Underwrite securities issued by others except to the extent the Fund may be deemed to be an underwriter, under the federal securities laws, in connection with the disposition of portfolio securities.

(12) Issue senior securities except as permitted under the Investment Company Act of 1940.

If a percentage restriction is adhered to at the time of investment, a later increase or decrease in percentage beyond the specified limit resulting from a change in values or net assets will not be considered a violation. The Fund has no present intention of borrowing during the current year. The Fund has adopted the following non-fundamental restrictions, which may be changed by the Board of Trustees without shareholder approval. The Fund may not:

(i) Purchase or retain the securities of any issuer if any of the officers, trustees or directors of the Fund or its investment adviser owns beneficially more than 1/2 of 1% of the securities of such issuer and together own more than 5% of the securities of such issuer.

(ii) Invest for the purpose of exercising control or management of another issuer.

(iii) Invest in interests in oil or gas exploration or development programs, although it may invest in the securities of issuers which invest in or sponsor such programs.

(iv) Invest more than 15% of its net assets in illiquid securities.

(v) Invest in warrants if more than 5% of the Fund's net assets would be invested in warrants. Included within that amount, but not to exceed 2% of the Fund's net assets, may be warrants not listed on the New York or American Stock Exchanges. Warrants acquired in units or attached to securities may be deemed to be without value for such purposes.

(vi) Purchase securities of other open-end investment companies, except in connection with a merger, consolidation, reorganization or acquisition of assets.

(vii) Invest in oil, gas or other mineral leases.

(viii) Invest more than 5% of the Fund's total assets in securities of issuers (other than obligations of, or guaranteed by, the U.S. Government, its agencies or instrumentalities) which with their predecessors have a record of less than three years continuous operation, and equity securities of issuers which are not readily marketable.

(ix) Invest more than 5% of its total assets in restricted securities, excluding restricted securities eligible for resale pursuant to Rule 144A under the Securities Act of 1933 that have been determined to be liquid pursuant to procedures adopted by the Board of Trustees, provided that the total amount of Fund assets invested in restricted securities will not exceed 15% of total assets.

(x) Invest more than 10% of its total assets in securities of real estate

investment trusts.

## INVESTMENT POLICIES AND TECHNIQUES

GENERAL. The Fund may engage in futures and options transactions in accordance with its investment objective and policies. The Fund intends to engage in such transactions if it appears to the investment manager to be advantageous to do so, in order to pursue its investment objective, to hedge against the effects of fluctuating interest rates and to stabilize the value of its assets and not for speculation. The use of futures and options, and possible benefits and attendant risks, are discussed below, along with information concerning certain other investment policies and techniques.

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FINANCIAL FUTURES CONTRACTS. The Fund may enter into contracts for the future delivery of a financial instrument, such as a security, or an amount of foreign currency, or the cash value of a securities index or other appropriate index, as available, such as a foreign currency index. This investment technique is designed primarily to hedge (i.e., protect) against anticipated future changes in market conditions or foreign exchange rates which otherwise might adversely affect the value of securities or other assets which the Fund holds or intends to purchase. A "sale" of a futures contract means the undertaking of a contractual obligation to deliver the underlying securities or the cash value of an index or foreign currency called for by the contract at a specified price during a specified delivery period. A "purchase" of a futures contract means the undertaking of a contractual obligation to acquire the underlying securities or cash value of an index or foreign currency at a specified price during a specified delivery period. At the time of delivery in the case of fixed income securities pursuant to the contract, adjustments are made to recognize differences in value arising from the delivery of securities with a different interest rate than that specified in the contract. In some cases, securities called for by a futures contract may not have been issued at the time the contract was written.

Although some financial futures contracts by their terms call for the actual delivery or acquisition of securities or other assets, in most cases a party will close out the contractual commitment before delivery without having to make or take delivery of the underlying assets by purchasing (or selling, as the case may be) on a commodities exchange an identical futures contract calling for delivery in the same month. Such a transaction, if effected through a member of an exchange, cancels the obligation to make or take delivery of the underlying securities or other assets. All transactions in the futures market are made, offset or fulfilled through a clearing house associated with the exchange on which the contracts are traded. The Fund will incur brokerage fees when it purchases or sells contracts, and will be required to maintain margin deposits. At the time the Fund enters into a futures contract, it is required to deposit with its custodian, on behalf of the broker, a specified amount of cash or eligible securities, called "initial margin." The initial margin required for a futures contract is set by the exchange on which the contract is traded. Subsequent payments, called "variation margin," to and from the broker are made on a daily basis as the market price of the futures contract fluctuates. The costs incurred in connection with futures transactions could reduce the Fund's return. Futures

contracts entail risks. If the investment manager's judgment about the general direction of interest rates, markets or exchange rates is wrong, the overall performance may be poorer than if no such contracts had been entered into.

There may be an imperfect correlation between movements in prices of futures contracts and portfolio assets being hedged. In addition, the market prices of futures contracts may be affected by certain factors. If participants in the futures market elect to close out their contracts through offsetting transactions rather than meet margin requirements, distortions in the normal relationship between the assets and futures markets could result. Price distortions also could result if investors in futures contracts decide to make or take delivery of underlying securities or other assets rather than engage in closing transactions because of the resultant reduction in the liquidity of the futures market. In addition, because, from the point of view of speculators, margin requirements in the futures market are less onerous than margin requirements in the cash market, increased participation by speculators in the futures market could cause temporary price distortions. Due to the possibility of price distortions in the futures market and because of the imperfect correlation between movements in the prices of securities or other assets and movements in the prices of futures contracts, a correct forecast of market trends by the investment manager still may not result in a successful hedging transaction. If any of these events should occur, the Fund could lose money on the financial futures contracts and also on the value of its portfolio assets.

OPTIONS ON FINANCIAL FUTURES CONTRACTS. The Fund may purchase and write call and put options on financial futures contracts. An option on a futures contract gives the purchaser the right, in return for the premium paid, to

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assume a position in a futures contract at a specified exercise price at any time during the period of the option. Upon exercise, the writer of the option delivers the futures contract to the holder at the exercise price. The Fund would be required to deposit with its custodian initial margin and maintenance margin with respect to put and call options on futures contracts written by it. The Fund will establish segregated accounts or will provide cover with respect to written options on financial futures contracts in a manner similar to that described under "Options on Securities." Options on futures contracts involve risks similar to those risks relating to transactions in financial futures contracts described above. Also, an option purchased by the Fund may expire worthless, in which case the Fund would lose the premium paid therefor.

OPTIONS ON SECURITIES. The Fund may write (sell) "covered" call options on securities as long as it owns the underlying securities subject to the option or an option to purchase the same underlying securities, having an exercise price equal to or less than the exercise price of the "covered" option, or will establish and maintain for the term of the option a segregated account consisting of cash, U.S. Government securities or other liquid high-grade debt obligations ("eligible securities") having a value at least equal to the fluctuating market value of the optioned securities. The Fund may write "covered" put options provided that, as long as the Fund is obligated as a writer of a put option, the Fund will own an option to sell the underlying securities subject to the option, having an exercise price equal to or greater than the exercise price of the "covered" option, or it will deposit and

maintain in a segregated account eligible securities having a value equal to or greater than the exercise price of the option. A call option gives the purchaser the right to buy, and the writer the obligation to sell, the underlying security at the exercise price during the option period. A put option gives the purchaser the right to sell, and the writer has the obligation to buy, the underlying security at the exercise price during the option period. The premium received for writing an option will reflect, among other things, the current market price of the underlying security, the relationship of the exercise price to such market price, the price volatility of the underlying security, the option period, supply and demand and interest rates. The exercise price of an option may be below, equal to or above the current market value of the underlying security at the time the option is written. The Fund may write or purchase spread options, which are options for which the exercise price may be a fixed dollar spread or yield spread between the security underlying the option and another security it does not own, but that is used as a bench mark. The buyer of a put who also owns the related security is protected by ownership of a put option against any decline in that security's price below the exercise price less the amount paid for the option. The ability to purchase put options allows the Fund to protect capital gains in an appreciated security it owns, without being required to actually sell that security. At times the Fund would like to establish a position in a security upon which call options are available. By purchasing a call option, the Fund is able to fix the cost of acquiring the security, this being the cost of the call plus the exercise price of the option. This procedure also provides some protection from an unexpected downturn in the market because the Fund is only at risk for the amount of the premium paid for the call option which it can, if it chooses, permit to expire.

During the option period the covered call writer gives up the potential for capital appreciation above the exercise price should the underlying asset rise in value, and the secured put writer retains the risk of loss should the underlying asset decline in value. For the covered call writer, substantial appreciation in the value of the underlying asset would result in the asset being "called away." For the secured put writer, substantial depreciation in the value of the underlying asset would result in the asset being "put to" the writer. If a covered call option expires unexercised, the writer realizes a gain and the buyer a loss in the amount of the premium. If the covered call option writer has to sell the underlying asset because of the exercise of the call option, it realizes a gain or loss from the sale of the underlying asset, with the proceeds being increased by the amount of the premium.

If a secured put option expires unexercised, the writer realizes a gain and the buyer a loss in the amount of the premium. If the secured put writer has to buy the underlying asset because of the exercise of the put option, the

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secured put writer incurs an unrealized loss to the extent that the current market value of the underlying asset is less than the exercise price of the put option minus the premium received.

OVER-THE-COUNTER OPTIONS. As indicated in the prospectus (see "Investment Objectives and Policies"), the Fund may deal in over-the-counter traded options ("OTC options"). OTC options differ from exchange traded options in several respects. They are transacted directly with dealers and not with a

clearing corporation, and there is a risk of nonperformance by the dealer as a result of the insolvency of such dealer or otherwise, in which event the Fund may experience material losses. However, in writing options the premium is paid in advance by the dealer. OTC options are available for a greater variety of securities, and a wider range of expiration dates and exercise prices, than are exchange traded options. Since there is no exchange, pricing is normally done by reference to information from market makers, which information is carefully monitored by the investment manager and verified in appropriate cases.

A writer or purchaser of a put or call option can terminate it voluntarily only by entering into a closing transaction. In the case of OTC options, there can be no assurance that a continuous liquid secondary market will exist for any particular option at any specific time. Consequently, the Fund may be able to realize the value of an OTC option it has purchased only by exercising it or entering into a closing sale transaction with the dealer that issued it. Similarly, when the Fund writes an OTC option, it generally can close out that option prior to its expiration only by entering into a closing purchase transaction with the dealer to which the Fund originally wrote it. If a covered call option writer cannot effect a closing transaction, it cannot sell the underlying asset until the option expires or the option is exercised. Therefore, a covered call option writer of an OTC option may not be able to sell an underlying asset even though it might otherwise be advantageous to do so. Likewise, a secured put writer of an OTC option may be unable to sell the assets pledged to secure the put for other investment purposes while it is obligated as a put writer. Similarly, a purchaser of such put or call option might also find it difficult to terminate its position on a timely basis in the absence of a secondary market.

The Fund understands the position of the staff of the Securities and Exchange Commission ("SEC") to be that purchased OTC options and the assets used as "cover" for written OTC options are illiquid securities. The investment manager disagrees with this position and has found the dealers with which it engages in OTC options transactions generally agreeable to and capable of entering into closing transactions. The Fund has adopted procedures for engaging in OTC options for the purpose of reducing any potential adverse effect of such transactions upon the liquidity of the Fund's portfolio. A brief description of such procedures is set forth below.

The Fund will only engage in OTC options transactions with dealers approved by the investment manager pursuant to procedures adopted by the Fund's Board of Trustees. The investment manager believes that the approved dealers should be able to enter into closing transactions if necessary and, therefore, present minimal credit risks to the Fund. The investment manager will monitor the creditworthiness of the approved dealers on an ongoing basis. The Fund currently will not engage in OTC options transactions if the amount invested by the Fund in OTC options, plus a "liquidity charge" related to OTC options written by the Fund, plus the amount invested by the Fund in illiquid securities, would exceed 15% of the Fund's net assets. The "liquidity charge" referred to above is computed as described below.

The Fund anticipates entering into agreements with dealers to which the Fund sells OTC options. Under these agreements Fund would have the absolute right to repurchase the OTC options from the dealer at any time at a price no greater than a price established under the agreements (the "Repurchase Price"). The "liquidity charge" referred to above for a specific OTC option

transaction will be the Repurchase Price related to the OTC option less the intrinsic value of the OTC option. The intrinsic value of an OTC call option for such purposes will be the

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amount by which the current market value of the underlying security exceeds the exercise price. In the case of an OTC put option, intrinsic value will be the amount by which the exercise price exceeds the current market value of the underlying security. If there is no such agreement requiring a dealer to allow the Fund to repurchase a specific OTC option written by the Fund, the "liquidity charge" will be the current market value of the assets serving as "cover" for such OTC option.

OPTIONS ON SECURITIES INDICES. The Fund also may purchase and write call and put options on securities indices in an attempt to hedge against market conditions affecting the values of securities that the Fund owns or intends to purchase, and not for speculation. Through the writing or purchase of index options, the Fund can achieve many of the same objectives as through the use of options on individual securities. Options on securities indices are similar to options on a security except that, rather than the right to take or make delivery of a security at a specified price, an option on a securities index gives the holder the right to receive, upon exercise of the option, an amount of cash if the closing level of the securities index upon which the option is based is greater than, in the case of a call, or less than, in the case of a put, the exercise price of the option. This amount of cash is equal to the difference between the closing price of the index and the exercise price of the option. The writer of the option is obligated, in return for the premium received, to make delivery of this amount. Unlike security options, all settlements are in cash and gain or loss depends upon price movements in the market generally (or in a particular industry or segment of the market), rather than upon price movements in individual securities. Price movements in securities that the Fund owns or intends to purchase will probably not correlate perfectly with movements in the level of an index since the prices of such securities may be affected by somewhat different factors and, therefore, the Fund bears the risk that a loss on an index option would not be completely offset by movements in the price of such securities.

The Fund will cover call options written on a securities index by owning securities whose price changes, in the opinion of the Fund's investment manager, are expected to be similar to those of the index, or in such other manner as may be in accordance with applicable laws, regulations and exchange rules. Price changes of the securities owned will probably not be perfectly correlated with the index. The Fund will secure put options written on a securities index by segregating liquid high-grade securities equal to the exercise price, or in such other manner as may be in accordance with applicable laws, regulations and exchange rules. When the Fund writes an option on a securities index, it will segregate and mark-to-market eligible securities equal in value to at least 100% of the exercise price in the case of a put, or the contract value in the case of a call. In addition, if the Fund writes a call option on a securities index at a time when the contract value exceeds the exercise price, the Fund will segregate and mark-to-market, until the option expires or is closed out, cash or cash equivalents equal in value to such excess.

The Fund may also purchase and write (sell) options on other appropriate indices, as available, such as foreign currency indices. Options on futures contracts and index options involve risks similar to those risks relating to transactions in financial futures contracts described above. Also, an option purchased by the Fund may expire worthless, in which case the Fund would lose the premium paid therefor.

FOREIGN CURRENCY OPTIONS. A foreign currency option provides the option buyer with the right to buy or sell a stated amount of foreign currency at the exercise price at a specified date or during the option period. A call option gives its owner the right, but not the obligation, to buy the currency, while a put option gives its owner the right, but not the obligation, to sell the currency. The option seller (writer) is obligated to fulfill the terms of the option sold if it is exercised. However, either seller or buyer may close its position during the option period in the secondary market for such options any time prior to expiration.

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A call rises in value if the underlying currency appreciates. Conversely, a put rises in value if the underlying currency depreciates. While purchasing a foreign currency option can protect the Fund against an adverse movement in the value of a foreign currency, it does not limit the gain which might result from a favorable movement in the value of such currency. For example, if the Fund were holding securities denominated in an appreciating foreign currency and had purchased a foreign currency put to hedge against a decline in the value of the currency, it would not have to exercise its put. Similarly, if the Fund has entered into a contract to purchase a security denominated in a foreign currency and had purchased a foreign currency call to hedge against a rise in value of the currency but instead the currency had depreciated in value between the date of purchase and the settlement date, the Fund would not have to exercise its call but could acquire in the spot market the amount of foreign currency needed for settlement.

FOREIGN CURRENCY FUTURES TRANSACTIONS. As part of its financial futures transactions (see "Financial Futures Contracts" and "Options on Financial Futures Contracts" above), the Fund may use foreign currency futures contracts and options on such futures contracts. Through the purchase or sale of such contracts, the Fund may be able to achieve many of the same objectives as through forward foreign currency exchange contracts more effectively and possibly at a lower cost.

Unlike forward foreign currency exchange contracts, foreign currency futures contracts and options on foreign currency futures contracts are standardized as to amount and delivery period and are traded on boards of trade and commodities exchanges. It is anticipated that such contracts may provide greater liquidity and lower cost than forward foreign currency exchange contracts.

FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS. A forward foreign currency exchange contract involves an obligation to purchase or sell a specific currency at a future date, which may be any fixed number of days ("term") from the date of the contract agreed upon by the parties, at a price set at the time of the contract. These contracts are traded directly between currency traders (usually large commercial banks) and their customers. The investment

manager believes that it is important to have the flexibility to enter into such forward contracts when it determines that to do so is in the best interests of a Fund. The Fund will not speculate in foreign currency exchange.

If the Fund retains the portfolio security and engages in an offsetting transaction with respect to a forward contract, the Fund will incur a gain or a loss (as described below) to the extent that there has been movement in forward contract prices. If the Fund engages in an offsetting transaction, it may subsequently enter into a new forward contract to sell the foreign currency. Should forward prices decline during the period between the Fund's entering into a forward contract for the sale of foreign currency and the date it enters into an offsetting contract for the purchase of the foreign currency, the Fund would realize a gain to the extent the price of the currency it has agreed to sell exceeds the price of the currency it has agreed to purchase. Should forward prices increase, the Fund would suffer a loss to the extent the price of the currency it has agreed to purchase exceeds the price of the currency it has agreed to sell. Although such contracts tend to minimize the risk of loss due to a decline in the value of the hedged currency, they also tend to limit any potential gain which might result should the value of such currency increase. The Fund will have to convert its holdings of foreign currencies into U.S. Dollars from time to time. Although foreign exchange dealers do not charge a fee for conversion, they do realize a profit based on the difference (the "spread") between the prices at which they are buying and selling various currencies.

The returns available from foreign currency denominated debt instruments can be adversely affected by changes in exchange rates. The investment manager believes that the use of foreign currency hedging techniques, including "cross-hedges," can help protect against declines in the U.S. Dollar value of income available for distribution to shareholders, and against declines in the net asset value of the Fund's shares resulting from adverse changes in

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currency exchange rates. For example, the return available from securities denominated in a particular foreign currency would diminish if the value of the U.S. Dollar increased against that currency. Such a decline could be partially or completely offset by the increased value of a cross-hedge involving a forward foreign currency exchange contract to sell a different foreign currency, if that contract were available on terms more advantageous to the Fund than a contract to sell the currency in which the position being hedged is denominated. The Fund's investment manager believes that cross-hedges can therefore provide significant protection of net asset value in the event of a general rise in the U.S. Dollar against foreign currencies. For example, the Fund may invest in high yielding securities denominated in a Western European currency, such as the French Franc, and seek to hedge against the effect of an increase in the value of the U.S. Dollar against that currency by entering into a forward exchange contract to sell the lower yielding German Mark, which has historically had price movements that tend to correlate closely with those of the French Franc. However, a cross-hedge cannot provide assured protection against exchange rate risks and, if the Fund's investment manager misjudges future exchange rate relationships, the Fund could be in a less advantageous position than if such a hedge had not been established.



The Fund will not enter into forward contracts or maintain a net exposure in such contracts when the Fund would be obligated to deliver an amount of foreign currency in excess of the value of the Fund's portfolio securities or other assets (a) denominated in that currency or (b), in the case of a "cross-hedge" (see "Investment Objectives and Policies" in the prospectus), denominated in a currency or currencies that the investment manager believes will tend to correlate closely with that currency with regard to price movements. The investment manager will normally seek to select currencies for sale under a forward contract for a "cross-hedge" that would reflect a price movement correlation of .8 or higher with respect to the currency being hedged (1 reflects a perfect correlation, 0 reflects a random relationship and -1 reflects a diametrically opposite correlation). There is, of course, no assurance that any specific correlation can be maintained for any specific transaction. There is no limitation as to the percentage of the Fund's assets that may be committed to forward contracts for the purchase of a foreign currency. A Fund segregates cash or liquid high-grade securities in an amount not less than the value of the Fund's total assets committed to forward foreign currency exchange contracts entered into for the purchase of a foreign currency for U.S. Dollars. If the value of the securities segregated declines, additional cash or securities is added so that the segregated amount is not less than the amount of the Fund's commitments with respect to such contracts. A Fund generally does not enter into a forward contract with a term longer than one year. As indicated in the prospectus, the Fund's foreign currency transactions may involve the purchase or sale of a foreign currency against the U.S. Dollar or may involve two currencies, including currencies in which no portfolio securities are denominated. See "Foreign Currency Transactions" under "Investment Objectives and Policies--Additional Investment Information" in the prospectus.

DELAYED DELIVERY TRANSACTIONS. The Fund may purchase or sell portfolio securities on a when-issued or delayed delivery basis. When-issued or delayed delivery transactions involve a commitment by the Fund to purchase or sell securities with payment and delivery to take place in the future in order to secure what is considered to be an advantageous price or yield to the Fund at the time of entering into the transaction. When the Fund enters into a delayed delivery purchase, it becomes obligated to purchase securities and it has all the rights and risks attendant to ownership of a security, although delivery and payment occur at a later date. The value of fixed income securities to be delivered in the future will fluctuate as interest rates vary. At the time the Fund makes the commitment to purchase a security on a when-issued or delayed delivery basis, it will record the transaction and reflect the liability for the purchase and the value of the security in determining its net asset value. Likewise, at the time the Fund makes the commitment to sell a security on a delayed delivery basis, it will record the transaction and include the proceeds to be received in determining its net asset value; accordingly, any fluctuations in the value of the security sold pursuant to a delayed delivery commitment are ignored in calculating net asset

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value so long as the commitment remains in effect. The Fund generally has the ability to close out a purchase obligation on or before the settlement date, rather than take delivery of the security.

To the extent the Fund engages in when-issued or delayed delivery purchases,

it will do so for the purpose of acquiring portfolio securities consistent with the Fund's investment objective and policies and not for investment leverage or to speculate in interest rate changes. The Fund will only make commitments to purchase securities on a when-issued or delayed delivery basis with the intention of actually acquiring the securities, but the Fund reserves the right to sell these securities before the settlement date if deemed advisable.

**REGULATORY RESTRICTIONS.** To the extent required to comply with SEC Release No. IC-10666, when purchasing a futures contract, writing a put option or entering into a delayed delivery purchase or a forward foreign currency exchange purchase for U.S. Dollars, a Fund will maintain in a segregated account cash, U.S. Government securities or liquid high-grade debt obligations equal to the value of such contracts. A Fund will use cover in connection with selling a futures contract.

A Fund will not engage in transactions in financial futures contracts or options thereon for speculation, but only to attempt to hedge against changes in market conditions affecting the values of securities or other assets which the Fund holds or intends to purchase.

**REPURCHASE AGREEMENTS.** The Fund may invest in repurchase agreements, which are instruments under which the Fund acquires ownership of a security from a broker-dealer or bank that agrees to repurchase the security at a mutually agreed upon time and price (which price is higher than the purchase price), thereby determining the yield during the Fund's holding period. In the event of a bankruptcy or other default of a seller of a repurchase agreement, the Fund might incur expenses in enforcing its rights, and could experience losses, including a decline in the value of the underlying securities and loss of income. The securities underlying a repurchase agreement will be marked-to-market every business day so that the value of such securities is at least equal to the investment value of the repurchase agreement, including any accrued interest thereon. Currently, the Fund will treat the issuer of the underlying security as the issuer for purposes of diversification and concentration.

**SHORT SALES AGAINST-THE-BOX.** The Fund may make short sales against-the-box for the purpose of deferring realization of gain or loss for federal income tax purposes. A short sale "against-the-box" is a short sale in which the Fund owns at least an equal amount of the securities or other assets sold short or securities convertible into or exchangeable for, without payment of any further consideration, securities or other assets of the same issue as, and at least equal in amount to, the securities or other assets sold short. The Fund may engage in such short sales only to the extent that not more than 10% of the Fund's total assets (determined at the time of the short sale) is held as collateral for such sales. The Fund currently does not intend, however, to engage in such short sales to the extent that more than 5% of its net assets will be held as collateral therefor during the current year.

**EMERGING MARKETS.** While the Fund's investments in foreign securities will principally be in developed countries, the Fund may make investments in developing or "emerging" countries, which involve exposure to economic structures that are generally less diverse and mature than in the United States, and to political systems that may be less stable. A developing country or emerging market country can be considered to be a country that is in the initial stages of its industrialization cycle. Currently, emerging markets

generally include every country in the world other than the United States, Canada, Japan, Australia, New Zealand, Hong Kong, Singapore and most Western European countries. Currently, investing in many emerging markets may not be desirable or feasible because of the lack of adequate custody arrangements for the Fund's assets, overly burdensome repatriation and similar restrictions, the lack of organized and liquid securities markets, unacceptable political risks or other reasons. As opportunities to invest in securities in emerging markets develop, the Fund may expand and further

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broaden the group of emerging markets in which it invests. In the past, markets of developing countries have been more volatile than the markets of developed countries; however, such markets often have provided higher rates of return to investors. The investment manager believes that these characteristics can be expected to continue in the future.

Many of the risks described in the prospectus (see "Investment Objective and Policies") relating to foreign securities generally will be greater for emerging markets than for developed countries. For instance, economies in individual developing markets may differ favorably or unfavorably from the U.S. economy in such respects as growth of gross domestic product, rates of inflation, currency depreciation, capital reinvestment, resource self-sufficiency and balance of payments positions. Many emerging markets have experienced substantial rates of inflation for many years. Inflation and rapid fluctuations in inflation rates have had and may continue to have very negative effects on the economies and securities markets of certain developing markets. Economies in emerging markets generally are dependent heavily upon international trade and, accordingly, have been and may continue to be affected adversely by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been and may continue to be affected adversely by economic conditions in the countries with which they trade.

Also, the securities markets of developing countries are substantially smaller, less developed, less liquid and more volatile than the securities markets of the United States and other more developed countries. Disclosure, regulatory and accounting standards in many respects are less stringent than in the United States and other developed markets. There also may be a lower level of monitoring and regulation of developing markets and the activities of investors in such markets, and enforcement of existing regulations has been extremely limited.

In addition, brokerage commissions, custodial services and other costs relating to investment in foreign markets generally are more expensive than in the United States; this is particularly true with respect to emerging markets. Such markets have different settlement and clearance procedures. In certain markets there have been times when settlements have been unable to keep pace with the volume of securities transactions, making it difficult to conduct such transactions. Such settlement problems may cause emerging market securities to be illiquid. The inability of the Fund to make intended securities purchases due to settlement problems could cause the Fund to miss attractive investment opportunities. Inability to dispose of a portfolio security caused by settlement problems could result either in losses to the

Fund due to subsequent declines in value of the portfolio security or, if the Fund has entered into a contract to sell the security, could result in possible liability to the purchaser. Certain emerging markets may lack clearing facilities equivalent to those in developed countries. Accordingly, settlements can pose additional risks in such markets and ultimately can expose the Fund to the risk of losses resulting from the Fund's inability to recover from a counterparty.

The risk also exists that an emergency situation may arise in one or more emerging markets as a result of which trading securities may cease or may be substantially curtailed and prices for the Fund's portfolio securities in such markets may not be readily available. The Fund's portfolio securities in the affected markets will be valued at fair value determined in good faith by or under the direction of the Board of Trustees.

Investment in certain emerging market securities is restricted or controlled to varying degrees. These restrictions or controls may at times limit or preclude foreign investment in certain emerging market securities and increase the costs and expenses of the Fund. Emerging markets may require governmental approval for the repatriation of investment income, capital or the proceeds of sales of securities by foreign investors. In addition, if a deterioration occurs in an emerging market's balance of payments, the market could impose temporary restrictions on foreign capital remittances.

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PRIVATIZED ENTERPRISES. The governments of certain foreign countries have, to varying degrees, embarked on privatization programs contemplating the sale of all or part of their interests in state enterprises. The Fund's investments in the securities of privatized enterprises include privately negotiated fixed income securities issued by a government- or state-owned or controlled company or enterprise that has not yet conducted an initial equity offering and investments in fixed income securities of a former state enterprise following or concurrent with its initial equity offering.

In certain jurisdictions, the ability of foreign entities, such as the Fund, to participate in privatizations may be limited by local law, or the price or terms on which the Fund may be able to participate may be less advantageous than for local investors. Moreover, there can be no assurance that governments that have embarked on privatization programs will continue to divest their ownership of state enterprises, that proposed privatizations will be successful or that governments will not re-nationalize enterprises that have been privatized.

Prior to making an initial equity offering, most state enterprises or former state enterprises go through an internal reorganization or management. Such reorganizations are made in an attempt to better enable these enterprises to compete in the private sector. However, certain reorganizations could result in a management team that does not function as well as the enterprise's prior management and may have a negative effect on such enterprise. In addition, the privatization of an enterprise by its government may occur over a number of years, with the government continuing to hold a controlling position in the enterprise even after the initial equity offering for the enterprise.

Prior to privatization, most of the state enterprises in which the Fund may invest enjoy the protection of and receive preferential treatment from the respective sovereigns that own or control them. After making an initial equity offering these enterprises may no longer have such protection or receive such preferential treatment and may become subject to market competition from which they were previously protected. Some of these enterprises may not be able to effectively operate in a competitive market and may suffer losses or experience bankruptcy due to such competition.

SOVEREIGN DEBT. Investments in certain sovereign debt, particularly Brady Bonds, involve special risks. Brady Bonds are debt securities issued under a plan implemented to allow debtor nations to restructure their outstanding commercial bank indebtedness. Foreign governmental issuers of debt, or the governmental authorities that control the repayment of the debt, may be unable or unwilling to repay principal or pay interest when due. In the event of default, there may be limited or no legal recourse in that, generally, remedies for defaults must be pursued in the courts of the defaulting party. Political conditions, especially a sovereign entity's willingness to meet the terms of its fixed income securities, are of considerable significance. Also, there can be no assurance that the holders of commercial bank loans to the same sovereign entity may not contest payments to the holders of sovereign debt in the event of default under commercial bank loan agreements. In addition, there is no bankruptcy proceeding with respect to sovereign debt on which a sovereign has defaulted; and the Fund may be unable to collect all or any part of its investment in a particular issue. Foreign investment in certain sovereign debt is restricted or controlled to varying degrees, including requiring governmental approval for the repatriation of income, capital or proceeds of sales by foreign investors. These restrictions or controls may at times limit or preclude foreign investment in certain sovereign debt or increase the costs and expenses of the Fund. A portion of the sovereign debt in which the Fund may invest is issued as part of debt restructuring and such debt is to be considered speculative. There is a history of defaults with respect to commercial bank loans by public and private entities issuing Brady Bonds. All or a portion of the interest payments and/or principal repayment with respect to Brady Bonds may be uncollateralized. As reflected in the prospectus (see "Foreign Investing" under "Investment Objective and Policies"), it is currently intended that no more than 5% of the Fund's net assets will be invested in developing or emerging markets (which may include certain sovereign debt issues) with respect to which these considerations are of particular significance.

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SPECIAL RISK FACTORS--HIGH YIELD (HIGH RISK) BONDS. As stated in the prospectus, the Fund may because of a downgrade, hold a portion of its assets in fixed income securities that are in the lower rating categories (below the fourth category) of recognized rating agencies or are non-rated. These lower rated and non-rated fixed income securities are considered, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation and generally will involve more credit risk than securities in the higher rating categories. Lower rated and non-rated securities, which are commonly referred to as "junk bonds," have widely varying characteristics and quality. The market values of such securities tend to reflect individual corporate developments to a greater extent than do those of higher rated securities, which react primarily to

fluctuations in the general level of interest rates. Such lower rated securities also are more sensitive to economic conditions than are higher rated securities. Adverse publicity and investor perceptions regarding lower rated bonds, whether or not based upon fundamental analysis, may depress the prices for such securities. These and other factors adversely affecting the market value of high yield securities will adversely affect the Fund's net asset value. Although some risk is inherent in all securities ownership, holders of fixed income securities have a claim on the assets of the issuer prior to the holders of common stock. Therefore, an investment in fixed income securities generally entails less risk than an investment in common stock of the same issuer. The Fund may have difficulty disposing of certain high yield securities because they may have a thin trading market. The lack of a liquid secondary market may have an adverse effect on market price and the Fund's ability to dispose of particular issues and may also make it more difficult for the Fund to obtain accurate market quotations for purposes of valuing these assets.

#### DIVIDENDS AND TAXES

**DIVIDENDS.** The Fund normally distributes annual dividends of net investment income and any net realized short-term and long-term capital gains.

The Fund may at any time vary the foregoing dividend practice and, therefore, reserves the right from time to time either to distribute or to retain for reinvestment such of its net investment income and its net short-term and long-term capital gains as the Board of Trustees of the Fund determines appropriate under then current circumstances. In particular, and without limiting the foregoing, the Fund may make additional distributions of net investment income or capital gain net income in order to satisfy the minimum distribution requirements contained in the Internal Revenue Code (the "Code"). Dividends will be reinvested in shares of the Fund paying such dividends unless shareholders indicate in writing that they wish to receive them in cash or in shares of other Kemper Funds as provided in the prospectus.

**TAXES.** The Fund intends to qualify as a regulated investment company under Subchapter M of the Code and, if so qualified, will not be liable for federal income taxes to the extent its earnings are distributed. One of the Subchapter M requirements to be satisfied is that less than 30% of the Fund's gross income during the fiscal year must be derived from gains (not reduced by losses) from the sale or other disposition of securities and certain other investments held for less than three months. The Fund may be limited in its options, futures and foreign currency transactions in order to prevent recognition of such gains.

The Fund's options, futures and foreign currency transactions are subject to special tax provisions that may accelerate or defer recognition of certain gains or losses, change the character of certain gains or losses, or alter the holding periods of certain of the Fund's securities.

The mark-to-market rules of the Code may require the Fund to recognize unrealized gains and losses on certain options and futures held by the Fund at the end of the fiscal year. Under these provisions 60% of any capital gain net income or loss recognized will generally be treated as long-term and 40% as short-term. However, although certain forward contracts and futures contracts on foreign currency are marked-to-market, the gain or loss is

generally ordinary under Section 988 of the Code. In addition, the straddle rules of the Code would require deferral of certain losses realized on positions of a straddle to the extent that the Fund had unrealized gains in offsetting positions at year end.

A 4% excise tax is imposed on the excess of the required distribution for a calendar year over the distributed amount for such calendar year. The required distribution is the sum of 98% of the Fund's net investment income for the calendar year plus 98% of its capital gain net income for the one-year period ending October 31, plus any undistributed net investment income from the prior calendar year, plus any undistributed capital gain net income from the one year period ended October 31 in the prior calendar year, minus any overdistribution in the prior calendar year. For purposes of calculating the required distribution, foreign currency gains or losses occurring after October 31 are taken into account in the following calendar year. The Fund may elect as its measuring period for capital gain net income and foreign currency, its fiscal year end. The Fund intends to declare or distribute dividends during the appropriate periods of an amount sufficient to prevent imposition of the 4% excise tax.

It is anticipated that only a small portion, if any, of the ordinary income dividends from the Fund will be eligible for the dividends received deduction available to corporate shareholders. The aggregate amount eligible for the dividends received deduction may not exceed the aggregate qualifying dividends received by the Fund for the fiscal year.

A shareholder who redeems shares of the Fund will recognize capital gain or loss for federal income tax purposes measured by the difference between the value of the shares redeemed and the basis of the shares. Any loss recognized on the redemption of Fund shares held six months or less will be treated as long-term capital loss to the extent that the shareholder has received any long-term capital gain dividends on such shares. If a shareholder realizes a loss on the redemption of the Fund's shares and reinvests in shares of the Fund within 30 days before or after the redemption, the transactions may be subject to the wash sale rules resulting in a postponement of the recognition of such loss for federal income tax purposes.

Investments in foreign securities may be subject to foreign taxes. Because the amount of the Fund's investments in various countries will change from time to time, it is not possible to determine the effective rate of such taxes in advance.

Shareholders who are non-resident aliens are subject to U.S. withholding tax on ordinary income dividends (whether received in cash or shares) at a rate of 30% or such lower rate as prescribed by any applicable tax treaty.

## PERFORMANCE

As described in the prospectus, the Fund's historical performance or return may be shown in the form of "average annual total return," "total return" and "yield" figures. These various measures of performance are described below.

Yield is a measure of the net investment income per share earned over a specific one month or 30-day period expressed as a percentage of the net asset value of the Fund's shares at the end of the period. Average annual total return and total return measure both the net investment income generated by, and the effect of any realized or unrealized appreciation or depreciation of, the underlying investments in the Fund's portfolio.

The Fund's yield is computed in accordance with a standardized method prescribed by rules of the Securities and Exchange Commission. The Fund's yield is computed by dividing the net investment income per share earned during the specified one month or 30-day period by the maximum offering price per share (which is net asset value) on the last day of the period, according to the following formula:

$$\text{YIELD} = 2 \left[ \left( \frac{a - b}{cd} + 1 \right)^{1/6} - 1 \right]$$

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Where: a = dividends and interest earned during the period.

b = expenses accrued for the period (net of reimbursements).

c = the average daily number of shares outstanding during the period that were entitled to receive dividends.

d = the maximum offering price per share on the last day of the period (which is net asset value).

In computing the foregoing yield, the Fund follows certain standardized accounting practices specified by Securities and Exchange Commission rules. These practices are not necessarily consistent with those that the Fund uses to prepare its annual and interim financial statements in conformity with generally accepted accounting principles.

The Fund's average annual total return quotation is computed in accordance with a standardized method prescribed by rules of the Securities and Exchange Commission. The average annual total return for the Fund for a specific period is found by first taking a hypothetical \$1,000 investment ("initial investment") in the Fund's shares on the first day of the period, and computing the "redeemable value" of that investment at the end of the period. The redeemable value is then divided by the initial investment, and this quotient is taken to the Nth root (N representing the number of years in the period) and 1 is subtracted from the result, which is then expressed as a percentage. The calculation assumes that all income and capital gains dividends paid by the Fund have been reinvested at net asset value on the reinvestment dates during the period.

Calculation of the Fund's total return is not subject to a standardized formula, except when calculated for the Fund's "Financial Highlights" table in the Fund's financial statements. Total return performance for a specific period is calculated by first taking an investment (assumed below to be \$10,000) ("initial investment") in the Fund's shares on the first day of the period, and computing the "ending value" of that investment at the end of the period. The total return percentage is then determined by subtracting the



initial investment from the ending value and dividing the remainder by the initial investment and expressing the result as a percentage. The calculation assumes that all income and capital gains dividends paid by the Fund have been reinvested at net asset value on the reinvestment dates during the period. Total return may also be shown as the increased dollar value of the hypothetical investment over the period.

The Fund's performance figures are based upon historical results and are not necessarily representative of future performance. Returns and net asset value will fluctuate. Factors affecting the Fund's performance include general market conditions, operating expenses and investment management. Any additional fees charged by a dealer or other financial services firm would reduce returns described in this section. Shares of the Fund are redeemable at the then current net asset value, which may be more or less than original cost.

Investors may want to compare the Fund's performance to that of certificates of deposit issued by banks and other depository institutions. Certificates of deposit may offer fixed or variable interest rates and principal is guaranteed and may be insured. Withdrawal of the deposit prior to maturity will normally be subject to a penalty. Rates offered by banks and other depository institutions are subject to change at any time specified by the issuing institution. The shares of the Fund are not insured and net asset value as well as yield will fluctuate. Shares of the Fund are redeemable at net asset value which may be more or less than original cost. The bonds in the Fund's portfolio are generally of longer term than most certificates of deposit and may reflect longer term market interest rate fluctuations.

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Investors may also want to compare the Fund's performance to that of U.S. Treasury Bills, Notes or Bonds. Rates of Treasury obligations are fixed at the time of issuance and payment of principal and interest is backed by the full faith and credit of the U.S. Treasury. The market value of such instruments will generally fluctuate inversely with interest rates prior to maturity and will equal par value at maturity. Shares of the Fund are redeemable at net asset value, which may be more or less than original cost. The Fund's returns will also fluctuate.

In order to appreciate more fully the opportunities for income throughout the world and the potential advantages of investing in the Fund, investors may want to compare the historical performance of various bond markets around the world. Such performance, of course, would not be representative of future actual or relative performance of such markets, or of the past or future performance of the Fund.

The table below reflects the relative returns of certain unmanaged domestic bond indexes and a foreign bond index over the periods indicated.

BOND INDEX TOTAL RETURNS  
(PERIODS ENDED 12/31/94)

<TABLE>  
<CAPTION>

3  
1 Yr. Yrs. 5 Yrs. 10 Yrs.

<S>	<C>	<C>	<C>	<C>
Salomon Non-U.S. Bond Index(1).....	5.99%	27.84%	71.28%	305.82%
J.P. Morgan Government Bond Index (2) (non-U.S.)..	4.93	22.08	63.59	n/a
Salomon High Grade Corp. Bond Index(3).....	-5.74	16.72	49.43	198.97
Merrill Lynch Govt./Corp. Bond Index(4).....	-3.27	15.68	45.45	157.17
Lehman Brothers Govt./Corp. Bond Index(5).....	-3.51	15.26	44.93	155.53

- (1) The Salomon Brothers Non-U.S. Dollar World Government Bond Index is on a U.S. dollar total return basis with all dividends reinvested and is comprised of non-U.S. government bonds with maturities of one year or greater and is weighted on the basis of market capitalization. This index is unmanaged. Source is Lipper Analytical Services, Inc.
- (2) The J.P. Morgan Government Bond Index (non-U.S.) is on a U.S. dollar total return basis with all dividends reinvested and is comprised of non-U.S. government bonds with maturities of one year or greater and is weighted on the basis of market value. Source is J.P. Morgan Securities, Inc.
- (3) The Salomon Brothers High Grade Corporate Bond Index is on a total return basis with all dividends reinvested and is comprised of high grade long-term industrial and utility bonds rated in the top two rating categories. This index is unmanaged. Source is Lipper Analytical Services, Inc.
- (4) The Merrill Lynch Government/Corporate Bond Index is based upon the total return with all dividends reinvested of 4,000 corporate and 300 government bond issues with an intermediate average maturity and an average quality rating of Aa (Moody's Investors Service, Inc.) or AA (Standard & Poor's Corporation). This index is unmanaged. Source is Lipper Analytical Services, Inc.
- (5) The Lehman Brothers Government/Corporate Bond Index is on a total return basis and is comprised of all publicly issued, nonconvertible, domestic debt of the U.S. Government or any agency thereof, quasi-federal corporation, or corporate debt guaranteed by the U.S. Government and all publicly issued, fixed-rate, non-convertible, domestic debt of the three major corporate classifications: industrial, utility, and financial. Only notes and bonds with a minimum outstanding principal amount of \$1,000,000 and a minimum of one year to maturity are included. Bonds included must have a rating of at least Baa by Moody's Investors Services, Inc., BBB by Standard & Poor's Corporation or in the case of bank bonds not rated by either Moody's or S&P, BBB by Fitch Investors Services. This index is unmanaged. Source is Lipper Analytical Services, Inc.

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The following table depicts the best performing world government bond market for each year during the period 1983-1994. The performance of these markets is compared in each case to the performance of long-term U.S. Government bonds for the same period. As shown in this table, the U.S. market, as represented by U.S. Government bonds, was the best performing market in only one of the past ten years. Performance is on a U.S. Dollar total return basis with all dividends reinvested.

BEST WORLD BOND MARKETS VS. U.S. BOND MARKET  
1983-1994

<TABLE>

<CAPTION>

Year	Top Foreign Government Returns	Long-Term U.S. Govt. Returns
<S>	<C>	<C>
1983.....	Japan	12.56%
1984.....	Canada	8.82
1985.....	France	52.78
1986.....	Japan	43.55
1987.....	United Kingdom	47.57
1988.....	Australia	30.34
1989.....	Canada	17.97
1990.....	United Kingdom	29.16
1991.....	Australia	26.70
1992.....	Japan	11.96
1993.....	Japan	27.58
1994.....	Belgium	12.22

</TABLE>

Source: Salomon Brothers World Government Bond Index.

The following table depicts the available yields from various global markets as of January 10, 1995 and shows the wide range of yields among various markets. Yield is a measure of the income generated by an investment and is not a complete measure of performance. Yield does not include the effect of appreciation or depreciation of the underlying investment due to changes in interest rates or currency valuations or other market conditions, which may vary from one global market to another. Thus, it is possible for a lower yielding investment to outperform a higher yielding investment on a total return basis.

AVAILABLE YIELDS: INTERNATIONAL BONDS

<TABLE>  
<CAPTION>

	Long-Term Gov'ts.
<S>	<C>
Australia.....	10.42%
Belgium.....	8.32
Canada.....	9.33
France.....	8.16
Germany.....	7.48
Holland.....	7.60
Italy.....	12.26
Japan.....	4.65
Spain.....	13.41
Sweden.....	10.90
Switzerland.....	5.21
Britain.....	8.71
United States.....	7.83

</TABLE>

Source: The Economist. The Economist obtains its yield information from the following sources: Banco Bilbao Vizcaya, Chase Manhattan, Belgium Bankers Association, Royal Bank of Canada, Westpac Banking Corp., Credit Lyonnais,

INVESTMENT MANAGER AND UNDERWRITER

INVESTMENT MANAGER. Kemper Financial Services, Inc. ("KFS"), 120 South LaSalle Street, Chicago, Illinois 60603, is the Fund's investment manager. Pursuant to the investment management agreement, KFS acts as the Fund's investment adviser, manages its investments, administers its business affairs, furnishes office facilities and equipment, provides clerical, bookkeeping and administrative services and permits any of its officers or employees to serve without compensation as trustees or officers of the Fund if elected to such positions. The investment management agreement provides that the Fund shall pay the charges and expenses of its operations, including the fees and expenses of the trustees (except those who are officers or employees of KFS), independent auditors, counsel, custodian and transfer agent and the cost of share certificates, reports and notices to shareholders, brokerage commissions or transaction costs, costs of calculating net asset value, taxes and membership dues. The Fund bears the expenses of registration of its shares with the Securities and Exchange Commission, while Kemper Distributors, Inc., as principal underwriter, pays the cost of qualifying and maintaining the qualification of each Fund's shares for sale under the securities laws of the various states. KFS has agreed to reimburse the Fund to the extent required by applicable state expense limitations should all operating expenses of the Fund, including the investment management fees of KFS but excluding taxes, interest, distribution services fees, extraordinary expenses, brokerage commissions or transaction costs and any other properly excludable expenses, exceed the applicable state expense limitations. The investment manager believes that the most restrictive state expense limitation currently in effect would require that such operating expenses not exceed 2.5% of the first \$30 million of average daily net assets, 2% of the next \$70 million and 1.5% of average daily net assets over \$100 million. Under such state expense limitation, custodian costs attributable to foreign securities that are in excess of similar domestic custodian costs are excluded from operating expenses. The Fund may elect to seek an exemption from any otherwise applicable state expense limitation and, if any such exemption were obtained, the Fund would be subject to such limitations as may be required by such exemption.

The investment management agreement provides that KFS shall not be liable for any error of judgment or of law, or for any loss suffered by the Fund in connection with the matters to which the agreements relate, except a loss resulting from willful misfeasance, bad faith or gross negligence on the part of KFS in the performance of its obligations and duties, or by reason of its reckless disregard of its obligations and duties under each agreement.

The Fund's investment management agreement continues in effect from year to year so long as its continuation is approved at least annually by (a) a majority of the trustees who are not parties to such agreement or interested persons of any such party except in their capacity as trustees of the Fund and (b) by the shareholders or the Board of Trustees of the Fund. The Fund's investment management agreement may be terminated at any time upon 60 days' notice by either party, or by a majority vote of the outstanding shares of the Fund, and will terminate automatically upon assignment. If additional series

become subject to the investment management agreement, the provisions concerning continuation, amendment and termination shall be on a series by series basis. Additional series may be subject to a different agreement.

PRINCIPAL UNDERWRITER. Pursuant to an underwriting agreement ("underwriting agreement"), Kemper Distributors, Inc. ("KDI"), an affiliate of KFS, is the principal underwriter for the shares of the Fund and acts as agent of the Fund in the continuous offering of its shares. KDI bears all of its expenses of providing services pursuant to the underwriting agreement. The Fund pays the cost for the prospectus and shareholder reports to be set in type and printed for existing shareholders, and KDI pays for the printing and distribution of copies thereof used in connection with the offering of shares to prospective investors. KDI also pays for supplementary sales literature and advertising costs.

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The underwriting agreement continues in effect from year to year so long as such continuance is approved at least annually by a vote of the Board of Trustees of the Fund, including the Trustees who are not interested persons of the Fund and who have no direct or indirect financial interest in the agreement. The agreement automatically terminates in the event of its assignment and may be terminated at any time without penalty by the Fund or by KDI upon six months' notice. Termination by the Fund may be by vote of a majority of the Board of Trustees, or a majority of the Trustees who are not interested persons of the Fund and who have no direct or indirect financial interest in the agreement, or a "majority of the outstanding voting securities" of the Fund, as defined under the Investment Company Act of 1940.

Certain trustees or officers of the Fund are also directors or officers of KFS, KDI or Kemper Investment Management Company Limited, a wholly owned subsidiary of KFS, as indicated under "Officers and Trustees."

CUSTODIAN AND SHAREHOLDER SERVICE AGENT. The Chase Manhattan Bank, N.A., Chase MetroTech Center, Brooklyn, New York 11245, as custodian, has custody of all securities and cash of the Fund held outside the United States. Investors Fiduciary Trust Company ("IFTC"), 127 West 10th Street, Kansas City, Missouri 64105, as custodian, and the United Missouri Bank, n.a., Tenth and Grand Streets, Kansas City, Missouri 64105 and State Street Bank and Trust Company, 225 Franklin Street, Boston, Massachusetts 02110, as sub-custodians, have custody of all securities and cash of the Fund maintained in the United States. They attend to the collection of principal and income, and payment for and collection of proceeds of securities bought and sold by the Fund. IFTC is also the Fund's transfer agent and dividend-paying agent. Pursuant to a services agreement with IFTC, Kemper Service Company ("KSvC"), an affiliate of KFS, serves as "Shareholder Service Agent." IFTC receives an annual fee as custodian for each Fund of \$.10 per \$1,000 of average monthly net assets plus certain transaction charges and out-of-pocket expense reimbursement. IFTC receives as transfer agent, and pays to KSvC, annual account fees of \$6 per account plus account set up, transaction, maintenance and disaster recovery charges, and out-of-pocket expense reimbursement. IFTC's fee is reduced by certain earnings credits in favor of the Fund.

INDEPENDENT AUDITORS AND REPORTS TO SHAREHOLDERS. The Fund's independent auditors, Ernst & Young LLP, 233 South Wacker Drive, Chicago, Illinois 60606,

audit and report on the Fund's annual financial statements, review certain regulatory reports and the Fund's federal income tax return, and perform other professional accounting, auditing, tax and advisory services when engaged to do so by the Fund. Shareholders will receive annual audited financial statements and semi-annual unaudited financial statements.

#### PORTFOLIO TRANSACTIONS

KFS is the investment manager for the Kemper Funds and KFS and its affiliates furnish investment management services to other clients including Kemper Corporation and the Kemper insurance companies. KFS is the sole shareholder of Kemper Asset Management Company and Kemper Investment Management Company Limited. These three entities share some common research and trading facilities. At times investment decisions may be made to purchase or sell the same investment securities for the Fund and for one or more of the other clients managed by KFS. When two or more of such clients are simultaneously engaged in the purchase or sale of the same security, the transactions are allocated as to amount and price in a manner considered equitable to each and so that each receives, to the extent practicable, the average price of such transactions.

National securities exchanges have established limitations governing the maximum number of options in each class which may be written by a single investor or group of investors acting in concert. An exchange may order the liquidation of positions found to be in violation of these limits, and it may impose certain other sanctions. These position limits may restrict the number of options the Fund will be able to write on a particular security.

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The above mentioned factors may have a detrimental effect on the quantities or prices of securities and options and futures contracts available to the Fund. On the other hand, the ability of the Fund to participate in volume transactions may produce better executions for the Fund in some cases. The Board of Trustees of the Fund believes that the benefits of KFS's organization outweigh any limitations that may arise from simultaneous transactions or position limitations.

KFS, in effecting purchases and sales of portfolio securities for the account of the Fund, will implement the Fund's policy of seeking best execution of orders, which includes best net prices, except to the extent that KFS may be permitted to pay higher brokerage commissions for research services as described below. Consistent with this policy, orders for portfolio transactions are placed with broker-dealer firms giving consideration to the quality, quantity and nature of each firm's professional services, which include execution, clearance procedures, wire service quotations and statistical and other research information provided to the Fund and KFS. Any research benefits derived are available for all clients, including clients of affiliated companies. Since it is only supplementary to KFS's own research efforts and must be analyzed and reviewed by KFS' staff, the receipt of research information is not expected to materially reduce expenses. In selecting among firms believed to meet the criteria for handling a particular transaction, KFS may give consideration to those firms that have sold or are selling shares of the Fund and of other funds managed by KFS, as well as to those firms that provide market, statistical and other research information to

the Fund and KFS, although KFS is not authorized to pay higher commissions or, in the case of principal trades, higher prices to firms that provide such services, except as provided below.

KFS may in certain instances be permitted to pay higher brokerage commissions (not including principal trades) solely for receipt of market, statistical and other research services. Subject to Section 28(e) of the Securities Exchange Act of 1934 and procedures that may be adopted by the Board of Trustees of the Fund, the Fund could pay a firm that provides research services to KFS a commission for effecting a securities transaction for the Fund in excess of the amount other firms would have charged for the transaction if KFS determines in good faith that the greater commission is reasonable in relation to the value of the research services provided by the executing firm viewed in terms either of a particular transaction or KFS's overall responsibilities to the Fund or other clients. Not all of such research services may be useful or of value in advising the Fund. Research benefits will be available for all clients of KFS and its subsidiaries. The investment management fee paid by the Fund to KFS is not reduced because KFS receives these research services.

#### PURCHASE AND REDEMPTION OF SHARES

As described in the prospectus, Fund shares are sold at their public offering price, which is the net asset value next determined after an order is received in proper form. The minimum initial investment is \$1 million which amount may be changed at any time. Subsequent investments may be made in any amount. An order for the purchase of shares that is accompanied by a check drawn on a foreign bank (other than a check drawn on a Canadian bank in U.S. Dollars) will not be considered in proper form and will not be processed unless and until the Fund determines that it has received payment of the proceeds of the check. The time required for such a determination will vary and cannot be determined in advance. The amount received by a shareholder upon redemption or repurchase may be more or less than the amount paid for such shares depending on the market value of a Fund's portfolio securities at the time.

Upon receipt by the Shareholder Service Agent of a request for redemption, shares of the Fund will be redeemed by the Fund at the applicable net asset value per share of the Fund as described in the Fund's prospectus. When the Fund is asked to redeem shares for which it may not yet have received good payment, it may delay the mailing of a redemption check until it has determined that collected funds have been received for the purchase of such shares, which will be up to 15 days.

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The Fund may suspend the right of redemption or delay payment more than seven days (a) during any period when the New York Stock Exchange ("Exchange") is closed other than customary weekend and holiday closings or during any period in which trading on the Exchange is restricted, (b) during any period when an emergency exists as a result of which (i) disposal of the Fund's investments is not reasonably practicable, or (ii) it is not reasonably practicable for the Fund to determine the value of its net assets, or (c) for such other periods as the Securities and Exchange Commission may by order permit for the protection of the Fund's shareholders. The amount received by a shareholder upon redemption or repurchase may be more or less than the amount paid for such shares depending on the market value of the Fund's portfolio securities

at the time.

Although it is the Fund's present policy to redeem in cash, if the Board of Trustees determines that a material adverse effect would be experienced by the remaining shareholders if payment were made wholly in cash, the Fund will satisfy the redemption request in whole or in part by a distribution of portfolio securities in lieu of cash, in conformity with the applicable rules of the Securities and Exchange Commission, taking such securities at the same value used to determine net asset value, and selecting the securities in such manner as the Board of Trustees may deem fair and equitable. If such a distribution occurred, shareholders receiving securities and selling them could receive less than the redemption value of such securities and in addition would incur certain transaction costs. Such a redemption would not be so liquid as a redemption entirely in cash. The Fund has elected to be governed by Rule 18f-1 under the Investment Company Act of 1940 pursuant to which the Fund is obligated to redeem shares solely in cash up to the lesser of \$250,000 or 1% of the net assets of the Fund during any 90-day period for any one shareholder of record.

#### OFFICERS AND TRUSTEES

The officers and trustees of the Fund, their principal occupations and their affiliations, if any, with Kemper Financial Services, Inc., the investment manager, and Kemper Distributors, Inc., the principal underwriter, are as follows (The number following each person's title is the number of Kemper Investment Companies in which he or she holds similar positions):

CHARLES M. KIERSCHT, President and Trustee\* (31), 120 South LaSalle Street, Chicago, Illinois; Chairman of the Board, Chief Executive Officer, President and Director, Kemper Financial Services, Inc. and Kemper Financial Companies, Inc.; Executive Vice President and Director, Kemper Corporation; Director, Kemper Distributors, Inc.

ARTHUR R. GOTTSCHALK, Trustee (10), 10642 Brookridge Drive, Frankfort, Illinois; Retired; formerly, President, Illinois Manufacturers Association; Trustee, Illinois Masonic Medical Center; Member, Board of Governors, Heartland Institute/Illinois; formerly, Illinois State Senator.

FREDERICK T. KELSEY, Trustee (10), 3133 Laughing Gull Court, John's Island, South Carolina; Retired; formerly, consultant to Goldman, Sachs & Co.; formerly, President, Treasurer and Trustee of Institutional Liquid Assets and its affiliated mutual funds, presently comprising the Goldman Sachs Funds Group, and currently Trustee of certain funds in that Group.

STEPHEN B. TIMBERS, Vice President and Trustee\* (31), Kemper Center, Long Grove, Illinois; President, Chief Operating Officer and Director, Kemper Corporation; Director, Kemper Financial Services, Inc., Kemper Financial Companies, Inc. and Kemper Securities, Inc.

JOHN B. TINGLEFF, Trustee (10), 2015 South Lake Shore Drive, Harbor Springs, Michigan; President, Tingleff & Associates (management consulting firm); formerly, Senior Vice President, Continental Illinois National Bank & Trust Company.



JOHN G. WEITHERS, Trustee (10), 311 Springlake, Hinsdale, Illinois; formerly, Chairman of the Board and Chief Executive Officer, Chicago Stock Exchange; Director, Federal Life Insurance Company; Vice Chairman and Trustee, DePaul University.

SANDY A. LINCOLN, Vice President\* (31), 120 South LaSalle Street, Chicago, Illinois; Chief Investment Officer, Senior Executive Vice President and Director, Kemper Financial Services, Inc.; Senior Vice President and Chief Investment Officer, Kemper Corporation.

JOHN E. PETERS, Vice President\* (31), 120 South LaSalle Street, Chicago, Illinois; Senior Executive Vice President, Kemper Financial Services, Inc.; President and Director, Kemper Distributors, Inc.

J. PATRICK BEIMFORD, JR., Vice President\* (24), 120 South LaSalle Street, Chicago, Illinois; Executive Vice President and Director of the Fixed Income Investments, Kemper Financial Services, Inc.

GORDON K. JOHNS, Vice President\* (3), 1 Fleet Place, London EC4M 7RQ, Director and Managing Director, Kemper Investment Management Company Limited; Executive Vice President and Director of International Fixed Income Investments, Kemper Financial Services, Inc.; formerly, Director and Head of Fixed Investment Management, Lazard Investors, Ltd., a London based investment manager.

CHARLES F. CUSTER, Vice President and Assistant Secretary\* (31), 222 North LaSalle Street, Chicago, Illinois; Partner, Vedder, Price, Kaufman & Kammholz (attorneys), Legal Counsel to the Fund.

JEROME L. DUFFY, Treasurer\* (31), 120 South LaSalle Street, Chicago, Illinois; Senior Vice President, Kemper Financial Services, Inc.

PHILIP J. COLLORA, Vice President and Assistant Secretary\* (31), 120 South LaSalle Street, Chicago, Illinois; Attorney, Senior Vice President and Assistant Secretary, Kemper Financial Services, Inc.

ELIZABETH C. WERTH, Assistant Secretary\* (23), 120 South LaSalle Street, Chicago, Illinois; Vice President and Director of State Registrations, Kemper Financial Services, Inc.

\*Interested persons as defined in the Investment Company Act of 1940.

The trustees and officers who are "interested persons" as designated above receive no compensation from the Fund, except that Mr. Custer's law firm receives fees from the Fund as counsel to the Fund. The table below shows amounts estimated to be paid or accrued to those trustees who are not designated "interested persons" during the Fund's 1995 fiscal year except that the information in the last column is for calendar year 1994. The Fund pays trustees who are not designated above as "interested persons" an annual retainer of \$1,500 plus an attendance fee of \$200 per Board meeting and \$100 per committee meeting attended.

<TABLE>  
<CAPTION>

	PENSION OR	TOTAL COMPENSATION
--	------------	-----------------------

NAME OF TRUSTEE	AGGREGATE COMPENSATION FROM FUND	RETIREMENT BENEFITS ACCRUED AS PART OF FUND EXPENSES	KEMPER FUNDS PAID TO TRUSTEES**
<S>	<C>	<C>	<C>
Arthur R. Gottschalk*.....	\$2,500	\$0	\$61,000
Frederick T. Kelsey*.....	\$2,500	\$0	\$60,600
John B. Tingleff.....	\$2,500	\$0	\$62,500
John G. Weithers.....	\$2,500	\$0	\$64,300

</TABLE>

\*Includes current fees deferred and interest pursuant to deferred compensation agreements with the Fund. Deferred amounts accrue interest monthly at a rate equal to the yield of Kemper Money Market Fund -- Money Market Portfolio.

\*\*Includes compensation for service as a trustee for twenty-one fund portfolios for calendar year 1994. Also includes estimated amounts for new funds that assume the fund existed at the beginning of the year.

As of January 27, 1995, the trustees and officers as a group owned less than 1% of the then outstanding shares of the Fund and KFS owned of record all of the outstanding shares of the Fund.

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#### SHAREHOLDER RIGHTS

The Fund generally is not required to hold meetings of their shareholders. Under the Agreement and Declaration of Trust of the Fund ("Declaration of Trust"), however, shareholder meetings will be held in connection with the following matters: (a) the election or removal of trustees if a meeting is called for such purpose; (b) the adoption of any contract for which approval by shareholders is required by the Investment Company Act of 1940 ("1940 Act"); (c) any termination of the Fund or a series or class to the extent and as provided in the Declaration of Trust; (d) any amendment of the Declaration of Trust (other than amendments changing the name of the Fund, supplying any omission, curing any ambiguity or curing, correcting or supplementing any defective or inconsistent provision thereof); and (e) such additional matters as may be required by law, the Declaration of Trust, the By-laws of the Fund, or any registration of the Fund with the Securities and Exchange Commission or any state, or as the trustees may consider necessary or desirable. The shareholders also would vote upon changes in fundamental investment objectives, policies or restrictions.

Each trustee serves until the next meeting of shareholders, if any, called for the purpose of electing trustees and until the election and qualification of a successor or until such trustee sooner dies, resigns, retires or is removed by a majority vote of the shares entitled to vote (as described below) or a majority of the trustees. In accordance with the 1940 Act (a) the Fund will hold a shareholder meeting for the election of trustees at such time as less than a majority of the trustees have been elected by shareholders, and (b) if, as a result of a vacancy in the Board of Trustees, less than two-thirds of the trustees have been elected by the shareholders, that vacancy will be filled only by a vote of the shareholders.

Trustees may be removed from office by a vote of the holders of a majority of

the outstanding shares at a meeting called for that purpose, which meeting shall be held upon the written request of the holders of not less than 10% of the outstanding shares. Upon the written request of ten or more shareholders who have been such for at least six months and who hold shares constituting at least 1% of the outstanding shares of the Fund stating that such shareholders wish to communicate with the other shareholders for the purpose of obtaining the signatures necessary to demand a meeting to consider removal of a trustee, the Fund has undertaken to disseminate appropriate materials at the expense of the requesting shareholders.

The Fund's Declaration of Trust provides that the presence at a shareholder meeting in person or by proxy of at least 30% of the shares entitled to vote on a matter shall constitute a quorum. Thus, a meeting of shareholders of the Fund could take place even if less than a majority of the shareholders were represented on its scheduled date. Shareholders would in such a case be permitted to take action which does not require a larger vote than a majority of a quorum, such as the election of trustees and ratification of the selection of independent auditors. Some matters requiring a larger vote under the Declaration of Trust, such as termination or reorganization of the Fund and certain amendments of the Declaration of Trust, would not be affected by this provision; nor would matters which under the 1940 Act require the vote of a "majority of the outstanding voting securities" as defined in the 1940 Act.

The Fund's Declaration of Trust specifically authorizes the Board of Trustees to terminate the Fund or any series or class by notice to the shareholders without shareholder approval.

Under Massachusetts law, shareholders of a Massachusetts business trust could, under certain circumstances, be held personally liable for obligations of the Fund. The Declaration of Trust, however, disclaims shareholder liability for acts or obligations of the Fund and requires that notice of such disclaimer be given in each agreement, obligation, or instrument entered into or executed by the Fund or the Fund's trustees. Moreover, the Declaration

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of Trust provides for indemnification out of Fund property for all losses and expenses of any shareholder held personally liable for the obligations of the Fund and the Fund will be covered by insurance which the trustees consider adequate to cover foreseeable tort claims. Thus, the risk of a shareholder incurring financial loss on account of shareholder liability is considered by KFS remote and not material, since it is limited to circumstances in which a disclaimer is inoperative and the Fund itself is unable to meet its obligations.

#### REPORT OF INDEPENDENT AUDITORS

The Board of Trustees and Shareholder  
Kemper International Bond Fund

We have audited the accompanying statement of net assets of Kemper International Bond Fund as of December 16, 1994. This statement of net assets is the responsibility of the Fund's management. Our responsibility is to express an opinion on this statement of net assets based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of net assets is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of net assets. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of net assets presentation. We believe that our audit of the statement of net assets provides a reasonable basis for our opinion.

In our opinion, the statement of net assets referred to above presents fairly, in all material respects, the financial position of Kemper International Bond Fund at December 16, 1994 in conformity with generally accepted accounting principles.

Ernst & Young LLP

Chicago, Illinois  
December 16, 1994

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KEMPER INTERNATIONAL BOND FUND  
STATEMENT OF NET ASSETS--DECEMBER 16, 1994

ASSETS

<TABLE>

<S>	<C>
Cash.....	\$100,000
	-----

NET ASSETS

Net assets, applicable to 11,111.111 shares of beneficial interest outstanding, equivalent to \$9.00 per share (unlimited number of shares authorized, no par value).....	\$100,000
	-----

THE PRICING OF SHARES

Net asset value, offering price and redemption price per share (\$100,000 / 11,111.111 shares outstanding).....	\$ 9.00
	-----

</TABLE>

NOTES:

The Fund was organized as a business trust under the laws of The Commonwealth of Massachusetts on March 2, 1990. 11,111.111 shares of beneficial interest of the Fund were issued to Kemper Financial Services, Inc. ("KFS"), the investment manager for the Fund, on December 16, 1994 for \$100,000 cash. The Fund has no prior operating history.

The cost of organization of Kemper International Bond Fund will be paid by KFS.

#### APPENDIX--RATINGS OF INVESTMENTS

##### STANDARD & POOR'S CORPORATION BOND RATINGS

AAA. Debt rated AAA had the highest rating assigned by Standard & Poor's. Capacity to pay interest and repay principal is extremely strong.

AA. Debt rated AA has a very strong capacity to pay interest and repay principal and differs from the higher rated issues only in small degree.

A. Debt rated A has a strong capacity to pay interest and repay principal although it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher rated categories.

BBB. Debt rated BBB is regarded as having an adequate capacity to pay interest and repay principal. Whereas it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for debt in this category than in higher rated categories.

BB, B, CCC, CC AND C. Debt rated BB, B, CCC, CC and C is regarded, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. BB indicates the lowest degree of speculation and C the highest degree of speculation. While such debt will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.

CI. The rating CI is reserved for income bonds on which no interest is being paid.

D. Debt rated D is in default, and payment of interest and/or repayment of principal is in arrears.

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##### MOODY'S INVESTORS SERVICE, INC., BOND RATINGS

AAA. Bonds which are rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt-edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

AA. Bonds which are rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long term risks appear somewhat larger than in Aaa securities.

A. Bonds which are rated A possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment sometime in the future.

BAA. Bonds which are rated Baa are considered as medium grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

BA. Bonds which are rated Ba are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.

B. Bonds which are rated B generally lack characteristics of the desirable investment. Assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small.

CAA. Bonds which are rated Caa are of poor standing. Such issues may be in default or there may be present elements of danger with respect to principal or interest.

CA. Bonds which are rated Ca represent obligations which are speculative in a high degree. Such issues are often in default or have other marked shortcomings.

C. Bonds which are rated C are the lowest rated class of bonds and issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

#### IBCA LIMITED BOND RATINGS

AAA. Obligations for which there is the lowest expectation of investment risk. Capacity for timely repayment of principal and interest is substantial, such that adverse changes in business, economic or financial conditions are unlikely to increase investment risk significantly.

AA. Obligations for which there is a very low expectation of investment risk. Capacity for timely repayment of principal and interest is substantial. Adverse changes in business, economic or financial conditions may increase investment risk albeit not very significantly.

A. Obligations for which there is a low expectation of investment risk. Capacity for timely repayment of principal and interest is strong, although adverse changes in business, economic or financial conditions may lead to increased investment risk.

BBB. Obligations for which there is currently a low expectation of investment risk. Capacity for timely repayment of principal and interest is adequate, although adverse changes in business, economic or financial conditions are more likely to lead to increased investment risk than for obligations in

higher categories.

Kemper International Bond Fund  
Semiannual Report to Shareholders  
June 30, 1995

Kemper International Bond Fund

<TABLE>  
<CAPTION>  
Statement of Net Assets  
June 30, 1995

<S>	<C>
Assets	
-----	
Federal Home Loan Mortgage Corporation 5.88%, due 7/05/1995, \$140,000 par (Cost: \$139,909)	\$139,916
-----	
Cash	2,613
-----	
Interest receivable	38,154
-----	
Total assets	180,683
-----	
Liabilities and Net Assets	
-----	
Payable for:	
Investments purchased	73,819
-----	
Other	2,142
-----	
Total liabilities	75,961

-----  
 Net assets applicable to 11,111  
 shares outstanding, no par value,  
 equivalent to \$9.42 per share \$104,722  
 =====

Analysis of Net Assets

-----  
 Accumulated net realized gain on  
 investments and foreign currency  
 transactions 97,918  
 -----

Unrealized appreciation of  
 investments and foreign currency  
 transactions 402  
 -----

Undistributed net investment income 6,402  
 -----

Net assets applicable to shares  
 outstanding \$104,722  
 =====

The Pricing of Shares

-----  
 Net asset value, offering and  
 redemption price per share  
 (\$104,722/11,111 shares outstanding) \$9.42  
 =====

</TABLE>

See accompanying Notes to Financial Statements.

(1)

Kemper International Bond Fund

<TABLE>

<CAPTION>

Statement of Operations

For the Period from February 1, 1995  
 (initial public offering) to June 30, 1995

-----  
 <S> <C>

Interest income \$107,119  
 -----

Expenses

-----  
 Management fee 10,326



Other	2,673
Total expenses	12,999
Net investment income	94,120
Net realized and unrealized gain on investments	
Net realized gain on investments and foreign currency transactions	134,745
Net change in unrealized appreciation of investments and foreign currency transactions	402
Net gain on investments	135,147
Net increase in assets resulting from operations	\$229,267

Statement of Changes in Net Assets  
For the Period from February 1, 1995  
(initial public offering) to June 30, 1995

Operations	
Net investment income	\$ 94,120
Net realized gain on investments and foreign currency transactions	134,745
Net change in unrealized appreciation	402
Net increase in net assets resulting from operations	229,267

Net equalization charges	(87,718)
-----	
Net decrease from capital share transactions	(136,827)
-----	
Total increase in net assets	4,722
-----	

Net assets	
-----	
Beginning of period	100,000
-----	
End of period (including undistributed net investment income of \$6,402)	\$ 104,722
=====	

</TABLE>

See accompanying Notes to Financial Statements.

(2)

Kemper International Bond Fund

Notes to Financial Statements

1. Significant accounting policies

Investment valuation

Investments are stated at value. Fixed income securities are valued by using market quotations, or independent pricing services that use prices provided by market makers or estimates of market values obtained from yield data relating to instruments or securities with similar characteristics. Portfolio securities that are traded on a domestic securities exchange are valued at the last sale price on the exchange where primarily traded or, if there is no recent sale, at the last current bid quotation. Portfolio securities that are primarily traded on foreign securities exchanges are generally valued at the preceding closing values of such securities on their respective exchanges where primarily traded. Forward foreign currency contracts and foreign currencies are valued at the forward and current exchange rates, respectively, prevailing on the day of valuation. Other securities and assets are valued at fair value as determined in good faith by the Board of Trustees.

Currency translation

The books and records of the Fund are maintained in U.S. dollars. All assets and liabilities initially expressed in foreign currency values are converted into

U.S. dollar values at the mean between the bid and offered quotations of such currencies against U.S. dollars as last quoted by a recognized dealer. If such quotations are not readily available, the rate of exchange is determined in good faith by the Board of Trustees.

Income and expenses and purchases and sales of investments are translated into U.S. dollars at the rate of exchange prevailing on the respective dates of such transactions. The Fund includes that portion of the results of operations resulting from changes in foreign exchange rates with net realized and unrealized gain or loss from investments and foreign currency transactions, as appropriate.

#### Investment transactions and investment income

Investment transactions are accounted for on the trade date (date the order to buy or sell is executed). Interest income is recorded on the accrual basis; it includes premium and discount amortization on money market instruments and discount amortization on long-term fixed income securities. Realized gains and losses from investment transactions are reported on an identified cost basis.

#### Fund share valuation

Fund shares are sold and redeemed on a continuous basis at net asset value. On each day the New York Stock Exchange is open for trading, the net asset value per share is determined as of the earlier of 3:00 p.m. Chicago time or the close of the Exchange by dividing the net assets by the number of outstanding shares. Because of the need to obtain prices as of the close of trading on various exchanges throughout the world, the calculation of net asset value does not take place contemporaneously with the determination of the prices of the Fund's foreign securities.

#### Federal income taxes and dividends to shareholders

The Fund has complied with the special provisions of the Internal Revenue Code available to investment companies and therefore no federal income tax provision is required.

Distributions to shareholders are determined in accordance with income tax principles, which may treat certain transactions different than generally accepted accounting principles.

(3)

Kemper International Bond Fund

-----

=====

Equalization accounting

A portion of proceeds from sales and cost of redemptions of Fund shares is credited or charged to undistributed net investment income so that income per share available for distribution is not affected by sales or redemptions of shares.

## 2. Transactions with affiliates

### Management agreement

The Fund has a management agreement with Kemper Financial Services, Inc. (KFS), and pays a management fee at an annual rate of .75% of the first \$250 million of average daily net assets declining gradually to .62% of average daily net assets in excess of \$12.5 billion. For the period ended June 30, 1995, the Fund incurred a management fee of \$10,326.

### Officers and Trustees

Certain officers or trustees of the Fund are also officers or directors of KFS. During the period ended June 30, 1995, the Fund made no direct payments to its officers or independent trustees.

## 3. Investment transactions

For the period ended June 30, 1995, investment transactions (excluding short-term instruments) are as follows:

Purchases	\$9,238,351
Proceeds from sales	9,380,468

## 4. Capital share transactions

The following table summarizes the activity in capital shares of the Fund:

<TABLE>  
<CAPTION>

	Period ended June 30, 1995	
	Shares	Amount
	-----	-----
<S>	<C>	<C>
Shares sold	770,926	\$ 7,000,000
-----		
Shares redeemed	(770,926)	(7,136,827)
-----		
Net decrease from capital share transactions		\$ (136,827)
=====		

</TABLE>

## Kemper International Bond Fund

&lt;TABLE&gt;

&lt;CAPTION&gt;

Financial Highlights

For the period from February 1, 1995 (initial public offering) to June 30, 1995

&lt;S&gt; &lt;C&gt;

## Per Share Operating Performance:

Net asset value, beginning of period	\$9.00
--------------------------------------	--------

Net investment income	.02
-----------------------	-----

Net realized and unrealized gain on investments and foreign currency transactions	.40
---	-----

Net asset value, end of period	\$9.42
--------------------------------	--------

Total Return (%)	4.67
------------------	------

## Ratios to Average Net Assets (%):

Expenses	.94
----------	-----

Net investment income	6.87
-----------------------	------

## Supplemental Data:

Net assets at end of period	\$104,722
-----------------------------	-----------

Portfolio Turnover Rate (%)	60
-----------------------------	----

## Note:

Ratios have been determined on an annualized basis while total return is not annualized.

</TABLE>

(5)

KEMPER INTERNATIONAL BOND FUND

PART C.

OTHER INFORMATION

ITEM 24. FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial Statements

(i) Financial statements included in Part A of the Registration Statement:

None.

(ii) Financial statements included in Part B of the Registration Statement:

Statement of Net Assets--December 16, 1994.

Report of Independent Auditors.

Statement of Net Assets--June 30, 1995 (unaudited).

Statement of Operations for the period from February 1, 1995 to June 30, 1995 (unaudited).

Statement of Changes in Net Assets for the period from February 1, 1995 to June 30, 1995 (unaudited).

Notes to Financial Statements.

Schedule I has been omitted as the required information is presented in the Statement of Net Assets at June 30, 1995.

Schedules II, III, IV, V, VI and VII are omitted as the required information is not present.

(b) Exhibits

<TABLE>

<C>	<S>
99.b1.	Amended and Restated Agreement and Declaration of Trust.
99.b2.	By-Laws.
99.b3.	Inapplicable.
99.b4.	Text of Share Certificate.
99.b5.	Investment Management Agreement.
99.b6.	(a) Underwriting Agreement. (b) Form of Selling Group Agreement.
99.b7.	Inapplicable.

- 99.b8. (a) Custody Agreement.
- (b) Custody Agreement.
- 99.b9. Agency Agreement.
- 99.b10. Inapplicable.
- 99.b11. Consent of Independent Auditors.
- 99.b12. Inapplicable.
- 99.b13. Subscription Agreement.
- 99.b14. Inapplicable.
- 99.b15. Inapplicable.
- 99.b16. Inapplicable.
- 99.b24. Powers of Attorney.
- 99.b485.(b) Representation of Counsel (Rule 485(b)).
- 27. Financial Data Schedule.

</TABLE>

ITEM 25. PERSONS CONTROLLED BY OR UNDER COMMON CONTROL WITH REGISTRANT

Inapplicable.

ITEM 26. NUMBER OF HOLDERS OF SECURITIES

As of July 14, 1995, there was no holder of record of Kemper International Bond Fund.

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ITEM 27. INDEMNIFICATION

Article VIII of the Registrant's Agreement and Declaration of Trust (Exhibit 1 hereto, which is incorporated herein by reference) provides in effect that the Registrant will indemnify its officers and trustees under certain circumstances. However, in accordance with Section 17(h) and 17(i) of the Investment Company Act of 1940 and its own terms, said Article of the Agreement and Declaration of Trust does not protect any person against any liability to the Registrant or its shareholders to which he would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties involved in the conduct of his office.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to trustees, officers, and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a trustee, officer, or controlling person of the Registrant in the successful defense of any action, suit, or proceeding) is asserted by such trustee, officer, or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question as to whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

ITEM 28.(A) BUSINESS AND OTHER CONNECTIONS OF INVESTMENT ADVISER

Information pertaining to business and other connections of the Registrant's investment adviser is hereby incorporated by reference to the section of the Prospectus captioned "Investment Manager and Underwriter," and to the section of the Statement of Additional Information captioned "Investment Manager and Underwriter."

Kemper Financial Services, Inc., investment adviser of the Registrant, is investment adviser of the following:

Kemper Mutual Funds:	Kemper Global Income Fund
Kemper Technology Fund	Kemper Target Equity Fund
Kemper Total Return Fund	Cash Account Trust
Kemper Growth Fund	Investors Cash Trust
Kemper Small Capitalization Equity Fund	Tax-Exempt New York Money Market Fund
Kemper Income and Capital Preservation Fund	
Kemper Money Market Fund	Kemper Closed-End Funds:
Kemper National Tax-Free Income Series	
Kemper Diversified Income Fund	Kemper High Income Trust
Kemper High Yield Fund	Kemper Intermediate Government Trust
Cash Equivalent Fund	Kemper Municipal Income Trust
Kemper U.S. Government Securities Fund	Kemper Multi-Market Income Trust
Kemper International Fund	Kemper Strategic Municipal Income Trust
Kemper Portfolios	The Growth Fund of Spain, Inc.
Kemper State Tax-Free Income Series	Kemper Strategic Income Fund
Tax-Exempt California Money Market Fund	
Kemper Adjustable Rate U.S. Government Fund	
Kemper Blue Chip Fund	

Kemper Financial Services, Inc. also furnishes investment advice to and manages investment portfolios for other clients including Kemper Investors Fund and Sterling Funds.

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Item 28(b) Business and Other Connections of Officers and Directors of Kemper Financial Services Inc., the Investment Advisor

BORIS, JAMES R.

Director, Kemper Financial Services, Inc.  
Director, INVEST Financial Corporation  
Director, INVEST Financial Corporation Holding Company  
Executive Vice President, Kemper Corporation  
Director, Executive Vice President, Kemper Financial Companies, Inc.  
Director, Kemper Investors Life Insurance Company  
Director, Kemper Sales Company  
Director, Chairman and CEO, Kemper Securities, Inc.

MATHIS, DAVID B.

Director, Kemper Financial Services, Inc.  
Director, Federal Kemper Life Assurance Company  
Director, Fidelity Life Association



Director, Chairman and Chief Executive Officer, Kemper Corporation  
Director, Kemper Financial Companies, Inc.  
Director, Kemper Investors Life Insurance Company  
Director, Kemper Securities Holdings, Inc.  
Director, Kemper Securities, Inc.  
Director, IMC Global, Inc.  
Trustee, Kemper Mutual Funds  
Trustee, Kemper Closed-End Funds  
Trustee, Kemper International Bond Fund

TIMBERS, STEPHEN B.

Director, Chairman, Chief Executive Officer and Chief Investment Officer, Kemper Financial Services, Inc.  
Director, Kemper Advisors, Inc.  
Director, Vice President, Kemper Asset Holdings, Inc.  
Director, Kemper Distributors, Inc.  
Director, Chairman, Kemper Asset Management Company  
Director, Chairman, Kemper Service Company  
Director, Federal Kemper Life Assurance Company  
Director, Vice President, FKLA Loire Court, Inc.  
Director, Vice President, FKLA Realty Corporation  
Director, President, Galaxy Offshore, Inc.  
Director, Vice President, FLA First Nationwide, Inc.  
Director, Vice President, FLA Plate Building, Inc.  
Director, Vice President, FLA Realty Corp.  
Trustee and President, Kemper Closed-End Funds  
Director, President and Chief Operating Officer, Kemper Corporation  
Director, Chairman, President and Chief Executive Officer, Kemper Financial Companies, Inc.  
Director, President, Kemper International Management, Inc.  
Trustee and Vice President, Kemper Investors Fund  
Director, Kemper Investors Life Insurance Company

Trustee and President, Kemper Mutual Funds  
Director, Vice President, Kemper Portfolio Corp.  
Director, Vice President, Kemper Real Estate, Inc.  
Director, Kemper Securities, Inc.  
Director, Kemper Securities Holdings, Inc.  
Director, Vice President, Kemper/Cymrot Management, Inc.  
Director, Vice President, Kemper/Cymrot, Inc.  
Director, Vice President, KFC Portfolio Corp.  
Director, Vice President, KID Aaron Rents, Inc.  
Director, Vice President, KI Arnold Industrial, Inc.  
Director, Vice President, KI Canyon Park, Inc.  
Director, Vice President, KI Dublin Boulevard, Inc.  
Director, Vice President, KI LaFiesta Square, Inc.  
Director, Vice President, KI Monterey Research, Inc.  
Director, Vice President, KI Olive Street, Inc.  
Director, Vice President, KI Sutter Street, Inc.  
Director, Vice President, KI Thornton Boulevard, Inc.  
Director, Vice President, KILICO Realty Corporation  
Director, Vice President, KR 77 Fitness Center, Inc.  
Director, Vice President, KR Avondale Redmond, Inc.  
Director, Vice President, KR Black Mountain, Inc.

Director, Vice President, KR Brannan Resources, Inc.  
Director, Vice President, KR Clay Capital, Inc.  
Director, Vice President, KR Cranbury, Inc.  
Director, Vice President, KR Delta Wetlands, Inc.  
Director, Vice President, KR Gainesville, Inc.  
Director, Vice President, KR Hotels, Inc.  
Director, Vice President, KR Lafayette Apartments, Inc.  
Director, Vice President, KR Lafayette BART, Inc.  
Director, Vice President, KR Palm Plaza, Inc.  
Director, Vice President, KR Red Hill Associates, Inc.  
Director, Vice President, KR Seagate/Gateway North, Inc.  
Director, Vice President, KR Venture Way, Inc.  
Director, Vice President, KR Walnut Creek, Inc.  
Trustee, Vice President, Sterling Funds  
Director, The LTV Corporation  
Director, Gillett Holdings, Inc.  
Director, Investment Analysts Society of Chicago

NEAL, JOHN E.

Director, President and Chief Operating Officer, Kemper Financial Services, Inc.  
Director, President, Kemper Advisors, Inc.  
Director, President, Kemper Service Company  
Director, Kemper Distributors, Inc.  
Director, Kemper Asset Management Company  
Director, Supervised Service Company  
Director, Ardenwood Financial Corporation  
Director, Avondale Redmond, Inc.  
Director, Bedford Holding Company  
Director, Black Mountain, Inc.  
Director, Brannan Resources, Inc.  
Director, Butterfield Financial Corporation  
Director, Camelot Financial Corporation

Director, Clay Capital, Inc.  
Director, Concord Aviation, Inc.  
Director, Coast Broadcasting Company  
Director, Crow Canyon, Inc.  
Director, Hawaii Kai Development Company  
Director, Kacor Gateway, Inc.  
Director, Kailua Associates, Inc.  
Director, Kacor Trust Deed Company  
Director, Community Investment Corporation  
Director, Continental Community Development Corporation  
Director, President, FKLA Loire Court, Inc.  
Director, President, FKLA Realty Corporation  
Director, President, FLA First Nationwide, Inc.  
Director, President, FLA Plate Building, Inc.  
Director, President, FLA Realty Corporation  
Director, Kemper/Lumbermens Properties, Inc.  
Director, Senior Vice President, Kemper Real Estate Management Company  
Director, KRDC, Inc.  
Director, Lafayette Apartments  
Director, Lafayette Hills, Inc.  
Director, Margarita Village Retirement Community

Director, Mesa Homes  
Director, Mesa Homes Brokerage Company  
Director, Mount Doloroes Corporation  
Director, Montgomery Gallery, Inc.  
Director, Monterey Research Park, Inc.  
Director, One Business Centre  
Director, Pacific Homes, Inc.  
Director, Palomar Triad, Inc.  
Director, Pine/Battery Properties, Inc.  
Director, Rancho and Industrial Property Brokerage, Inc.  
Director, Rancho California, Inc.  
Director, Rancho Regional Shopping Center, Inc.  
Director, Red Hill Associates, Inc.  
Director, Seagate Associates, Inc.  
Director, Seattle Gateway, Inc.  
Director, Sutter Street, Inc.  
Director, Technology Way, Inc.  
Director, Time DC, Inc.  
Director, Tourelle, Inc.  
Director, Two Corporate Center  
Director, Venture Way, Inc.  
Director, President, Kemper Portfolio Corporation  
Director, President, KFC Portfolio Corporation  
Director, President, KILICO Realty Corporation  
Director, President, KI Arnold Industrial, Inc.  
Director, President, KI Canyon Park, Inc.  
Director, President, KI Dublin Boulevard, Inc.  
Director, President, KI LaFiesta Square, Inc.  
Director, President, KI Lafayette BART, Inc.  
Director, President, KI Monterey Research, Inc.  
Director, President, KI Olive Street, Inc.  
Director, President, KI Thornton Boulevard, Inc.

Director, President, KI Sutter Street, Inc.  
Director, President, KR 77 Fitness Center, Inc.  
Director, President, KR Avondale Redmond, Inc.  
Director, President, KR Black Mountain, Inc.  
Director, President, KR Brannan Resources, Inc.  
Director, President, KR Clay Capital, Inc.  
Director, President, KR Cranbury, Inc.  
Director, President, KR Delta Wetlands, Inc.  
Director, President, KR Gainesville, Inc.  
Director, President, KR Hotels, Inc.  
Director, President, KR Lafayette Apartments, Inc.  
Director, President, KR Palm Plaza, Inc.  
Director, President, KR Red Hill Associates, Inc.  
Director, President, KR Seagate/Gateway North, Inc.  
Director, President, KR Venture Way, Inc.  
Director, President, KR Walnut Creek, Inc.  
Director, K-P Greenway, Inc.  
Director, K-P Enterprise Centers, Inc.  
Director, K-P Plaza Dallas, Inc.  
Director, Kemper/Prime Acquisition Fund, Inc.  
Director, KRDC, Inc.  
Director, RespiteCare

Director, President, SMS Realty Corp.  
Director, Urban Shopping Centers, Inc.

PETERS, JOHN E.

Director, Senior Executive Vice President, Kemper Financial Services, Inc.  
Director, Senior Vice President, Kemper Advisors, Inc.  
Director, President, Kemper Distributors, Inc.  
Director, President, Kemper Sales Company  
Vice President, Kemper Asset Management Company  
Vice President, Kemper Closed-End Funds  
Vice President, Kemper International Bond Fund  
Vice President, Kemper Investors Fund  
Vice President, Kemper Mutual Funds  
Vice President, Kemper Target Equity Fund  
Director, Kemper Service Company  
Vice President, Sterling Funds

FITZPATRICK, JOHN H.

Director, Chief Financial Officer, Kemper Financial Services, Inc.  
Director, Ardenwood Financial Corporation  
Director, Camelot Financial Corporation  
Director, Crow Canyon, Inc.  
Director, Hawaii Kai Development Company  
Director, Kacor Gateway, Inc.  
Director, Kacor Trust Deed Company  
Director, Senior Vice President and Chief Financial Officer, Federal Kemper Life Assurance Company  
Senior Vice President, Chief Financial Officer, Fidelity Life Association  
Director, Vice President, FKLA Loire Court, Inc.

Director, Vice President, FLA First Nationwide, Inc.  
Director, Vice President, FLA Plate Building, Inc.  
Director, Executive Vice President and Chief Financial Officer, Kemper Corporation  
Director, Executive Vice President and Chief Financial Officer, Kemper Financial Companies, Inc.  
Senior Vice President, Kemper Investors Life Insurance Company  
Director, Senior Vice President, Kemper Real Estate Management Company  
Director, Vice President, Kemper/Cymrot Management, Inc.  
Director, Vice President, Kemper/Cymrot, Inc.  
Director, Vice President, Kemper/Lumbermens Properties, Inc.  
Director, Senior Vice President, Kemper Real Estate Management Company  
Director, KRDC, Inc.  
Director, Margarita Retirement Community, Inc.  
Director, Mesa Homes  
Director, Mesa Homes Brokerage Company  
Director, Montgomery Gallery, Inc.  
Director, One Corporate Centre, Inc.  
Director, Pacific Homes, Inc.  
Director, Palomar Triad, Inc.  
Director, Pine/Battery Property, Inc.

Director, Rancho and Industrial Property Brokerage, Inc.  
Director, Rancho California, Inc.  
Director, Rancho Regional Shopping Center, Inc.  
Director, Seattle Gateway, Inc.  
Director, SMS Realty Corporation  
Director, Sutter Street, Inc.  
Director, Time DC, Inc.  
Director, Two Corporate Center  
Director, Vice President, KFC Portfolio Corp.  
Director, Vice President, KI Aaron Rents, Inc.  
Director, Vice President, KI Arnold Industrial, Inc.  
Director, Vice President, KI Canyon Park, Inc.  
Director, Vice President, KI Dublin Boulevard, Inc.  
Director, Vice President, KI Lafayette BART, Inc.  
Director, Vice President, KI LaFiesta Square, Inc.  
Director, Vice President, KI Monterey Research, Inc.  
Director, Vice President, KI Olive Street, Inc.  
Director, Vice President, KI Thornton Boulevard, Inc.  
Director, Vice President, KILICO Realty Corporation  
Director, Vice President, KR 77 Fitness Center, Inc.  
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Director, Vice President, KR Black Mountain, Inc.  
Director, Vice President, KR Brannan Resources, Inc.  
Director, Vice President, KR Clay Capital, Inc.  
Director, Vice President, KR Cranbury, Inc.  
Director, Vice President, KR Delta Wetlands, Inc.  
Director, Vice President, KR Gainesville, Inc.  
Director, Vice President, KR Hotels, Inc.  
Director, Vice President, KR Lafayette Apartments, Inc.  
Director, Vice President, KR Palm Plaza, Inc.  
Director, Vice President, KR Red Hill Associates, Inc.

Director, Vice President, KR Seagate/Gateway North, Inc.  
Director, Vice President, KR Venture Way, Inc.  
Director, Vice President, KR Walnut Creek, Inc.

BEIMFORD, JR., JOSEPH P.

Executive Vice President, Kemper Financial Services, Inc.  
Vice President, Cash Account Trust  
Vice President, Cash Equivalent Fund  
Vice President, Galaxy Offshore, Inc.  
Vice President, Investors Cash Trust  
Vice President, Kemper Adjustable Rate U.S. Government Fund  
Vice President, Kemper Diversified Income Fund  
Vice President, Kemper Global Income Fund  
Vice President, Kemper High Income Trust  
Vice President, Kemper High Yield Fund  
Vice President, Kemper Income and Capital Preservation Fund  
Vice President, Kemper Intermediate Government Trust  
Vice President, Kemper International Bond Fund  
Vice President, Kemper Investors Fund  
Vice President, Kemper Money Market Fund  
Vice President, Kemper Multi-Market Income Trust  
Vice President, Kemper Municipal Income Trust  
Vice President, Kemper National Tax-Free Income Series

Vice President, Kemper Portfolios  
Vice President, Kemper State Tax-Free Income Series  
Vice President, Kemper Strategic Income Fund  
Vice President, Kemper Strategic Municipal Income Trust  
Vice President, Kemper U.S. Government Securities Fund  
Vice President, Sterling Funds  
Vice President, Tax-Exempt California Money Market Fund  
Vice President, Tax-Exempt New York Money Market Fund

CHAPMAN II, WILLIAM E.

Executive Vice President, Kemper Financial Services, Inc.  
Director, Executive Vice President, Kemper Distributors, Inc.

COTNER, C. BETH

Executive Vice President, Kemper Financial Services, Inc.  
Trustee, Kemper Financial Services, Inc., Profit Sharing Plan  
Vice President, Kemper Blue Chip Fund  
Vice President, Kemper Growth Fund  
Vice President, Kemper Investors Fund  
Vice President, Kemper Small Capitalization Equity Fund  
Vice President, Kemper Target Equity Fund  
Vice President, Kemper Technology Fund  
Vice President, Kemper Total Return Fund  
Vice President, Sterling Funds

COXON, JAMES H.

Executive Vice President, Kemper Financial Services, Inc.  
Director, Vice President, Galaxy Offshore, Inc.  
Executive Vice President, Kemper Asset Management Company

FERRO, DENNIS H.

Executive Vice President, Kemper Financial Services, Inc.  
Vice President, Kemper International Fund  
Director, Managing Director-Equities, Kemper Investment  
Management Company Limited  
Vice President, Kemper Investors Fund  
Vice President, Kemper Target Equity Fund  
Vice President, The Growth Fund of Spain, Inc.

GREENAWALT, JAMES L.

Executive Vice President, Kemper Financial Services, Inc.  
Director, Executive Vice President, Kemper Distributors, Inc.  
Director, Kemper Sales Company

JOHNS, GORDON K.

Executive Vice President, Kemper Financial Services, Inc.  
Vice President, Kemper Global Income Fund  
Vice President, Kemper Diversified Income Fund  
Vice President, Kemper International Bond Fund  
Vice President, Kemper International Management, Inc.  
Managing Director and Joint Secretary, Kemper Investment  
Management Company Limited  
Vice President, Kemper Multi-Market Income Trust  
Director, Thames Heritage Parade Limited

LANGBAUM, GARY A.

Executive Vice President, Kemper Financial Services, Inc.  
Vice President, Kemper Total Return Fund  
Vice President, Kemper Investors Fund

SILIGMUELLER, DALE S.

Executive Vice President, Kemper Financial Services, Inc.  
Director, Executive Vice President, Kemper Service Company  
Director, Executive Vice President, Supervised Service Company, Inc.  
Director, Kemper Advisors, Inc.

BUKOWSKI, DANIEL J.

Senior Vice President, Kemper Financial Services, Inc.

BUTLER DAVID H.

Senior Vice President, Kemper Financial Services, Inc.

CERVONE, DAVID M.

Senior Vice President, Kemper Financial Services, Inc.

CESSINE, ROBERT S.

Senior Vice President, Kemper Financial Services, Inc.  
Vice President, Kemper Income and Capital Preservation Fund  
Vice President, Kemper Diversified Income Fund

CHESTER, TRACY McCORMICK

Senior Vice President, Kemper Financial Services, Inc.  
Vice President, Kemper Blue Chip Fund

Vice President, Kemper Target Equity Fund

COLLECCHIA, FRANK E.

Senior Vice President, Kemper Financial Services, Inc.  
Senior Investment Officer, Federal Kemper Life Assurance Company  
Senior Investment Officer, Fidelity Life Association  
Vice President, FKLA Loire Court, Inc.  
Vice President, FLA First Nationwide, Inc.  
Vice President, FLA Plate Building, Inc.  
Vice President, Galaxy Offshore, Inc.  
Senior Investment Officer, Kemper Investors Life Insurance Company  
Vice President, KI Aaron Rents, Inc.  
Vice President, KI Arnold Industrial, Inc.  
Vice President, KI Canyon Park, Inc.  
Vice President, KI Dublin Boulevard, Inc.  
Vice President, KI Lafayette BART, Inc.  
Vice President, KI LaFiesta Square, Inc.  
Vice President, KI Monterey Research, Inc.  
Vice President, KI Olive Street, Inc.  
Vice President, KI Thornton Boulevard, Inc.  
Vice President, KR 77 Fitness Center, Inc.  
Vice President, KR Avondale Redmond, Inc.  
Vice President, KR Black Mountain, Inc.  
Vice President, KR Brannan Resources, Inc.  
Vice President, KR Clay Capital, Inc.

Vice President, KR Cranbury, Inc.  
Vice President, KR Delta Wetlands, Inc.  
Vice President, KR Gainesville, Inc.  
Vice President, KR Gulf Coast Factory Shops, Inc.  
Vice President, KR Halawa Associates, Inc.  
Vice President, KR Hotels, Inc.  
Vice President, KR Lafayette Apartments, Inc.  
Vice President, KR Palm Plaza, Inc.  
Vice President, KR Red Hill Associates, Inc.  
Vice President, KR Seagate/Gateway North, Inc.  
Vice President, KR Venture Way, Inc.  
Vice President, KR Walnut Creek, Inc.

COLLORA, PHILIP J.

Senior Vice President and Assistant Secretary, Kemper Financial Services, Inc.  
Vice President and Secretary, Kemper Closed-End Funds  
Assistant Secretary, Kemper International Management, Inc.  
Vice President and Secretary, Kemper Investors Fund  
Vice President and Secretary, Kemper Mutual Funds  
Vice President and Secretary, Kemper Target Equity Fund  
Vice President and Secretary, Sterling Funds  
Vice President and Secretary, Kemper International Bond Fund

DIERENFELDT, DAVID F.

Senior Vice President, Associate General Counsel,  
Assistant Secretary and Compliance Officer, Kemper Financial

Services, Inc.  
Secretary, Kemper Advisors, Inc.  
Vice President and Secretary, Kemper Distributors, Inc.  
Assistant Secretary, Galaxy Offshore, Inc.  
Director, Secretary, INVEST Financial Corporation  
Secretary, INVEST Financial Corporation Holding Company  
Assistant Secretary, Investors Brokerage Services Insurance Agency, Inc.  
Assistant Secretary, Investors Brokerage Services, Inc.  
Secretary, Kemper Asset Management Company  
Assistant Secretary, Kemper International Management, Inc.  
Assistant Secretary, Kemper Investment Management Company Limited  
Vice President and Assistant Secretary, Kemper Investors Fund  
Secretary, Kemper Sales Company  
Secretary, Kemper Service Company  
Secretary, Supervised Service Company, Inc.

DUDASIK, PATRICK H.

Senior Vice President, Kemper Financial Services, Inc.  
Treasurer, Kemper Advisors, Inc.  
Vice President and Treasurer, Kemper Asset Management Company  
Treasurer and Chief Financial Officer, Kemper Distributors, Inc.  
Director, Treasurer and Chief Financial Officer, Kemper Sales Company  
Treasurer and Chief Financial Officer, Kemper Service Company  
Treasurer and Chief Financial Officer, Supervised Service Company, Inc.  
Director and Treasurer, Kemper Investment Management Company Limited

DUFFY, JEROME L.

Senior Vice President, Kemper Financial Services, Inc.



Treasurer, Kemper Closed-End Funds  
Treasurer, Kemper International Bond Fund  
Treasurer, Kemper Investors Fund  
Treasurer, Kemper Mutual Funds  
Treasurer, Kemper Target Equity Fund  
Treasurer, Sterling Funds

GLASSMAN, HARVEY

Senior Vice President, Kemper Financial Services, Inc.

GOERS, RICHARD A.

Senior Vice President, Kemper Financial Services, Inc.  
Vice President, Kemper Technology Fund

GUENTHER, HAROLD E.

Senior Vice President, Kemper Financial Services, Inc.  
Vice President, Galaxy Offshore, Inc.

HUSSEY, KAREN A.

Senior Vice President, Kemper Financial Services, Inc.  
Vice President, Kemper Investors Fund

Vice President, Kemper Small Capitalization Equity Fund

INNES, BRUCE D.

Vice President, Kemper Financial Services, Inc.  
Co-President, International Association of Corporate and Professional Recruiters

KLEIN, GEORGE

Senior Vice President, Kemper Financial Services, Inc.  
Director, Executive Vice President, Kemper Asset Management Company

KORTH, FRANK D.

Senior Vice President, Kemper Financial Services, Inc.  
Vice President, Kemper Technology Fund

McNAMARA, MICHAEL A.

Senior Vice President, Kemper Financial Services, Inc.  
Vice President, Kemper Diversified Income Fund  
Vice President, Kemper High Income Trust  
Vice President, Kemper High Yield Fund  
Vice President, Kemper Investors Fund

MIER, CHRISTOPHER J.

Senior Vice President, Kemper Financial Services, Inc.  
Vice President, Kemper National Tax-Free Income Series  
Vice President, Kemper Municipal Income Trust  
Vice President, Kemper State Tax-Free Income Series  
Vice President, Kemper Strategic Municipal Income Trust  
Vice President, Sterling Funds

MURRIHY, MAURA J.

Senior Vice President, Kemper Financial Services, Inc.

NATHANSON, IRA

Senior Vice President, Kemper Financial Services, Inc.  
Vice President, Kemper Corporation

NEEL, JAMES R.

Senior Vice President, Kemper Financial Services, Inc.  
Executive Vice President, Kemper Asset Management Company

RACHWALSKI, JR. FRANK J.

Senior Vice President, Kemper Financial Services, Inc.  
Vice President, Cash Account Trust  
Vice President, Cash Equivalent Fund  
Vice President, Investors Cash Trust  
Vice President, Kemper Investors Fund  
Vice President, Kemper Money Market Fund  
Vice President, Kemper Portfolios  
Vice President, Sterling Funds  
Vice President, Tax-Exempt California Money Market Fund  
Vice President, Tax-Exempt New York Money Market Fund

REGNER, THOMAS M.

Senior Vice President, Kemper Financial Services, Inc.

RESIS, JR., HARRY E.

Senior Vice President, Kemper Financial Services, Inc.  
Vice President, Kemper Diversified Income Fund  
Vice President, Kemper High Income Trust  
Vice President, Kemper High Yield Fund  
Vice President, Kemper Investors Fund

SCHUMACHER, ROBERT T.

Senior Vice President, Kemper Financial Services, Inc.

SLOAN, PAUL F.

Senior Vice President, Kemper Financial Services, Inc.  
Vice President, Kemper Investors Fund  
Vice President, Kemper Intermediate Government Trust  
Vice President, Kemper Multi-Market Income Trust  
Vice President, Kemper Strategic Income Fund  
Vice President, Kemper Diversified Income Fund  
Vice President, Kemper Portfolios  
Vice President, Kemper U.S. Government Securities Fund  
Vice President, Kemper Adjustable Rate U.S. Government Fund

BURROW, DALE R.

First Vice President, Kemper Financial Services, Inc.  
Vice President, Kemper Strategic Municipal Income Trust

BYRNES, ELIZABETH A.

First Vice President, Kemper Financial Services, Inc.  
Vice President, Kemper Adjustable Rate U.S. Government Fund  
Vice President, Kemper Intermediate Government Trust

CHIEN, CHRISTINE

First Vice President, Kemper Financial Services, Inc.

DeMAIO, CHRIS C.

First Vice President, Kemper Financial Services, Inc.  
Vice President and Chief Accounting Officer, Kemper Service Company  
Vice President and Chief Accounting Officer, Supervised Service Company, Inc.

DEXTER, STEPHEN P.

First Vice President, Kemper Financial Services, Inc.

DOYLE, DANIEL J.

First Vice President, Kemper Financial Services, Inc.

FENGER, JAMES E.

First Vice President, Kemper Financial Services, Inc.

FISHER, REMY M.

First Vice President, Kemper Financial Services, Inc.

HALE, DAVID D.

First Vice President, Kemper Financial Services, Inc.

HARRINGTON, MICHAEL E.

First Vice President, Kemper Financial Services, Inc.

HORTON, ROBERT J.

First Vice President, Kemper Financial Services, Inc.

JACOBS, PETER M.

First Vice President, Kemper Financial Services, Inc.

KEELEY, MICHELLE M.

First Vice President, Kemper Financial Services, Inc.  
Vice President, Kemper Intermediate Government Trust  
Vice President, Kemper Portfolios

KIEL, CAROL L.

First Vice President, Kemper Financial Services, Inc.

LAUGHLIN, ANN M.

First Vice President, Kemper Financial Services, Inc.

LENTZ, MAUREEN P.

First Vice President, Kemper Financial Services, Inc.

McCRINDLE-PETRARCA, SUSAN

First Vice President, Kemper Financial Services, Inc.

PAYNE, III, ROBERT D.

First Vice President, Kemper Financial Services, Inc.

PANOZZO, ROBERTA L.

First Vice President, Kemper Financial Services, Inc.

RATEKIN, DIANE E.

First Vice President, Assistant General Counsel and Assistant Secretary, Kemper Financial Services, Inc.  
Assistant Secretary, Kemper Distributors, Inc.

SILVIA, JOHN E.

First Vice President, Kemper Financial Services, Inc.

STUEBE, JOHN W.

First Vice President, Kemper Financial Services, Inc.  
Vice President, Cash Account Trust  
Vice President, Cash Equivalent Fund

THOUIN-LEERKAMP, EDITH A.

First Vice President, Kemper Financial Services, Inc.  
Director-European Equities, Kemper Investment Management Company Limited

TRUTTER, JONATHAN W.

First Vice President, Kemper Financial Services, Inc.  
Vice President, Kemper Diversified Income Fund  
Vice President, Kemper Multi-Market Income Trust  
Vice President, Kemper Strategic Income Fund

VINCENT, CHRISTOPHER T.

First Vice President, Kemper Financial Services, Inc.  
First Vice President, Kemper Asset Management Company

WILLSON, STEPHEN R.

First Vice President, Kemper Financial Services, Inc.  
Vice President, Kemper Strategic Municipal Income Trust

WITTNEBEL, MARK E.

First Vice President, Kemper Financial Services, Inc.

CARNEY, ANNE T.

Vice President, Kemper Financial Services, Inc.

COHEN, JERRI I.

Vice President, Kemper Financial Services, Inc.

GERACI, AUGUST L.

Vice President, Kemper Financial Services, Inc.

GERICKE, KATHLEEN E.

Vice President, Kemper Financial Services, Inc.

GOLAN, JAMES S.

Vice President, Kemper Financial Services, Inc.

HESS, THOMAS L.

Vice President, Kemper Financial Services, Inc.

HUOT, LISA L.

Vice President, Kemper Financial Services, Inc.

KARWOWSKI, KENNETH F.

Vice President, Kemper Financial Services, Inc.

KNAPP, WILLIAM M.

Vice President, Kemper Financial Services, Inc.

KOCH, DEBORAH L.

Vice President, Kemper Financial Services, Inc.

KOVACS, WILLIAM P.

Vice President and Assistant Secretary, Kemper Financial Services, Inc.

KRANZ, KATHY J.

Vice President, Kemper Financial Services, Inc.

KRUEGER, PAMELA D.

Vice President, Kemper Financial Services, Inc.

LeFEBVRE, THOMAS J.

Vice President, Kemper Financial Services, Inc.

MANGIPUDI, V. RAO

Vice President, Kemper Financial Services, Inc.

McGOVERN, KAREN B.

Vice President, Kemper Financial Services, Inc.

MILLER, MAUREEN A.

Vice President, Kemper Financial Services, Inc.

MINER, EDWARD

Vice President, Kemper Financial Services, Inc.

MITCHELL, KATHERINE H.

Vice President, Kemper Financial Services, Inc.

PANOZZO, ALBERT R.

Vice President, Kemper Financial Services, Inc.

PONTECORE, SUSAN E.

Vice President, Kemper Financial Services, Inc.

QUADRINI, LISA L.

Vice President, Kemper Financial Services, Inc.

RADIS, STEVE A.

Vice President, Kemper Financial Services, Inc.

ROKOSZ, PAUL A.

Vice President, Kemper Financial Services, Inc.

SMITH, ROBERT G.

Vice President, Kemper Financial Services, Inc.

TEPPER, SHARYN A.

Vice President, Kemper Financial Services, Inc.

WERTH, ELIZABETH C.

Vice President, Kemper Financial Services, Inc.

Vice President, Kemper Distributors, Inc.

Assistant Secretary, Kemper Mutual Funds

Assistant Secretary, Kemper International Bond Fund

Assistant Secretary, Kemper Target Equity Fund

Assistant Secretary, Sterling Funds

WIZER, BARBARA K.

Vice President, Kemper Financial Services, Inc.

ZURAWSKI, CATHERINE N.

Vice President, Kemper Financial Services, Inc.

ITEM 29. PRINCIPAL UNDERWRITERS

(a) Kemper Distributors, Inc. acts as principal underwriter and distributor of the Registrant's shares, and acts as principal underwriter of the Kemper Mutual Funds, Kemper Investors Fund and Sterling Funds.

(b) Information on the officers and directors of Kemper Distributors, Inc., principal underwriter for the Registrant is set forth below. The principal business address is 120 South LaSalle Street, Chicago, Illinois 60603.

<TABLE>

<CAPTION>

NAME	POSITIONS AND OFFICES WITH UNDERWRITER	POSITIONS AND OFFICES WITH REGISTRANT
<S>	<C>	<C>
John E. Peters	Principal, President	Vice President
William E. Chapman, II	Director, Executive Vice President	None
James L. Greenawalt	Director, Executive Vice President	None
John E. Neal	Director	None
Stephen B. Timbers	Director	President, Trustee
Patrick H. Dudasik	Financial Principal, Treasurer and Chief Financial Officer	None
Linda A. Bercher	Senior Vice President	None
Terry Cunningham	Senior Vice President	None
Daniel T. O'Lear	Senior Vice President	None
John H. Robison, Jr.	Senior Vice President	None
Henry J. Schulthesz	Senior Vice President	None
David F. Dierenfeldt	Vice President, Secretary	None
Thomas V. Bruns	Vice President	None
Carlene D. Merold	Vice President	None
Jeff M. Warland	Vice President	None

Elizabeth C. Werth	Vice President	Assistant Secretary
Kathleen A. Gallichio	Assistant Secretary	None
Diane E. Ratekin	Assistant Secretary	None

(c) Not applicable.

ITEM 30. LOCATION OF ACCOUNTS AND RECORDS

All such accounts, books and other documents are maintained at the offices of the Registrant, the offices of Registrant's investment adviser, Kemper Financial Services, Inc., 120 South LaSalle Street, Chicago, Illinois 60603, at the offices of the Registrant's principal underwriter, Kemper Distributors, Inc., 120 South LaSalle Street, Chicago, Illinois 60603, at the offices of the custodian and transfer agent, Investors Fiduciary Trust Company, 127 West 10th Street, Kansas City, Missouri 64105, at the offices of the custodian, The Chase Manhattan Bank, Chase MetroTech Center, Brooklyn, New York 11245 or at the offices of the shareholder services agent, Kemper Service Company, 811 Main Street, Kansas City, Missouri 64105.

ITEM 31. MANAGEMENT SERVICES

Not applicable.

ITEM 32. UNDERTAKINGS

(a) Not applicable.

(b) Not applicable.

(c) Registrant undertakes to furnish to each person to whom a prospectus is delivered a copy of the Registrant's latest annual report to shareholders, upon request and without charge.

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SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933 AND THE INVESTMENT COMPANY ACT OF 1940, THE REGISTRANT CERTIFIES THAT IT MEETS ALL OF THE REQUIREMENTS FOR EFFECTIVENESS OF THIS REGISTRATION STATEMENT PURSUANT TO RULE 485(B) UNDER THE SECURITIES ACT OF 1933 AND HAS DULY CAUSED THIS REGISTRATION STATEMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF CHICAGO AND STATE OF ILLINOIS, ON THE 24TH DAY OF JULY, 1995.

Kemper International Bond Fund

/s/ Stephen B. Timbers

By \_\_\_\_\_

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THIS REGISTRATION STATEMENT HAS BEEN SIGNED BELOW ON JULY 24, 1995 ON BEHALF OF THE FOLLOWING PERSONS IN THE CAPACITIES INDICATED.

<TABLE>  
<CAPTION>

SIGNATURE  
-----

TITLE  
-----

<S> /s/ Stephen B. Timbers _____ Stephen B. Timbers	<C> President (Principal Executive Officer) and Trustee
/s/ Arthur R. Gottschalk* _____ Arthur R. Gottschalk	Trustee
/s/ Frederick T. Kelsey* _____ Frederick T. Kelsey	Trustee
/s/ David B. Mathis* _____ David B. Mathis	Trustee
/s/ John B. Tingleff* _____ John B. Tingleff	Trustee
/s/ John G. Weithers* _____ John G. Weithers	Trustee
/s/ Jerome L. Duffy* _____ Jerome L. Duffy	Treasurer (Principal Financial and Accounting Officer)

</TABLE>

\* Philip J. Collora signs this document pursuant to powers of attorney filed herewith.

/s/ Philip J. Collora  
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Philip J. Collora

INDEX TO EXHIBITS

<TABLE>  
<CAPTION>



EXHIBITS

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99.b1.	Amended and Restated Agreement and Declaration of Trust.	
99.b2.	By-Laws.	
99.b3.	Inapplicable.	
99.b4.	Text of Share Certificate.	
99.b5.	Investment Management Agreement.	
99.b6.	(a) Underwriting Agreement. (b) Form of Selling Group Agreement.	
99.b7.	Inapplicable.	
99.b8.	(a) Custody Agreement. (b) Custody Agreement.	
99.b9.	Agency Agreement.	
99.b10.	Inapplicable.	
99.b11.	Consent of Independent Auditors.	
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99.b13.	Subscription Agreement.	
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99.b15.	Inapplicable.	
99.b16.	Inapplicable.	
99.b24.	Powers of Attorney.	
99.b485.	(b) Representation of Counsel (Rule 485(b)).	
27.	Financial Data Schedule.	

</TABLE>

KEMPER TRUST #19

AMENDED AND RESTATED  
AGREEMENT AND DECLARATION OF TRUST  
-----

WHEREAS, Article IX, Section 4 of the Agreement and Declaration of Trust of Kemper Trust #19 dated March 1, 1990 provides that the Agreement and Declaration of Trust may be amended at any time by an instrument in writing signed by a majority of the then Trustees when authorized so to do by vote of Shareholders holding a majority of the Shares entitled to vote; and

WHEREAS, the holders of a majority of the Shares entitled to vote have authorized this Amendment and Restatement of said Agreement and Declaration of Trust;

NOW, THEREFORE, said Agreement and Declaration of Trust is amended and restated to read in its entirety as follows:

WITNESSETH

WHEREAS, this Trust has been formed for the purposes of carrying on the business of a management investment company; and

WHEREAS, in furtherance of such purposes, the Trustees have acquired and may hereafter acquire assets and properties, to hold and manage as trustees of a Massachusetts voluntary association with transferable shares in accordance with the provisions hereinafter set forth;

NOW, THEREFORE, the Trustees hereby declare that they will hold all cash, securities and other assets and properties which they may from time to time acquire in any manner as Trustees hereunder IN TRUST to manage and dispose of the same upon the following terms and conditions for the pro rata benefit of the holders from time to time of shares in this Trust as hereinafter set forth.

ARTICLE I

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Name and Definitions

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Name and Registered Agent

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Section 1. This Trust shall be known as Kemper International Bond Fund and the Trustees shall conduct the business of the Trust under that name or any other name as they may from time to time determine. The registered agent for the Trust in Massachusetts shall be CT Corporation System whose address is 2 Oliver Street, Boston, Massachusetts or such other person as the Trustees may from time to time designate.

Definitions

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Section 2. Whenever used herein, unless otherwise required by the context or specifically provided:

(a) The "Trust" refers to the Massachusetts voluntary association established by this Agreement and Declaration of Trust, as amended from time to time, pursuant to Massachusetts General Laws, Chapter 182;

(b) "Trustees" refers to the Trustees of the Trust named herein or elected in accordance with Article IV and then in office;

(c) "Shares" mean the equal proportionate transferable units of interest into which the beneficial interest in the Trust shall be divided from time to time or, if more than one series or class of shares is authorized under or pursuant to Article III, the equal proportionate transferable units of interest into which each such series or class shall be divided from time to time;

(d) "Shareholder" means a record owner of Shares;

(e) The "1940 Act" refers to the Investment Company Act of 1940 (and any successor statute) and the Rules and Regulations thereunder, all as amended from time to time;

(f) The terms "Affiliated Person", "Assignment", "Commission", "Interested Person", "Principal Underwriter" and "vote of a majority of the outstanding voting securities" shall have the meanings given them in the 1940 Act;

(g) "Declaration of Trust" shall mean this Agreement and Declaration of Trust as amended or restated from time to time;

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(h) "By-Laws" shall mean the By-Laws of the Trust as amended from time to time;

(i) "Net asset value" shall have the meaning set forth in Section 6 of Article VI hereof;

(j) The terms "series" or "series of Shares" refers to the one or more separate investment portfolios of the Trust authorized under or pursuant to Article III into which the assets and liabilities of the Trust may be divided and the Shares of the Trust representing the beneficial interest of Shareholders in such respective portfolios; and

(k) The terms "class" or "class of Shares" refers to the division of Shares representing any series into two or more classes authorized under or pursuant to Article III.

## ARTICLE II

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### Nature and Purpose

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The Trust is a voluntary association (commonly known as a business trust) of the type referred to in Chapter 182 of the General Laws of the Commonwealth of Massachusetts. The Trust is not intended to be, shall not be deemed to be, and shall not be treated as, a general or a limited partnership, joint venture, corporation or joint stock company, nor shall the Trustees or Shareholders or any of them for any purpose be deemed to be, or be treated in any way whatsoever as though they were, liable or responsible hereunder as partners or joint venturers. The purpose of the Trust is to engage in, operate and carry on the business of an open-end management investment company and to do any and all acts or things as are necessary, convenient, appropriate, incidental or customary in connection therewith.

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## ARTICLE III

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Division of Beneficial Interest

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Section 1. The Shares of the Trust shall be issued in one or more series as the Trustees may, without Shareholder approval, authorize from time to time. Each series shall be preferred over all other series in respect of the assets allocated to that series as hereinafter provided. The beneficial interest in each series shall at all times be divided into Shares (without par value) of such series, each of which shall, except as provided in the following sentence, represent an equal proportionate interest in such series with each other Share of the same series, none having priority or preference over another Share of the same series. The Trustees may, without Shareholder approval, divide the Shares of any series into two or more classes, Shares of each such class having such preferences and special or relative rights or privileges (including conversion rights, if any) as the Trustees may determine. The number of Shares authorized shall be unlimited, and the Shares so authorized may be represented in part by fractional Shares. The Trustees may from time to time divide or combine the shares of any series or class into a greater or lesser number without thereby changing the proportionate beneficial interests in the series or class. Without limiting the authority of the Trustees set forth in this Section 1 to establish and designate any further series or class, the Trustees hereby establish and designate three series of Shares to be known, respectively, as: the "Money Market Portfolio," the "Government Securities Portfolio" and the "Tax-Exempt Portfolio." The establishment and designation of any series or class of Shares in addition to the foregoing shall be effective upon the execution by a majority of the then Trustees of an instrument setting forth such establishment and designation and the relative rights and preferences of such series or class. As provided in Article IX, Section 1 hereof, any series or class of Shares (whether or not there shall then be Shares outstanding of said series or class) may be terminated by the Trustees by written notice to the Shareholders of such series or class or by the vote of the Shareholders of such series or class entitled to vote more than fifty percent (50%) of the votes entitled to be cast on the matter. In the event of any such termination, a majority of the then Trustees shall execute an instrument setting forth the termination of such series or class.

Ownership of Shares

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Section 2. The ownership and transfer of Shares shall be recorded on the books of the Trust or its transfer or similar agent. No certificates certifying the ownership of Shares shall be issued except as the Trustees may otherwise determine from time to time. The Trustees may make such rules as they consider appropriate for the issuance of Share certificates, the transfer of Shares and similar matters. The record books of the Trust as kept by the Trust or any transfer or similar agent of the Trust, as the case may be, shall be conclusive as to who are the Shareholders of each series or class and as to the number of Shares of each series or class held from time to time by each Shareholder.

Investment in the Trust; Assets of a Series  
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Section 3. The Trustees may issue Shares of the Trust to such persons and on such terms and, subject to any requirements of law, for such consideration, which may consist of cash or tangible or intangible property or a combination thereof, as they may from time to time authorize.

All consideration received by the Trust for the issue or sale of Shares of a particular series, together with all income, earnings, profits, and proceeds thereof, including any proceeds derived from the sale, exchange or liquidation thereof, and any funds or payments derived from any reinvestment of such proceeds in whatever form the same may be, shall, irrevocably belong to such series of Shares for all purposes, subject only to the rights of creditors, and shall be so handled upon the books of account of the Trust and are herein referred to as "assets of" such series. Any allocation of the assets of a series among any classes of Shares of such series shall be made in a manner consistent with the preferences and special or relative rights or privileges of such classes.

Right to Refuse Orders  
-----

Section 4. The Trust by action of its Trustees shall have the right to refuse to accept any subscription for its Shares at any time without any cause or reason therefore whatsoever. Without limiting the foregoing, the Trust shall have the right not to accept subscriptions under circumstances or in amounts as the Trustees in their sole discretion consider to be disadvantageous to existing Shareholders and the Trust may from time to time set minimum and/or maximum amounts which may be invested in Shares by a subscriber.

#### Order in Proper Form

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Section 5. The criteria for determining what constitutes an order in proper form and the time of receipt of such an order by the Trust shall be prescribed by resolution of the Trustees.

#### When Shares Become Outstanding

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Section 6. Shares subscribed for and for which an order in proper form has been received shall be deemed to be outstanding as of the time of acceptance of the order therefor and the determination of the net price thereof, which price shall be then deemed to be an asset of the Trust.

#### Merger or Consolidation

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Section 7. In connection with the acquisition of all or substantially all the assets or stock of another investment company, investment trust, or of a company classified as a personal holding company under Federal Income Tax laws, the Trustees may issue or cause to be issued Shares of a series or class and accept in payment therefor, in lieu of cash, such assets at their market value, or such stock at the market value of the assets held by such investment company or investment trust, either with or without adjustment for contingent costs or liabilities.

#### No Preemptive Rights, Etc.

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Section 8. Shareholders shall have no preemptive or other right to receive, purchase or subscribe for any additional Shares or other securities issued by the Trust. The Shareholders shall have no appraisal rights with respect to their Shares and, except as otherwise determined by the Trustees in their sole discretion, shall have no exchange or conversion rights with respect to their Shares.

#### Status of Shares and Limitation of Personal Liability

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Section 9. Shares shall be deemed to be personal property giving only the rights provided in this instrument. Every Shareholder by virtue of having become a Shareholder shall be

held to have expressly assented and agreed to the terms of the Declaration of Trust and to have become a party thereto. The death of a Shareholder during the continuance of the Trust shall not operate to terminate the same nor entitle the representative of any deceased Shareholder to an accounting or to take any

action in court or elsewhere against the Trust or the Trustees, but only to the rights of said decedent under this Trust. Ownership of Shares shall not entitle the Shareholder to any title in or to the whole or any part of the Trust property or right to call for a partition or division of the same or for an accounting, nor shall the ownership of Shares constitute the Shareholders partners. Neither the Trust nor the Trustees, nor any officer, employee or agent of the Trust shall have any power to bind personally any Shareholder, nor except as specifically provided herein to call upon any Shareholder for the payment of any sum of money or assessment whatsoever other than such as the Shareholder may at any time personally agree to pay.

Shareholder Inspection Rights  
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Section 10. Any Shareholder or his agent may inspect and copy during normal business hours any of the following documents of the Trust: By-Laws, minutes of the proceedings of the Shareholders and annual financial statements of the Trust, including a balance sheet and financial statements of operations. The foregoing rights of inspection of Shareholders of the Trust are the exclusive and sole rights of the Shareholders with respect thereto and no Shareholder of the Trust shall have, as a Shareholder, the right to inspect or copy any of the books, records or other documents of the Trust except as specifically provided in this Section 10 of this Article III or except as otherwise determined by the Trustees.

ARTICLE IV  
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The Trustees  
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Number, Designation, Election, Term, Etc.  
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Section 1.

(a) Initial Trustee. Philip J. Collora, the initial



Trustee, elected other Trustees pursuant to subsection (c) of this Section 1 and then resigned.

(b) Number. The Trustees serving as such, whether named above or hereafter becoming Trustees, may increase or decrease the number of Trustees to a number other than the number theretofore determined which number shall not be less than three nor more than fifteen except during the period that the initial Trustee named above is sole Trustee. No decrease in the number of Trustees shall have the effect of removing any Trustee from

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office prior to the expiration of his term, but the number of Trustees may be decreased in conjunction with the removal of a Trustee pursuant to subsection (e) of this Section 1.

(c) Term and Election. Each Trustee, whether named above or hereafter becoming a Trustee, shall serve as a Trustee until the next meeting of Shareholders, if any, called for the purpose of considering the election or re-election of such Trustee or of a successor to such Trustee, and until the election and qualification of his successor, if any, elected at such meeting, or until such Trustee sooner dies, resigns, retires or is removed. Upon the election and qualification of a new Trustee, the Trust estate shall vest in the new Trustee (together with the continuing or other new Trustees) without any further act or conveyance. Prior to any sale of Shares pursuant to any public offering, the initial Trustee named above shall have the right to appoint other persons as Trustees each to serve as Trustees as aforesaid until the first meeting of Shareholders called for the purpose of the election or re-election of such Trustee or of a successor to such Trustee.

(d) Resignation and Retirement. Any Trustee may resign his trust or retire as a Trustee, by written instrument signed by him and delivered to the other Trustees or to the Chairman of the Board, if any, the President or the Secretary of the Trust, and such resignation or retirement shall take effect upon such delivery or upon such later date as is specified in such instrument.

(e) Removal. Any Trustee may be removed for cause at any time by written instrument, signed by at least a majority of the number of Trustees prior to such removal, specifying the date upon which such removal shall become effective. Any Trustee may be removed with or without cause (i) by the vote of the Shareholders entitled to vote more than fifty percent (50%) of the votes entitled to be cast on the matter voting together without regard to series or class at any meeting called for such

purpose, or (ii) by a written consent filed with the custodian of the Trust's portfolio securities and executed by the Shareholders entitled to vote more than fifty percent (50%) of the votes entitled to be cast on the matter voting together without regard to series or class.

Whenever ten or more Shareholders of record who have been such for at least six months preceding the date of application, and who hold in the aggregate Shares constituting at least one percent of the outstanding Shares of the Trust, shall apply to the Trustees in writing, stating that they wish to communicate with other Shareholders with a view to obtaining signatures to a request for a meeting to consider removal of a Trustee and accompanied by a form of communication and request that they wish to transmit, the Trustees shall within five business days after

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receipt of such application inform such applicants as to the approximate cost of mailing to the Shareholders of record the proposed communication and form of request. Upon the written request of such applicants, accompanied by a tender of the material to be mailed and of the reasonable expenses of mailing, the Trustees shall, within reasonable promptness, mail such material to all Shareholders of record at their addresses as recorded on the books of the Trust. Notwithstanding the foregoing, the Trustees may refuse to mail such material on the basis and in accordance with the procedures set forth in the last two paragraphs of Section 16(c) of the 1940 Act.

(f) Vacancies. Any vacancy or anticipated vacancy resulting from any reason, including without limitation the death, resignation, retirement, removal or incapacity of any of the Trustees, or resulting from an increase in the number of Trustees by the other Trustees may (but so long as there are at least three remaining Trustees, need not unless required by the 1940 Act) be filled either by a majority of the remaining Trustees, even if less than a quorum, through the appointment in writing of such other person as such remaining Trustees in their discretion shall determine or, whenever deemed appropriate by the remaining Trustees, by the election by the Shareholders, at a meeting called for such purpose, of a person to fill such vacancy. Upon the appointment or election and qualification of a new Trustee as aforesaid, the Trust estate shall vest in the new Trustee, together with the continuing Trustees, without any further act or conveyance, except that any such appointment or election in anticipation of a vacancy to occur by reason of retirement, resignation, or increase in number of Trustees to be effective at a later date shall become effective only at or after the effective date of said retirement, resignation, or increase

in number of Trustees.

(g) Mandatory Election by Shareholders. Notwithstanding the foregoing provisions of this Section 1, the Trustees shall call a meeting of the Shareholders for the election of one or more Trustees at such time or times as may be required in order that the provisions of the 1940 Act may be complied with, and the authority hereinabove provided for the Trustees to appoint any successor Trustee or Trustees shall be restricted if such appointment would result in failure of the Trust to comply with any provision of the 1940 Act.

(h) Effect of Death, Resignation, Etc. The death, resignation, retirement, removal or incapacity of the Trustees, or any one of them, shall not operate to annul or terminate the Trust or to revoke or terminate any existing agency or contract created or entered into pursuant to the terms of this Declaration of Trust.

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(i) No Accounting. Except under circumstances which would justify his removal for cause, no person ceasing to be a Trustee as a result of his death, resignation, retirement, removal or incapacity (nor the estate of any such person) shall be required to make an accounting to the Shareholders or remaining Trustees upon such cessation.

Powers

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Section 2. The Trustees, subject only to the specific limitations contained in this Declaration of Trust or otherwise imposed by the 1940 Act or other applicable law, shall have, without further or other authorization and free from any power or control of the Shareholders, full, absolute and exclusive power, control and authority over the Trust assets and the business and affairs of the Trust to the same extent as if the Trustees were the sole and absolute owners thereof in their own right and to do all such acts and things as in their sole judgment and discretion are necessary and incidental to, or desirable for the carrying out of any of the purposes of the Trust or conducting the business of the Trust. Any determination made in good faith by the Trustees of the purposes of the Trust or the existence of any power or authority hereunder shall be conclusive. In construing the provisions of this Declaration of Trust, there shall be a presumption in favor of the grant of power and authority to the Trustees. Without limiting the foregoing, the Trustees may adopt By-Laws not inconsistent with this Declaration of Trust containing provisions relating to the business of the Trust, the

conduct of its affairs, its rights or powers and the rights or powers of its Shareholders, Trustees, officers, employees and other agents and may amend and repeal them to the extent that such By-Laws do not reserve that right to the Shareholders; fill vacancies in their number, including vacancies resulting from increases in their number, unless a vote of the Trust's Shareholders is required to fill such vacancies pursuant to the 1940 Act; elect and remove such officers and appoint and terminate such agents as they consider appropriate; appoint from their own number, and terminate, any one or more committees consisting of two or more Trustees, including an executive committee which may, when the Trustees are not in session, exercise some or all of the powers and authority of the Trustees as the Trustees may determine; appoint an advisory board, the members of which shall not be Trustees and need not be Shareholders; employ one or more investment advisers or managers as provided in Section 6 of this Article IV; employ one or more custodians of the assets of the Trust and authorize such custodians to employ subcustodians and to deposit all or any part of such assets in a system or systems for the central handling of securities; retain a transfer agent or a Shareholder services agent, or both; provide for the distribution of Shares by the Trust, through one or more principal underwriters or otherwise;

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set record dates for the determination of Shareholders with respect to various matters; and in general delegate such authority as they consider desirable to any officer of the Trust, to any committee of the Trustees and to any agent or employee of the Trust or to any such custodian or underwriter.

In furtherance of and not in limitation of the foregoing, the Trustees shall have power and authority:

(a) To invest and reinvest in, to buy or otherwise acquire, to hold, for investment or otherwise, to sell or otherwise dispose of, to lend or to pledge, to trade in or deal in securities or interests of all kinds, however evidenced, or obligations of all kinds, however evidenced, or rights, warrants, or contracts to acquire such securities, interests, or obligations, of any private or public company, corporation, association, general or limited partnership, trust or other enterprise or organization, foreign or domestic, or issued or guaranteed by any national or state government, foreign or domestic, or their agencies, instrumentalities or subdivisions (including but not limited to, bonds, debentures, bills, time notes and all other evidences of indebtedness); negotiable or non-negotiable instruments; any and all futures contracts; government securities and money market instruments (including but

not limited to, bank certificates of deposit, finance paper, commercial paper, bankers acceptances, and all kinds of repurchase agreements);

(b) To invest and reinvest in, to buy or otherwise acquire, to hold, for investment or otherwise, to sell or otherwise dispose of foreign currencies, and funds and exchanges, and make deposits in banks, savings banks, trust companies, and savings and loan associations, foreign or domestic;

(c) To acquire (by purchase, lease or otherwise) and to hold, use, maintain, develop, and dispose of (by sale or otherwise) any property, real or personal, and any interest therein;

(d) To sell, exchange, lend, pledge, mortgage, hypothecate, write options on and lease any or all of the assets of the Trust;

(e) To vote or give assent, or exercise any rights of ownership, with respect to stock or other securities or property; and to execute and deliver proxies or powers of attorney to such person or persons as the Trustees shall deem proper, granting to such person or persons such power and discretion with relation to securities or property as the Trustees shall deem proper;

(f) To exercise powers and rights of subscription or otherwise which in any manner arise out of ownership of securities;

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(g) To hold any security or property in a form not indicating any trust, whether in bearer, unregistered or other negotiable form, or in the name of the Trustees or of the Trust or in the name of a custodian, subcustodian or other depository or a nominee or nominees or otherwise;

(h) Subject to the provisions of Article III, to allocate assets, liabilities, income and expenses of the Trust to a particular series of Shares or to apportion the same among two or more series, provided that any liabilities or expenses incurred by a particular series shall be payable solely out of the assets of that series; and to the extent necessary or appropriate to give effect to the preferences and special or relative rights or privileges of any classes of Shares, to allocate assets, liabilities, income and expenses of a series to a particular class of Shares of that series or to apportion the same among two or more classes of Shares of that series;

(i) To consent to or participate in any plan for the

reorganization, consolidation or merger of any corporation or issuer, any security or property of which is or was held in the Trust; to consent to any contract, lease, mortgage, purchase or sale of property by such corporation or issuer, and to pay calls or subscriptions with respect to any security held in the Trust;

(j) To join with other security holders in acting through a committee, depositary, voting trustee or otherwise, and in that connection to deposit any security with, or transfer any security to, any such committee, depositary or trustee, and to delegate to them such power and authority with relation to any security (whether or not so deposited or transferred) as the Trustees shall deem proper, and to agree to pay, and to pay, such portion of the expenses and compensation of such committee, depositary or trustee as the Trustees shall deem proper;

(k) To compromise, arbitrate or otherwise adjust claims in favor of or against the Trust or any matter in controversy, including but not limited to claims for taxes;

(l) To enter into joint ventures, general or limited partnerships and any other combinations or associations;

(m) To borrow funds;

(n) To endorse or guarantee the payment of any notes or other obligations of any person; to make contracts of guaranty or suretyship, or otherwise assume liability for payment thereof; and to mortgage and pledge the Trust property or any part thereof to secure any of or all such obligations;

(o) To purchase and pay for entirely out of Trust property such insurance as they may deem necessary or appropriate for the

conduct of the business, including, without limitation, insurance policies insuring the assets of the Trust and payment of distribution and principal on its portfolio investments, and insurance policies insuring the Shareholders, Trustees, officers, employees, agents, investment advisers or managers, principal underwriters, or independent contractors of the Trust individually against all claims and liabilities of every nature arising by reason of holding, being or having held any such office or position, or by reason of any action alleged to have been taken or omitted by any such person as Shareholder, Trustee, officer, employee, agent, investment adviser or manager, principal underwriter, or independent contractor, including any action taken or omitted that may be determined to constitute negligence, whether or not the Trust would have the power to

indemnify such person against such liability; and

(p) To pay pensions for faithful service, as deemed appropriate by the Trustees, and to adopt, establish and carry out pension, profit-sharing, share bonus, share purchase, savings, thrift and other retirement, incentive and benefit plans, trusts and provisions, including the purchasing of life insurance and annuity contracts as a means of providing such retirement and other benefits, for any or all of the Trustees, officers, employees and agents of the Trust.

The Trustees shall not in any way be bound or limited by any present or future law or custom in regard to investments by trustees of common law trusts. Except as otherwise provided herein or from time to time in the By-Laws, any action to be taken by the Trustees may be taken by a majority of the Trustees present at a meeting of Trustees (if a quorum by present), within or without Massachusetts, including any meeting held by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can communicate with each other simultaneously and participation by such means shall constitute presence in person at a meeting, or by written consents of a majority of the Trustees then in office.

Payment of Expenses, Allocation of Liabilities  
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Section 3. The Trustees are authorized to pay or to cause to be paid out of the principal or income of the Trust, or partly out of principal and partly out of income, as they deem fair, all expenses, fees, charges, taxes and liabilities incurred or arising in connection with the Trust, or in connection with the management thereof, including, but not limited to, the Trustees' compensation and such expenses and charges for the services of the Trust's officers, employees, investment adviser or manager, principal underwriter, auditor, counsel, custodian, transfer agent, shareholder servicing agent, and such other agents or

independent contractors and such other expenses and charges as the Trustees may deem necessary or proper to incur.

The assets of a particular series of Shares shall be charged with the liabilities (including, in the discretion of the Trustees or their delegate, accrued expenses and reserves) incurred in respect of such series (but not with liabilities incurred in respect of any other series) and such series shall also be charged with its share of any other liabilities. Any

allocation of the liabilities of a series among classes of Shares of that series shall be done in a manner consistent with the preferences and special or relative rights or privileges of such classes. The determination of the Trustees shall be final and conclusive as to the amount of liabilities to be charged to one or more particular series or class. The Trustees may delegate from time to time the power to make such allocation to one or more Trustees or to an agent of the Trust appointed for such purpose. The liabilities with which a series is so charged are herein referred to as the "liabilities of" such series.

Section 4. The Trustees shall have the power, as frequently as they may determine, to cause each Shareholder to pay directly, in advance or arrears, for charges for the Trust's custodian or transfer or shareholder service or similar agent, an amount fixed from time to time by the Trustees, by setting off such charges due from such Shareholder from declared but unpaid dividends owed such Shareholder and/or by reducing the number of Shares in the account of such Shareholder by that number of full and/or fractional shares which represents the outstanding amount of such charges due from such Shareholder.

#### Ownership of Assets of the Trust

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Section 5. Title to all of the assets of each series of the Trust and of the Trust shall at all times be considered as vested in the Trustees.

#### Advisory, Management and Distribution

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Section 6. Subject to a favorable vote of a majority of the outstanding voting securities of a series of the Trust, the Trustees may on behalf of such series, at any time and from time to time, contract for exclusive or nonexclusive advisory and/or management services for such series with a corporation, trust, association or other organization, every such contract to comply with such requirements and restrictions as may be set forth in the By-Laws; and any such contract may contain such other terms interpretive of or in addition to said requirements and restrictions as the Trustees may determine, including, without limitation, authority to determine from time to time what

investments shall be purchased, held, sold or exchanged and what portion, if any, of the assets of such series shall be held uninvested and to make changes in such series' investments. The Trustees may also, at any time and from time to time, contract



with a corporation, trust, association or other organization, appointing it exclusive or nonexclusive distributor or principal underwriter for the Shares, every such contract to comply with such requirements and restrictions as may be set forth in the By-Laws; and any such contract may contain such other terms interpretive of or in addition to said requirements and restrictions as the Trustees may determine.

The fact that:

(a) any of the Shareholders, Trustees or officers of the Trust is a shareholder, director, officer, partner, trustee, employee, manager, advisor, principal underwriter, or distributor or agent of or for any corporation, trust, association, or other organization, or of or for any parent or affiliate of any organization, with which an advisory or management or principal underwriter's or distributor's contract, or transfer, shareholder services or other agency contract may have been or may hereafter be made, or that any such organization, or any parent or affiliate thereof, is a Shareholder or has an interest in the Trust, or that

(b) any corporation, trust, association or other organization with which an advisory or management or principal underwriter's or distributor's contract, or transfer, shareholder services or other agency contract may have been or may hereafter be made also has an advisory or management contract, or principal underwriter's or distributor's contract, or transfer, shareholder services or other agency contract with one or more other corporations, trusts, associations, or other organizations, or has other businesses or interests shall not affect the validity of any such contract or disqualify any Shareholder, Trustee or officer of the Trust from voting upon or executing the same or create any liability or accountability to the Trust or its Shareholders.

## ARTICLE V

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### Shareholders' Voting Powers and Meetings

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#### Voting Powers

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Section 1. Subject to the voting provisions of one or more classes of Shares, the Shareholders shall have power to vote

only: (a) for the election or removal of Trustees as provided in Article IV, Section 1; (b) with respect to any investment advisor or manager as provided in Article IV, Section 6; (c) with respect to any termination or reorganization of the Trust or any series or class thereof to the extent and as provided in Article IX, Section 1; (d) with respect to any amendment of this Declaration of Trust to the extent and as provided in Article IX, Section 4; and (e) with respect to such additional matters relating to the Trust as may be required by law, the 1940 Act, this Declaration of Trust, the By-Laws or any registration of the Trust with the Securities and Exchange Commission (or any successor agency) or any state, or as the Trustees may consider necessary or desirable.

Each whole Share shall be entitled to one vote as to any matter on which it is entitled to vote and each fractional Share shall be entitled to a proportionate fractional vote. Notwithstanding any other provision of the Declaration of Trust, on any matter submitted to a vote of Shareholders all Shares of the Trust then entitled to vote shall, except to the extent otherwise required or permitted by the preferences and special or relative rights or privileges of any classes of Shares, be voted by individual series and not in the aggregate or by class, except (a) when required by the 1940 Act, Shares shall be voted in the aggregate and not by individual series; and (b) when the Trustees have determined that the matter affects only the interests of one or more series or classes, then only Shareholders of such series or class shall be entitled to vote thereon. There shall be no cumulative voting in the election of Trustees. Shares may be voted in person or by proxy.

A proxy with respect to Shares held in the name of two or more persons shall be valid if executed by any one of them unless at or prior to the exercise of the proxy the Trust receives a specific written notice to the contrary from any one of them. A proxy purporting to be executed by or on behalf of a Shareholder shall be deemed valid unless challenged at or prior to its exercise and the burden of proving invalidity shall rest on the challenger.

Until Shares of any series or class are issued, the Trustees may exercise all rights of Shareholders and may take any action required by law, this Declaration of Trust or the By-Laws to be taken by Shareholders of such series or class.

Shareholder Meetings  
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Section 2. Meetings of Shareholders (including meetings involving only one or more but less than all series or classes)

may be called and held from time to time for the purpose of taking action upon any matter requiring the vote or authority of

the Shareholders as herein provided or upon any other matter deemed by the Trustees to be necessary or desirable. Such meetings shall be held at the principal office of the Trust as set forth in the By-Laws of the Trust or at any such other place within the United States as may be designated in the call thereof, which call shall be made by the Trustees or the President of the Trust. Meetings of Shareholders may be called by the Trustees or such other person or persons as may be specified in the By-Laws upon written application by Shareholders holding at least twenty-five percent (25%) (or ten percent (10%) if the purpose of the meeting is to determine if a Trustee is to be removed from office) of the Shares then outstanding of all series and classes entitled to vote at such meeting requesting a meeting be called for a purpose requiring action by the Shareholders as provided herein or in the By-Laws which purpose shall be specified in any such written application.

Shareholders shall be entitled to at least seven days' written notice of any meeting of the Shareholders.

Quorum and Required Vote

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Section 3. The presence at a meeting of Shareholders in person or by proxy of Shareholders entitled to vote at least thirty percent (30%) of all votes entitled to be cast at the meeting of each series or class entitled to vote as a series or class shall be a quorum for the transaction of business at a Shareholders' meeting, except that where any provision of law or of this Declaration of Trust permits or requires that the holders of Shares shall vote in the aggregate and not as a series or class, then the presence in person or by proxy of Shareholders entitled to vote at least thirty percent (30%) of all votes entitled to be cast at the meeting (without regard to series or class) shall constitute a quorum. Any lesser number, however, shall be sufficient for adjournments. Any adjourned session or sessions may be held within a reasonable time after the date set for the original meeting without the necessity of further notice.

Except when a larger vote is required by any provisions of the 1940 Act, this Declaration of Trust or the By-Laws, a majority of the Shares of each series or class voted on the matter shall decide that matter insofar as that series or class is concerned, provided that where any provision of law, this Declaration of Trust or the By-Laws permits or requires that the

holders of Shares vote in the aggregate and not as a series or class, then a majority of the Shares voted on any matter (without regard to series or class) shall decide such matter and a plurality shall elect a Trustee.

Action by Written Consent

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Section 4. Any action taken by Shareholders may be taken without a meeting if Shareholders entitled to vote more than fifty percent (50%) of the votes entitled to be cast on the matter of each series or class or, where any provision of law, this Declaration of Trust or the By-Laws permits or requires that the holders of Shares vote in the aggregate and not as a series or class, if Shareholders entitled to vote more than fifty percent (50%) of the votes entitled to be cast thereon (without regard to series or class) (or in either case such larger vote as shall be required by any provision of this Declaration of Trust or the By-Laws) consent to the action in writing and such written consents are filed with the records of the meetings of Shareholders. Such consent shall be treated for all purposes as a vote taken at a meeting of Shareholders.

Additional Provisions

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Section 5. The By-Laws may include further provisions for Shareholders' votes and meetings and related matters not inconsistent with the provisions hereof.

ARTICLE VI

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Distributions, Redemptions and Repurchases,  
and Determination of Net Asset Value

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Distributions

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Section 1. The Trustees may in their sole discretion from time to time distribute to the Shareholders of any series such income and gains, accrued or realized, as the Trustees may determine, after providing for actual and accrued expenses and liabilities of such series (including such reserves as the Trustees may establish) determined in accordance with this

Declaration of Trust and good accounting practices. The Trustees shall have full discretion to determine which items shall be treated as income and which items as capital and their determination shall be binding upon the Shareholders. Distributions to any series, if any be made, shall be in Shares of such series, in cash or otherwise and on a date or dates determined by the Trustees. At any time and from time to time in their discretion, the Trustees may distribute to the Shareholders of any series as of a record date or dates determined by the Trustees, in Shares

of such series, in cash or otherwise, all or part of any gains realized on the sale or disposition of property of the series or otherwise, or all or part of any other principal of the Trust attributable to the series. Except to the extent otherwise required or permitted by the preferences and special or relative rights or privileges of any classes of Shares of that series, each distribution pursuant to this Section 1 shall be made ratably according to the number of Shares of the series held by the several Shareholders on the applicable record date thereof, provided that distributions from assets of a series may only be made to the holders of the Shares of such series and provided that no distributions need be made on Shares purchased pursuant to orders received, or for which payment is made, after such time or times as the Trustees may determine. Any distribution to the Shareholders of a particular class of Shares shall be made to such Shareholders prorata in proportion to the number of Shares of such class held by each of them. Any distribution paid in Shares will be paid at the net asset value thereof as determined in accordance with this Declaration of Trust. The Trustees have the power, in their discretion, to distribute for any year amounts sufficient to enable the Trust to qualify as a "regulated investment company" under the Internal Revenue Code as amended (or any successor thereto) to avoid any liability for federal income tax in respect of that year.

Redemptions and Repurchases

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Section 2. Any holder of Shares of the Trust may, by presentation of a request in proper form, together with his certificates, if any, for such Shares, in proper form for transfer to the Trust or duly authorized agent of the Trust, request redemption of his shares for the net asset value thereof determined and computed in accordance with the provisions of this Section 2 and the provisions of Section 6 of this Article VI.

Upon receipt by the Trust or its duly authorized agent, as the case may be, of such a request for redemption of Shares in

proper form, such Shares shall be redeemed at the net asset value per share of the particular series or class next determined after such request is received or determined as of such other time fixed by the Trustees as may be permitted or required by the 1940 Act. The criteria for determining what constitutes a request for redemption in proper form and the time of receipt of such request shall be fixed by the Trustees.

The obligation of the Trust to redeem its Shares as set forth above in this Section 2 shall be subject to the condition that such obligation may be suspended by the Trust by or under authority of the Trustees during any period or periods when and to the extent permissible under the 1940 Act. If there is such a suspension, any Shareholder may withdraw any request for

redemption which has been received by the Trust during any such period and the applicable net asset value with respect to which would but for such suspension be calculated as of a time during such period. Upon such withdrawal, the Trust shall return to the Shareholder the certificates therefor, if any.

The Trust may also purchase, repurchase or redeem Shares in accordance with such other methods, upon such other terms and subject to such other conditions as the Trustee may from time to time authorize at a price not exceeding the net asset value of such Shares in effect when the purchase or repurchase or any contract to purchase or repurchase is made. Shares redeemed or repurchased by the Trust hereunder shall be cancelled upon such redemption or repurchase without further action by the Trust or the Trustees and the number of issued and outstanding Shares of the relevant series and class shall thereupon be reduced by such amount.

Payment for Shares Redeemed

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Section 3. Payment of the redemption price for Shares redeemed pursuant to this Article VI shall be made by the Trust or its duly authorized agent after receipt by the Trust or its duly authorized agent of a request for redemption in proper form (together with any certificates for such Shares as provided in Section 2 above) in accordance with procedures and subject to conditions prescribed by the Trustees; provided, however, that payment may be postponed during the period in which the redemption of Shares is suspended under Section 2 above. Subject to any generally applicable limitation imposed by the Trustees, any payment on redemption, purchase or repurchase by the Trust of Shares may, if authorized by the Trustees, be made wholly or

partly in kind, instead of in cash. Such payment in kind shall be made by distributing securities or other property, constituting, in the opinion of the Trustees, a fair representation of the various types of securities and other property then held by the series of Shares being redeemed, purchased or repurchased (but not necessarily involving a portion of each of the series' holdings) and taken at their value used in determining the net asset value of the Shares in respect of which payment is made.

#### Redemptions at the Option of the Trust

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Section 4. The Trust shall have the right at its option and at any time and from time to time to redeem Shares of any Shareholder at the net asset value thereof as determined in accordance with Section 6 of this Article VI, if at such time such Shareholder owns fewer shares of a series or class than, or Shares of a series or class having an aggregate net asset value of less than, an amount determined from time to time by the

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Trustees. Any such redemption at the option of the Trust shall be made in accordance with such other criteria and procedures for determining the Shares to be redeemed, the redemption date and the means of effecting such redemption as the Trustees may from time to time authorize.

#### Additional Provisions Relating to Dividends, Redemptions and

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#### Repurchases

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Section 5. The completion of redemption, purchase or repurchase of Shares shall constitute a full discharge of the Trust and the Trustees with respect to such Shares. No dividend or distribution (including, without limitation, any distribution paid upon termination of the Trust or of any series or class) with respect to, nor any redemption or repurchase of, the Shares of any series or class shall be effected by the Trust other than from the assets of such series.

#### Determination of Net Asset Value

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Section 6. The term "net asset value" of each Share of a series or class as of any particular time shall be the quotient obtained by dividing the value, as at such time, of the net assets of such series or class (i.e., the value of the assets of such series or class less the liabilities of such series or

class, exclusive of liabilities represented by the Shares of such series or class) by the total number of Shares of such series or class outstanding at such time, all determined and computed in accordance with the Trust's current prospectus.

The Trustees, or any officer, or officers or agent of the Trust designated for the purpose by the Trustees shall determine the net asset value of the Shares of each series or class, and the Trustees shall fix the time or times as of which the net asset value of the Shares of each series or class shall be determined and shall fix the periods during which any such net asset value shall be effective as to sales, redemptions and repurchases of, and other transactions in, the Shares of such series or class, except as such times and periods for any such transaction may be fixed by other provisions of this Declaration of Trust or by the By-Laws.

Determinations in accordance with this Section 6 made in good faith shall be binding on all parties concerned.

How Long Shares are Outstanding  
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Section 7. Shares of the Trust surrendered to the Trust for redemption by it pursuant to the provisions of Section 2 of this Article VI shall be deemed to be outstanding until the redemption price thereof is determined pursuant to this Article VI and, thereupon and until paid, the redemption price thereof shall be deemed to be a liability of the Trust. Shares of the Trust purchased by the Trust in the open market shall be deemed to be outstanding until confirmation of purchase thereof by the Trust and, thereupon and until paid, the purchase price thereof shall be deemed to be a liability of the Trust. Shares of the Trust redeemed by the Trust pursuant to Section 4 of this Article VI shall be deemed to be outstanding until said Shares are deemed to be redeemed in accordance with procedures adopted by the Trustees pursuant to said Section 4.

ARTICLE VII  
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Compensation and Limitation of Liability of Trustees and  
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Shareholders  
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Section 1. The Trustees as such shall be entitled to



reasonable compensation from the Trust if the rate thereof is prescribed by such Trustees. Nothing herein shall in any way prevent the employment of any Trustee for advisory, management, legal, accounting, investment banking or other services and payment for the same by the Trust, it being recognized that such employment may result in such Trustee being considered an Affiliated Person or an Interested Person.

Limitation of Liability

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Section 2. The Trustees shall not be responsible or liable in any event for any neglect or wrongdoing of any officer, agent, employee, investment advisor or manager, principal underwriter or custodian, nor shall any Trustee be responsible for the act or omission of any other Trustee. Nothing in this Declaration of Trust shall protect any Trustee against any liability to which such Trustee would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of the office of Trustee.

Every note, bond, contract, instrument, certificate, Share or undertaking and every other act or thing whatsoever executed or done by or on behalf of the Trust or the Trustee or any of

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them in connection with the Trust shall be conclusively deemed to have been executed or done only in or with respect to their or his capacity as Trustees or Trustee and neither such Trustees or Trustee nor the Shareholders shall be personally liable thereon.

Every note, bond, contract, instrument, certificate or undertaking made or issued by the Trustees or by any officers or officer shall give notice that this Declaration of Trust is on file with the Secretary of State of The Commonwealth of Massachusetts and shall recite that the same was executed or made by or on behalf of the Trust by them as Trustees or Trustee or as officers or officer and not individually and that the obligations of such instrument are not binding upon any of them or the Shareholders individually but are binding only upon the assets and property of the Trust or a particular series of Shares, and may contain such further recital as he or they may deem appropriate, but the omission thereof shall not operate to bind any Trustees or Trustee or officers or officer or Shareholders or Shareholder individually.

All persons extending credit to, contracting with or having any claim against the Trust or a particular series of Shares shall look only to the assets of the Trust or the assets of that

particular series of Shares, as the case may be, for payment under such credit, contract or claim; and neither the Shareholders nor the Trustees, nor any of the Trust's officers, employees or agents, whether past, present or future, shall be personally liable therefor.

Trustees' Good Faith Action, Expert Advice, No Bond or Surety  
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Section 3. The exercise by the Trustees of their powers and discretions hereunder shall be binding upon everyone interested. A Trustee shall be liable only for his own willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of the office of Trustee, and for nothing else, and shall not be liable for errors of judgment or mistakes of fact or law. The Trustees may take advice of counsel or other experts with respect to the meaning and operation of this Declaration of Trust and their duties as Trustees hereunder, and shall be under no liability for any act or omission in accordance with such advice or for failing to follow such advice. In discharging their duties, the Trustees, when acting in good faith, shall be entitled to rely upon the books of account of the Trust and upon written reports made to the Trustees by any officer appointed by them, any independent public accountant and (with respect to the subject matter of the contract involved) any officer, partner or responsible employee of any other party to any contract entered into pursuant to Section 2 of Article IV. The Trustees shall not be required to give any bond as such, nor any surety if a bond is required.

Liability of Third Persons Dealing with Trustees  
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Section 4. No person dealing with the Trustees shall be bound to make any inquiry concerning the validity of any transaction made or to be made by the Trustees or to see to the application of any payments made or property transferred to the Trust or upon its order.

ARTICLE VIII  
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Indemnification  
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Subject to the exceptions and limitations contained in this

Article, every person who is, or has been, a Trustee or officer of the Trust (including persons who serve at the request of the Trust as directors, officers or trustees of another organization in which the Trust has an interest as a shareholder, creditor or otherwise) hereinafter referred to as a "Covered Person", shall be indemnified by the Trust to the fullest extent permitted by law against liability and against all expenses reasonably incurred or paid by him in connection with any claim, action, suit or proceeding in which he becomes involved as a party or otherwise by virtue of his being or having been such a Trustee, director or officer and against amounts paid or incurred by him in settlement thereof.

No indemnification shall be provided hereunder to a Covered Person:

(a) against any liability to the Trust or its Shareholders by reason of a final adjudication by the court or other body before which the proceeding was brought that he engaged in willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office;

(b) with respect to any matter as to which he shall have been finally adjudicated not to have acted in good faith in the reasonable belief that his action was in the best interest of the Trust; or

(c) in the event of a settlement or other disposition not involving a final adjudication (as provided in paragraph (a) or (b)) and resulting in a payment by a Covered Person, unless there has been either a determination that such Covered Person did not engage in willful misfeasance, bad faith, gross negligence or reckless disregard of the duties

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involved in the conduct of his office by the court or other body approving the settlement or other disposition or a reasonable determination, based on a review of readily available facts (as opposed to a full trial-type inquiry) that he did not engage in such conduct:

(i) by a vote of a majority of the Disinterested Trustees acting on the matter (provided that a majority of the Disinterested Trustees then in office act on the matter); or

(ii) by written opinion of independent legal counsel.

The rights of indemnification herein provided may be insured against by policies maintained by the Trust, shall be severable, shall not affect any other rights to which any Covered Person may now or hereafter be entitled, shall continue as to a person who has ceased to be such a Covered Person and shall inure to the benefit of the heirs, executors and administrators of such a person. Nothing contained herein shall affect any rights to indemnification to which Trust personnel other than Covered Persons may be entitled by contract or otherwise under law.

Expenses of preparation and presentation of a defense to any claim, action, suit or proceeding subject to a claim for indemnification under this Article shall be advanced by the Trust prior to final disposition thereof upon receipt of an undertaking by or on behalf of the recipient to repay such amount if it is ultimately determined that he is not entitled to indemnification under this Article, provided that either:

(a) such undertaking is secured by a surety bond or some other appropriate security or the Trust shall be insured against losses arising out of any such advances; or

(b) a majority of the Disinterested Trustees acting on the matter (provided that a majority of the Disinterested Trustees then in office act on the matter) or independent legal counsel in a written opinion shall determine, based upon a review of the readily available facts (as opposed to a full trial-type inquiry), that there is reason to believe that the recipient ultimately will be found entitled to indemnification.

As used in this Article, a "Disinterested Trustee" is one (a) who is not an "interested person" of the Trust, as defined in the 1940 Act (including anyone who has been exempted from being an "interested person" by any rule, regulation or order of the Commission), and (b) against whom none of such actions, suits or other proceedings or another action, suit or other proceeding on the same or similar grounds is then or has been pending.

As used in this Article, the words "claim", "action", "suit" or "proceeding" shall apply to all claims, actions, suits or proceedings (civil, criminal or other, including appeals), actual or threatened; and the words "liability" and "expenses" shall include without limitation, attorneys' fees, cost, judgments, amounts paid in settlement, fines, penalties and other liabilities.

In case any Shareholder or former Shareholder shall be held to be personally liable solely by reason of his or her being or having been a Shareholder and not because of his or her acts or omissions or for some other reason, the Shareholder or former Shareholder (or his or her heirs, executors, administrators or other legal representatives or in the case of a corporation or other entity, its corporate or other general successor) shall be entitled to be held harmless from and indemnified against all loss and expense arising from such liability but only out of the assets of the particular series of Shares of which he or she is or was a Shareholder; provided, however, there shall be no liability or obligation of the Trust arising hereunder to reimburse any Shareholder for taxes paid by reason of such Shareholder's ownership of Shares or for losses suffered by reason of any changes in value of any Trust assets.

ARTICLE IX

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Miscellaneous

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Duration, Termination and Reorganization of Trust

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Section 1. Unless terminated as provided herein, the Trust shall continue without limitation of time. The Trust may be terminated at any time by the Trustees by written notice to the Shareholders without a vote of the Shareholders of the Trust or by the vote of the Shareholders entitled to vote more than fifty percent (50%) of the votes of each series or class entitled to be cast on the matter. Any series or class of Shares may be terminated at any time by the Trustees by written notice to the Shareholders of such series or class without a vote of the Shareholders of such series or class or by the vote of the Shareholders of such series or class entitled to vote more than fifty percent (50%) of the votes entitled to be cast on the matter.

Upon termination of the Trust or of any one or more series or classes of Shares, after paying or otherwise providing for all charges, taxes, expenses and liabilities, whether due or accrued or anticipated, of the particular series or class as may be

determined by the Trustees, the Trust shall in accordance with such procedures as the Trustees consider appropriate reduce to the extent necessary the remaining assets of the particular

series to distributable form in cash or other securities, or any combination thereof, and distribute the proceeds to the Shareholders of the series or class involved, ratably according the number of Shares of such series or class held by the several Shareholders of such series or class on the date of termination. Any such distributions with respect to any series which has one or more classes of Shares outstanding shall be made ratably to such classes in the same proportion as the number of Shares of each class bears to the total number of Shares of the series, except to the extent otherwise required or permitted by the preferences and special or relative rights or privileges of any classes of Shares of any such series.

At any time by the affirmative vote of the Shareholders of the affected series entitled to vote more than fifty percent (50%) of the votes entitled to be cast on the matter, the Trustees may sell, convey and transfer the assets of the Trust, or the assets belonging to any one or more series, to another trust, partnership, association or corporation organized under the laws of any state of the United States, or to the Trust to be held as assets belonging to another series of the Trust, in exchange for cash, shares or other securities (including, in the case of a transfer to another series of the Trust, Shares of such other series) with such transfer being made subject to or with the assumption by the transferee of, the liabilities belonging to each series the assets of which are so distributed. Following such transfer, the Trustees shall distribute such cash, shares or other securities (giving due effect to the assets and liabilities belonging to and any other differences among the various series the assets belonging to which have so been transferred) among the Shareholders of the series the assets belonging to which have been so transferred; and if all the assets of the Trust have been so distributed, the Trust shall be terminated.

Filing of Copies, References, Headings  
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Section 2. The original or a copy of this instrument and of each amendment hereto shall be kept at the office of the Trust where it may be inspected by any Shareholder. A copy of this instrument and of each amendment hereto shall be filed by the Trust with the Secretary of State of The Commonwealth of Massachusetts and with the Boston City Clerk, as well as any other governmental office where such filing may from time to time be required. Anyone dealing with the Trust may rely on a certificate by any officer of the Trust as to whether or not any such amendments have been made and as to any matters in connection with the Trust hereunder; and, with the same effect as if it were the original, may rely on a copy certified by an officer of

the Trust to be a copy of this instrument or of any such amendments. In this instrument and in any such amendment, references to this instrument, and all expressions like "herein", "hereof", and "hereunder", shall be deemed to refer to this instrument as amended from time to time. Headings are placed herein for convenience of reference only and shall not be taken as a part hereof or control or affect the meaning, construction or effect of this instrument. This instrument may be executed in any number of counterparts each of which shall be deemed an original.

Applicable Law

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Section 3. This Declaration of Trust is made in The Commonwealth of Massachusetts, and it is created under and is to be governed by and construed and administered according to the laws of said Commonwealth. The Trust shall be of the type commonly called a Massachusetts business trust, and without limiting the provisions hereof, the Trust may exercise all powers which are ordinarily exercised by such a trust.

Amendments

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Section 4. This Declaration of Trust may be amended at any time by an instrument in writing signed by a majority of the then Trustees when authorized so to do by vote of Shareholders holding more than fifty percent (50%) of the Shares of each series entitled to vote, except that an amendment which in the determination of the Trustees shall affect the holders of one or more series or classes of Shares but not the holders of all outstanding series and classes shall be authorized by vote of the Shareholders holding more than fifty percent (50%) of the Shares entitled to vote of each series or class affected and no vote of Shareholders of a series or class not affected shall be required. Amendments having the purpose of changing the name of the Trust or any series or class or of supplying any omission, curing any ambiguity or curing, correcting or supplementing any provision which is defective or inconsistent with the 1940 Act or with the requirements of the Internal Revenue Code and the regulations thereunder for the Trust's obtaining the most favorable treatment thereunder available to regulated investment companies shall not require authorization by Shareholder vote.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands and seal for himself and his assigns, as of this 2nd day of





BY-LAWS OF  
KEMPER INTERNATIONAL BOND FUND

Section 1. Agreement and Declaration of  
Trust and Principal Office

1.1 Agreement and Declaration of Trust. These By-Laws shall be subject to the Agreement and Declaration of Trust, as from time to time in effect (the "Declaration of Trust"), of Kemper International Bond Fund, the Massachusetts business trust established by the Declaration of Trust (the "Trust").

1.2 Principal Office of the Trust; Resident Agent. The principal office of the Trust shall be located in Chicago, Illinois. Its resident agent in Massachusetts shall be CT Corporation System, 2 Oliver Street, Boston, Massachusetts or such other person as the Trustees may from time to time select.

Section 2. Shareholders

2.1 Shareholder Meetings. Meetings of the shareholders may be called at any time by the Trustees, by the President or, if the Trustees and the President shall fail to call any meeting of shareholders for a period of 30 days after written application of one or more shareholders who hold at least 25% of all shares issued and outstanding and entitled to vote at the meeting (or 10% if the purpose of the meeting is to determine if a Trustee shall be removed from office), then such shareholders may call such meeting. Each call of a meeting shall state the place, date, hour and purposes of the meeting.

2.2 Place of Meetings. All meetings of the shareholders shall be held at the principal office of the Trust, or, to the extent permitted by the Declaration of Trust, at such other place within the United States as shall be designated by the Trustees or the President of the Trust.

2.3 Notice of Meetings. A written notice of each meeting of shareholders, stating the place, date and hour and the purposes of the meeting, shall be given at least seven days before the meeting to each shareholder entitled to vote thereat by leaving such notice with him or at his residence or usual place of business or by mailing it, postage prepaid, and addressed to such shareholder at his address as it appears in the records of the

Trust. Such notice shall be given by the Secretary or an Assistant Secretary or by an officer designated by the Trustees. No notice of any meeting of shareholders need be given to a shareholder if a written waiver of notice, executed before or

after the meeting by such shareholder or his attorney thereunto duly authorized, is filed with the records of the meeting.

2.4 Ballots. No ballot shall be required for any election unless requested by a shareholder present or represented at the meeting and entitled to vote in the election.

2.5 Proxies and Voting. Shareholders entitled to vote may vote either in person or by proxy in writing dated not more than six months before the meeting named therein, which proxies shall be filed with the Secretary or other person responsible to record the proceedings of the meeting before being voted. Unless otherwise specifically limited by their terms, such proxies shall entitle the holders thereof to vote at any adjournment of such meeting but shall not be valid after the final adjournment of such meeting. At all meetings of shareholders, unless the voting is conducted by inspectors, all questions relating to the qualification of voters, the validity of proxies and the acceptance or rejection of votes shall be decided by the chairman of the meeting.

### Section 3. Trustees

3.1 Committees and Advisory Board. The Trustees may appoint from their number an executive committee and other committees. Any such committee may be abolished and reconstituted at any time and from time to time by the Trustees. Except as the Trustees may otherwise determine, any such committee may make rules for the conduct of its business. The Trustees may appoint an advisory board to consist of not less than two nor more than five members. The members of the advisory board shall be compensated in such manner as the Trustees may determine and shall confer with and advise the Trustees regarding the investments and other affairs of the Trust. Each member of the advisory board shall hold office until the first meeting of the Trustees following the meeting of the shareholders, if any, next following his appointment and until his successor is appointed and qualified, or until he sooner dies, resigns, is removed, or becomes disqualified, or until the advisory board is sooner abolished by the Trustees.

3.2 Regular Meetings. Regular meetings of the Trustees may be held without call or notice at such places and at such times as the Trustees may from time to time determine, provided that

notice of the first regular meeting following any such determination shall be given to absent Trustees. A regular meeting of the Trustees may be held without call or notice immediately after and at the same place as any meeting of the shareholders.

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3.3 Special Meetings. Special meetings of the Trustees may be held at any time and at any place designated in the call of the meeting, when called by the Chairman of the Board or by two or more Trustees, sufficient notice thereof being given to each Trustee by the Secretary or an Assistant Secretary or by the officer or one of the Trustees calling the meeting.

3.4 Notice. It shall be sufficient notice to a Trustee to send notice by mail at least three days or by telegram at least twenty-four hours before the meeting addressed to the Trustee at his or her usual or last known business or residence address or to give notice to him or her in person or by telephone at least twenty-four hours before the meeting. Notice of a meeting need not be given to any Trustee if a written waiver of notice, executed by him or her before or after the meeting, is filed with the records of the meeting, or to any Trustee who attends the meeting without protesting prior thereto or at its commencement the lack of notice to him or her. Neither notice of a meeting nor a waiver of a notice need specify the purposes of the meeting.

3.5 Quorum. At any meeting of the Trustees, one-third of the Trustees then in office shall constitute a quorum; provided, however, a quorum (unless the Board of Trustees consists of two or fewer persons) shall not be less than two. Any meeting may be adjourned from time to time by a majority of the votes cast upon the question, whether or not a quorum is present, and the meeting may be held as adjourned without further notice.

#### Section 4. Officers and Agents

4.1 Enumeration; Qualification. The officers of the Trust shall be a President, a Treasurer, a Secretary and such other officers, if any, as the Trustees from time to time may in their discretion elect or appoint. The Trust may also have such agents, if any, as the Trustees from time to time may in their discretion appoint. Any officer may be but none need be a Trustee or shareholder. Any two or more offices may be held by the same person.

4.2 Powers. Subject to the other provisions of these By-Laws, each officer shall have, in addition to the duties and powers herein and in the Declaration of Trust set forth, such duties and powers as are commonly incident to his or her office as if the Trust were organized as a Massachusetts business corporation and such other duties and powers as the Trustees may from time to time designate.

4.3 Election. The President, the Treasurer and the Secretary shall be elected annually by the Trustees at their first meeting

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in each calendar year or at such later meeting in such year as the Trustees shall determine. Other officers or agents, if any, may be elected or appointed by the Trustees at said meeting or at any other time.

4.4 Tenure. The President, Treasurer and Secretary shall hold office until the first meeting of Trustees in each calendar year and until their respective successors are chosen and qualified, or in each case until he or she sooner dies, resigns, is removed or becomes disqualified. Each other officer shall hold office and each agent shall retain his or her authority at the pleasure of the Trustees.

4.5 Chairman of the Board. The Chairman of the Board of Trustees, if one is so appointed, shall be chosen from among the Trustees and may hold office only so long as he continues to be a Trustee. The Chairman of the Board, if any is so appointed, shall preside at all meetings of the shareholders and of the Trustees at which he is present; and shall have such other duties and powers as specified herein and as may be assigned to him by the Trustee.

4.6 President and Vice Presidents. The President shall be the chief executive officer of the Trust. The President shall, subject to the control of the Trustees, have general charge and supervision of the Trust and shall perform such other duties and have such other powers as the Trustees shall prescribe from time to time. Any Vice President shall at the request or in the absence or disability of the President exercise the powers of the President and perform such other duties and have such other powers as shall be designated from time to time by the Trustees.

4.7 Treasurer and Controller. The Treasurer shall be the chief financial officer of the Trust and, subject to any arrangement made by the Trustees with a bank or trust company or other organization as custodian or transfer or shareholder services

agent, shall be in charge of its valuable papers and shall have such other duties and powers as may be designated from time to time by the Trustees or by the President. If at any time there shall be no Controller, the Treasurer shall also be the chief accounting officer of the Trust and shall have the duties and power prescribed herein for the Controller. Any Assistant Treasurer shall have such duties and powers as shall be designated from time to time by the Trustees.

The Controller, if any be elected, shall be the chief accounting officer of the Trust and shall be in charge of its books of account and accounting records. The Controller shall be responsible for preparation of financial statements of the Trust and shall have such other duties and powers as may be designated from time to time by the Trustees or the President.

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4.8 Secretary and Assistant Secretaries. The Secretary shall record all proceedings of the shareholders and the Trustees in books to be kept therefor, which books shall be kept at the principal office of the Trust. In the absence of the Secretary from any meeting of shareholders or Trustees, an Assistant Secretary, or if there be none or if he or she is absent, a temporary clerk chosen at the meeting shall record the proceedings thereof in the aforesaid books.

#### Section 5. Resignations and Removals

Any Trustee may resign his trust or retire as a Trustee in accordance with procedures set forth in the Declaration of Trust. Any officer or advisory board member may resign at any time by delivering his or her resignation in writing to the Chairman of the Board, the President or the Secretary or to a meeting of the Trustees. The Trustees may remove any officer or advisory board member elected or appointed by them with or without cause by the vote of a majority of the Trustees then in office. Except to the extent expressly provided in a written agreement with the Trust, no Trustee, officer, or advisory board member resigning, and no officer or advisory board member removed, shall have any right to any compensation for any period following his or her resignation or removal, or any right to damages on account of such removal.

#### Section 6. Vacancies

A vacancy in the office of Trustee shall be filed in accordance with the Declaration of Trust. Vacancies resulting from the

death, resignation, incapacity or removal of any officer may be filled by the Trustees. Each successor of any such officer shall hold office for the unexpired term, and in the case of the President, the Treasurer and the Secretary, until his or her successor is chosen and qualified, or in each case until he or she sooner dies, resigns, is removed or becomes disqualified.

## Section 7. Shares of Beneficial Interest

7.1 Share Certificates. No certificates certifying the ownership of shares shall be issued except as the Trustees may otherwise authorize. In the event that the Trustees authorize the issuance of share certificates, subject to the provisions of Section 7.3, each shareholder shall be entitled to a certificate stating the number of shares owned by him or her, in such form as shall be prescribed from time to time by the Trustees. Such certificate shall be signed by the President or a Vice President and by the Treasurer, Assistant Treasurer, Secretary or Assistant Secretary. Such signatures may be facsimiles if the certificate is signed by a transfer or shareholder services agent or by a

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registrar, other than a Trustee, officer or employee of the Trust. In case any officer who has signed or whose facsimile signature has been placed on such certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the Trust with the same effect as if he or she were such officer at the time of its issue.

In lieu of issuing certificates for shares, the Trustees or the transfer or shareholder services agent may either issue receipts therefor or may keep accounts upon the books of the Trust for the record holders of such shares, who shall in either case be deemed, for all purposes hereunder, to be the holders of certificates for such shares as if they had accepted such certificates and shall be held to have expressly assented and agreed to the terms hereof.

7.2 Loss of Certificates. In the case of the alleged loss or destruction or the mutilation of a share certificate, a duplicate certificate may be issued in place thereof, upon such terms as the Trustees may prescribe.

7.3 Discontinuance of Issuance of Certificates. The Trustees may at any time discontinue the issuance of share certificates and may, by written notice to each shareholder, require the surrender of share certificates to the Trust for cancellation. Such surrender and cancellation shall not affect the ownership of

shares in the Trust.

#### Section 8. Record Date

The Trustees may fix in advance a time, which shall not be more than 90 days before the date of any meeting of shareholders or the date for the payment of any dividend or making of any other distribution to shareholders, as the record date for determining the shareholders having the right to notice and to vote at such meeting and any adjournment thereof or the right to receive such dividend or distribution, and in such case only shareholders of record on such record date shall have such right, notwithstanding any transfer of shares on the books of the Trust after the record date.

#### Section 9. Seal

The seal of the Trust shall, subject to alteration by the Trustees, consist of a flat-faced circular die with the word "Massachusetts" together with the name of the Trust, cut or engraved thereon; but, unless otherwise required by the Trustees, the seal shall not be necessary to be placed on, and its absence shall not impair the validity of, any document, instrument, or other paper executed and delivered by or on behalf of the Trust.

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#### Section 10. Execution of Papers

Except as the Trustees may generally or in particular cases authorize the execution thereof in some other manner, all deeds, leases, transfers, contracts, bonds, notes, checks, drafts and other obligations made, accepted or endorsed by the Trust shall be signed, and any transfers of securities standing in the name of the Trust shall be executed, by the President or by one of the Vice Presidents or by the Treasurer or by whomsoever else shall be designated for that purpose by the vote of the Trustees and need not bear the seal of the Trust.

#### Section 11. Fiscal Year

The fiscal year of the Trust shall end on such date in each year as the Trustees shall from time to time determine.

#### Section 12. Amendments

These By-Laws may be amended or repealed, in whole or in part, by a majority of the Trustees then in office at any meeting of the Trustees, or by one or more writings signed by such majority.



[Name]  
is the owner of [number] shares  
of beneficial interest in the above noted Fund (the "FUND"), of  
the series and class, if any, specified, fully paid and  
nonassessable, the said shares being issued and held subject to  
the provisions of the Agreement and Declaration of Trust of the  
Fund, and all amendments thereto, copies of which are on file  
with the Secretary of The Commonwealth of Massachusetts. The  
said owner by accepting this certificate agrees to and is bound  
by all of the said provisions. The shares represented hereby are  
transferable in writing by the owner thereof in person or by  
attorney upon surrender of this certificate to the Fund properly  
endorsed for transfer. This certificate is executed on behalf of  
the Trustees of the Fund as Trustees and not individually and the  
obligations hereof are not binding upon any of the Trustees,  
officers or shareholders individually but are binding only upon  
the assets and property of the Fund or, if applicable, the  
specified series of the Fund. The shares may be subject to a  
contingent deferred sales charge. This certificate is not valid  
unless countersigned by the Transfer Agent.

## INVESTMENT MANAGEMENT AGREEMENT

AGREEMENT made this 1st day of February, 1995, by and between KEMPER INTERNATIONAL BOND FUND, a Massachusetts business trust (the "Fund"), and KEMPER FINANCIAL SERVICES, INC., a Delaware corporation (the "Adviser").

WHEREAS, the Fund is an open-end management investment company registered under the Investment Company Act of 1940, the shares of beneficial interest ("Shares") of which are registered under the Securities Act of 1933;

WHEREAS, the Fund is authorized to issue Shares in separate series or portfolios with each representing the interests in a separate portfolio of securities and other assets;

WHEREAS, the Fund currently offers or intends to offer Shares in one portfolio, the Initial Portfolio, together with any other Fund portfolios which may be established later and served by the Adviser hereunder, being herein referred to collectively as the "Portfolios" and individually referred to as a "Portfolio"; and

WHEREAS, the Fund desires at this time to retain the Adviser to render investment advisory and management services to the Initial Portfolio, and the Adviser is willing to render such services;

NOW THEREFORE, in consideration of the mutual covenants hereinafter contained, it is hereby agreed by and between the parties hereto as follows:

1. The Fund hereby employs the Adviser to act as the investment adviser for the Initial Portfolio and other Portfolios hereunder and to manage the investment and reinvestment of the assets of each such Portfolio in accordance with the applicable investment objectives and policies and limitations, and to administer the affairs of each such Portfolio to the extent requested by and subject to the supervision of the Board of Trustees of the Fund for the period and upon the terms herein set forth, and to place orders for the purchase or sale of portfolio securities for the Fund's account with brokers or dealers selected by it; and, in connection therewith, the Adviser is authorized as the agent of the Fund to give instructions to the

Custodian of the Fund as to the deliveries of securities and payments of cash for the account of the Fund. In connection with the selection of such brokers or dealers and the placing of such orders, the Adviser is directed to seek for the Fund best execution of orders. Subject to such policies as the Board of

Trustees of the Fund determines, the Adviser shall not be deemed to have acted unlawfully or to have breached any duty, created by this Agreement or otherwise, solely by reason of its having caused the Fund to pay a broker or dealer an amount of commission for effecting a securities transaction in excess of the amount of commission another broker or dealer would have charged for effecting that transaction, if the Adviser determined in good faith that such amount of commission was reasonable in relation to the value of the brokerage and research services provided by such broker or dealer viewed in terms of either that particular transaction or the Adviser's overall responsibilities with respect to the clients of the Adviser as to which the Adviser exercises investment discretion. The Fund recognizes that all research services and research that the Adviser receives or generates are available for all clients, and that the Fund and other clients may benefit thereby. The investment of funds shall be subject to all applicable restrictions of the Agreement and Declaration of Trust and By-Laws of the Fund as may from time to time be in force.

The Adviser accepts such employment and agrees during such period to render such services, to furnish office facilities and equipment and clerical, bookkeeping and administrative services for the Fund, to permit any of its officers or employees to serve without compensation as trustees or officers of the Fund if elected to such positions and to assume the obligations herein set forth for the compensation herein provided. The Adviser shall for all purposes herein provided be deemed to be an independent contractor and, unless otherwise expressly provided or authorized, shall have no authority to act for or represent the Fund in any way or otherwise be deemed an agent of the Fund. It is understood and agreed that the Adviser, by separate agreements with the Fund, may also serve the Fund in other capacities.

2. In the event that the Fund establishes one or more portfolios other than the Initial Portfolio with respect to which it desires to retain the Adviser to render investment advisory and management services hereunder, it shall notify the Adviser in writing. If the Adviser is willing to render such services, it shall notify the Fund in writing whereupon such portfolio or portfolios shall become a Portfolio or Portfolios hereunder.

3. For the services and facilities described in Section 1,

the Fund will pay to the Adviser at the end of each calendar month, an investment management fee for each Portfolio computed by applying the following annual rates to the applicable average daily net assets of the Portfolio:

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<TABLE>

<CAPTION>

Applicable Average Daily Net Assets (Thousands)	Annual Rate
<S>	<C>
\$0 - \$ 250,000	.75 of 1%
\$ 250,000 - \$ 1,000,000	.72 of 1%
\$ 1,000,000 - \$ 2,500,000	.70 of 1%
\$ 2,500,000 - \$ 5,000,000	.68 of 1%
\$ 5,000,000 - \$ 7,500,000	.65 of 1%
\$ 7,500,000 - \$10,000,000	.64 of 1%
\$10,000,000 - \$12,500,000	.63 of 1%
Over \$12,500,000	.62 of 1%

</TABLE>

The fee as computed above shall be computed separately for, and charged as an expense of, each Portfolio based upon the average daily net assets of such Portfolio. For the month and year in which this Agreement becomes effective or terminates, there shall be an appropriate proration on the basis of the number of days that the Agreement is in effect during the month and year, respectively.

4. The services of the Adviser to the Fund under this Agreement are not to be deemed exclusive, and the Adviser shall be free to render similar services or other services to others so long as its services hereunder are not impaired thereby.

5. In addition to the fee of the Adviser, the Fund shall assume and pay any expenses for services rendered by a custodian for the safekeeping of the Fund's securities or other property, for keeping its books of account, for any other charges of the custodian, and for calculating the net asset value of the Fund as provided in the prospectus of the Fund. The Adviser shall not be required to pay and the Fund shall assume and pay the charges and expenses of its operations, including compensation of the trustees (other than those affiliated with the Adviser), charges

and expenses of independent auditors, of legal counsel, of any transfer or dividend disbursing agent, and of any registrar of the Fund, costs of acquiring and disposing of portfolio securities, interest, if any, on obligations incurred by the Fund, costs of share certificates and of reports, membership dues in the Investment Company Institute or any similar organization, costs of reports and notices to shareholders, other like miscellaneous expenses and all taxes and fees payable to federal, state or other governmental agencies on account of the registration of securities issued by the Fund, filing of trust documents or otherwise. The Fund shall not pay or incur any obligation for any expenses for which the Fund intends to seek reimbursement from the Adviser as herein provided without first

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obtaining the written approval of the Adviser. The Adviser shall arrange, if desired by the Fund, for officers or employees of the Adviser to serve, without compensation from the Fund, as trustees, officers or agents of the Fund if duly elected or appointed to such positions and subject to their individual consent and to any limitations imposed by law.

If expenses borne by the Fund for those Portfolios which the Adviser manages in any fiscal year (including the Adviser's fee, but excluding interest, taxes, fees incurred in acquiring and disposing of portfolio securities, distribution services fees, extraordinary expenses and any other expenses excludable under state securities law limitations) exceed any applicable limitation arising under state securities laws, the Adviser will reduce its fee or reimburse the Fund for any excess to the extent required by such state securities laws. If for any month the expenses of the Fund properly chargeable to the income account shall exceed 1/12 of the percentage of average net assets allowable as expenses, the payment to the Adviser for that month shall be reduced and if necessary the Adviser shall make a refund payment to the Fund so that the total net expense will not exceed such percentage. As of the end of the Fund's fiscal year, however, the foregoing computations and payments shall be readjusted so that the aggregate compensation payable to the Adviser for the year is equal to the percentage calculated in accordance with Section 3 hereof of the average net asset value as determined as described herein throughout the fiscal year, diminished to the extent necessary so that the total of the aforementioned expense items of the Fund shall not exceed the expense limitation. The aggregate of repayments, if any, by the Adviser to the Fund for the year shall be the amount necessary to limit the said net expense to said percentage in accordance with the foregoing.

The net asset value for each Portfolio shall be calculated in accordance with the provisions of the Fund's prospectus or as the trustees may determine in accordance with the provisions of the Investment Company Act of 1940. On each day when net asset value is not calculated, the net asset value of a Portfolio shall be deemed to be the net asset value of such Portfolio as of the close of business on the last day on which such calculation was made for the purpose of the foregoing computations.

6. Subject to applicable statutes and regulations, it is understood that trustees, officers or agents of the Fund are or may be interested in the Adviser as officers, directors, agents, shareholders or otherwise, and that the officers, directors, shareholders and agents of the Adviser may be interested in the Fund otherwise than as a trustee, officer or agent.

7. The Adviser shall not be liable for any error of judgment or of law or for any loss suffered by the Fund in connection with

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the matters to which this Agreement relates, except loss resulting from willful misfeasance, bad faith or gross negligence on the part of the Adviser in the performance of its obligations and duties or by reason of its reckless disregard of its obligations and duties under this Agreement.

8. This Agreement shall become effective with respect to the Initial Portfolio on the date hereof and shall remain in full force until April 1, 1996, unless sooner terminated as hereinafter provided. This Agreement shall continue in force from year to year thereafter with respect to each Portfolio, but only as long as such continuance is specifically approved for each Portfolio at least annually in the manner required by the Investment Company Act of 1940 and the rules and regulations thereunder; provided, however, that if the continuation of this Agreement is not approved for a Portfolio, the Adviser may continue to serve in such capacity for such Portfolio in the manner and to the extent permitted by the Investment Company Act of 1940 and the rules and regulations thereunder.

This Agreement shall automatically terminate in the event of its assignment and may be terminated at any time without the payment of any penalty by the Fund or by the Adviser on sixty (60) days written notice to the other party. The Fund may effect termination with respect to any Portfolio by action of the Board of Trustees or by vote of a majority of the outstanding voting securities of such Portfolio.

This Agreement may be terminated with respect to any

Portfolio at any time without the payment of any penalty by the Board of Trustees or by vote of a majority of the outstanding voting securities of such Portfolio in the event that it shall have been established by a court of competent jurisdiction that the Adviser or any officer or director of the Adviser has taken any action which results in a breach of the covenants of the Adviser set forth herein.

The terms "assignment" and "vote of a majority of the outstanding voting securities" shall have the meanings set forth in the Investment Company Act of 1940 and the rules and regulations thereunder.

Termination of this Agreement shall not affect the right of the Adviser to receive payments on any unpaid balance of the compensation described in Section 3 earned prior to such termination.

9. If any provision of this Agreement shall be held or made invalid by a court decision, statute, rule or otherwise, the remainder shall not be thereby affected.

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10. Any notice under this Agreement shall be in writing, addressed and delivered or mailed, postage prepaid, to the other party at such address as such other party may designate for the receipt of such notice.

11. All parties hereto are expressly put on notice of the Fund's Agreement and Declaration of Trust and all amendments thereto, all of which are on file with the Secretary of The Commonwealth of Massachusetts, and the limitation of shareholder and trustee liability contained therein. This Agreement has been executed by and on behalf of the Fund by its representatives as such representatives and not individually, and the obligations of the Fund hereunder are not binding upon any of the trustees, officers, or shareholders of the Fund individually but are binding upon only the assets and property of the Fund. With respect to any claim by the Adviser for recovery of that portion of the investment management fee (or any other liability of the Fund arising hereunder) allocated to a particular Portfolio, whether in accordance with the express terms hereof or otherwise, the Adviser shall have recourse solely against the assets of that Portfolio to satisfy such claim and shall have no recourse against the assets of any other Portfolio for such purpose.

12. This Agreement shall be construed in accordance with

applicable federal law and (except as to Section 11 hereof which shall be construed in accordance with the laws of The Commonwealth of Massachusetts) the laws of the State of Illinois.

13. This Agreement is the entire contract between the parties relating to the subject matter hereof and supersedes all prior agreements between the parties relating to the subject matter hereof.

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IN WITNESS WHEREOF, the Fund and the Adviser have caused this Agreement to be executed as of the day and year first above written.

KEMPER INTERNATIONAL BOND FUND

By: /s/ John E. Peters

Title: Vice President

Attest: /s/ Philip J. Collora

Title: Assistant Secretary

KEMPER FINANCIAL SERVICES, INC.

By: /s/ Patrick Dudasik

Title: Senior Vice President

Attest: /s/ David F. Dierenfeldt

TITLE: Assistant Secretary

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## UNDERWRITING AGREEMENT

AGREEMENT made as of this 1st day of February, 1995 between KEMPER INTERNATIONAL BOND FUND, a Massachusetts business trust (hereinafter called the "Fund"), and KEMPER DISTRIBUTORS, INC., a Delaware corporation (hereinafter called the "Underwriter");

## W I T N E S S E T H:

In consideration of the mutual covenants hereinafter contained, it is hereby agreed by and between the parties hereto as follows:

1. The Fund hereby appoints the Underwriter its agent for the distribution of shares of beneficial interest (hereinafter called "shares") of the Fund in jurisdictions wherein shares of the Fund may legally be offered for sale; provided, however, that the Fund in its absolute discretion may (a) issue or sell shares directly to holders of shares of the Fund upon such terms and conditions and for such consideration, if any, as it may determine, whether in connection with the distribution of subscription or purchase rights, the payment or reinvestment of dividends or distributions, or otherwise; or (b) issue or sell shares at net asset value to the shareholders of any other investment company, for which the Underwriter shall act as exclusive distributor, who wish to exchange all or a portion of their investment in shares of such other investment company for shares of the Fund.

2. The Underwriter hereby accepts appointment as agent for the distribution of the shares of the Fund and agrees that it will use its best efforts with reasonable promptness to sell such part of the authorized shares of the Fund remaining unissued as from time to time shall be effectively registered under the Securities Act of 1933 ("Securities Act"), at prices determined as hereinafter provided and on terms hereinafter set forth, all subject to applicable Federal and state laws and regulations and to the Agreement and Declaration of Trust of the Fund.

3. The Fund agrees that it will use its best efforts to keep effectively registered under the Securities Act for sale as herein contemplated such shares as the Underwriter shall reasonably request and as the Securities and Exchange Commission shall permit to be so registered.

4. Notwithstanding any other provision hereof, the Fund may terminate, suspend or withdraw the offering of shares whenever, in its sole discretion, it deems such action to be desirable.

5. The Underwriter shall sell shares of the Fund to or through qualified dealers or others in such manner, not inconsistent with the provisions hereof and the then effective registration statement of the Fund under the Securities Act (and related prospectus), as the Underwriter may determine from time to time, provided that no dealer or other person shall be appointed or authorized to act as agent of the Fund without the prior consent of the Fund. It is mutually agreed that, in addition to sales made by it as agent of the Fund, the Underwriter may, in its discretion, also sell shares of the Fund as principal to persons with whom it does not have dealer selling group agreements.

6. Shares of the Fund offered for sale or sold by the Underwriter shall be so offered or sold at a price per share determined in accordance with the then current prospectus relating to the sale of such shares except as departure from such prices shall be permitted by the rules and regulations of the Securities and Exchange Commission; provided, however, that any public offering price for shares of the Fund shall be the net asset value per share. The net asset value per share shall be determined in the manner and at the times set forth in the then current prospectus of the Fund relating to such shares.

7. The price the Fund shall receive for all shares purchased from the Fund shall be the net asset value used in determining the public offering price applicable to the sale of such shares.

8. The Underwriter shall issue and deliver on behalf of the Fund such confirmations of sales made by it as agent pursuant to this agreement as may be required. At or prior to the time of issuance of shares, the Underwriter will pay or cause to be paid to the Fund the amount due the Fund for the sale of such shares. Certificates shall be issued or shares registered on the transfer books of the Fund in such names and denominations as the Underwriter may specify.

9. The Fund will execute any and all documents and furnish any and all information which may be reasonably necessary in connection with the qualification of its shares for sale (including the qualification of the Fund as a dealer where necessary or advisable) in such states as the Underwriter may reasonably request (it being understood that the Fund shall not

be required without its consent to comply with any requirement which in its opinion is unduly burdensome).

10. The Fund will furnish to the Underwriter from time to time such information with respect to the Fund and its shares as the Underwriter may reasonably request for use in connection with the sale of shares of the Fund. The Underwriter agrees that it will not use or distribute or authorize the use, distribution

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or dissemination by its dealers or others in connection with the sale of such shares any statements, other than those contained in the Fund's current prospectus, except such supplemental literature or advertising as shall be lawful under Federal and state securities laws and regulations, and that it will furnish the Fund with copies of all such material.

11. The Underwriter shall order shares of the Fund from the Fund only to the extent that it shall have received purchase orders therefor. The Underwriter will not make, or authorize any dealers or others to make: (a) any short sales of shares of the Fund; or (b) any sales of such shares to any trustee or officer of the Fund or to any officer or director of the Underwriter or of any corporation or association furnishing investment advisory, managerial or supervisory services to the Fund, or to any such corporation or association, unless such sales are made in accordance with the then current prospectus relating to the sale of such shares.

12. The Underwriter, as agent of and for the account of the Fund, may repurchase the shares of the Fund at such prices and upon such terms and conditions as shall be specified in the current prospectus of the Fund.

13. In selling or reacquiring shares of the Fund for the account of the Fund, the Underwriter will in all respects conform to the requirements of all state and Federal laws and the Rules of Fair Practice of the National Association of Securities Dealers, Inc., relating to such sale or reacquisition, as the case may be, and will indemnify and save harmless the Fund from any damage or expense on account of any wrongful act by the Underwriter or any employee, representative or agent of the Underwriter. The Underwriter will observe and be bound by all the provisions of the Agreement and Declaration of Trust of the Fund (and of any fundamental policies adopted by the Fund pursuant to the Investment Company Act of 1940, notice of which shall have been given to the Underwriter) which at the time in any way require, limit, restrict or prohibit or otherwise regulate any action on the part of the Underwriter.

14. The Underwriter will require each dealer to conform to the provisions hereof and the Registration Statement (and related prospectus) at the time in effect under the Securities Act with respect to the public offering price of the Fund's shares, and neither the Underwriter nor any such dealers shall withhold the placing of purchase orders so as to make a profit thereby.

15. The Fund shall assume and pay all charges and expenses of its operations not specifically assumed or otherwise to be provided by the Underwriter under this Agreement. The Fund will pay or cause to be paid expenses (including the fees and disbursements of its own counsel) of any registration of the Fund

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and its shares under the United States securities laws and expenses incident to the issuance of shares of beneficial interest, such as the cost of share certificates, issue taxes, and fees of the transfer agent. The Underwriter will pay all expenses (other than expenses which one or more Firms may bear pursuant to any agreement with the Underwriter) incident to the sale and distribution of the shares issued or sold hereunder, including, without limiting the generality of the foregoing, all (a) expenses of printing and distributing any prospectus and of preparing, printing and distributing or disseminating any other literature, advertising and selling aids in connection with the offering of the shares for sale (except that such expenses need not include expenses incurred by the Fund in connection with the preparation, typesetting, printing and distribution of any registration statement, prospectus or report or other communication to shareholders in their capacity as such), (b) expenses of advertising in connection with such offering and (c) expenses (other than the Fund's auditing expenses) of qualifying or continuing the qualification of the shares for sale and, in connection therewith, of qualifying or continuing the qualification of the Fund as a dealer or broker under the laws of such states as may be designated by the Underwriter under the conditions herein specified. No transfer taxes, if any, which may be payable in connection with the issue or delivery of shares sold as herein contemplated or of the certificates for such shares shall be borne by the Fund, and the Underwriter will indemnify and hold harmless the Fund against liability for all such transfer taxes.

16. This agreement shall become effective on the date hereof and shall continue in effect until April 1, 1996 and from year to year thereafter, but only so long as such continuance is approved in the manner required by the Investment Company Act of

1940. Either party hereto may terminate this agreement on any date by giving the other party at least six months prior written notice of such termination specifying the date fixed therefor. Without prejudice to any other remedies of the Fund in any such event the Fund may terminate this agreement at any time immediately upon any failure of fulfillment of any of the obligations of the Underwriter hereunder.

17. This agreement shall automatically terminate in the event of its assignment.

18. Any notice under this agreement shall be in writing, addressed and delivered or mailed, postage postpaid, to the other party at such address as such other party may designate for the receipt of such notice.

19. All parties hereto are expressly put on notice of the Fund's Agreement and Declaration of Trust and all amendments thereto, all of which are on file with the Secretary of The

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Commonwealth of Massachusetts, and the limitation of shareholder and trustee liability contained therein. This Agreement has been executed by and on behalf of the Fund by its representatives as such representatives and not individually, and the obligations of the Fund hereunder are not binding upon any of the Trustees, officers or shareholders of the Fund individually but are binding upon only the assets and the property of the Fund. With respect to any claim by the Underwriter for recovery of any liability of the Fund arising hereunder allocated to a particular series of the Fund, if there be more than one, whether in accordance with the express terms hereof or otherwise, the Underwriter shall have recourse solely against the assets of that series to satisfy such claim and shall have no recourse against the assets of any other Portfolio for such purpose.

IN WITNESS WHEREOF, the Fund and the Underwriter have each caused this agreement to be executed on the day and year first above written.

KEMPER INTERNATIONAL BOND FUND

By: /s/ John E. Peters  
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Title: Vice President  
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Attest: /s/ Philip J. Collora  
-----

Title: Assistant Secretary  
-----

KEMPER DISTRIBUTORS, INC.

By: /s/ James L. Greenawalt  
-----

Title: Executive Vice President  
-----

Attest: /s/ David F. Dierenfeldt  
-----

Title: Secretary  
-----

SELLING GROUP AGREEMENT KEMPER DISTRIBUTORS, INC.  
120 South LaSalle Street, Chicago, Illinois 60603

Dear Financial Services Firm:

As principal underwriter and distributor, we invite you to join a Selling Group for the distribution of shares of the Kemper Mutual Funds (herein called "Funds"), but only in those states in which the shares of the respective Funds may legally be offered for sale. As exclusive agent of each of the Funds, we offer to sell to you shares of the Funds on the following terms:

1. In all sales of these shares to the public you shall act as dealer for your own account, and in no transaction shall you have any authority to act as agent for the issuer, for us, or for any other member of the Selling Group.

2. Orders received from you will be accepted by us only at the public offering price applicable to each order, as established by the Prospectus of each Fund, subject to the discount, commission or other concession, if any, as provided in such Prospectus. Upon receipt from you of any order to purchase shares of a Fund, we shall confirm to you in writing or by wire to be followed by a confirmation in writing. Additional instructions may be forwarded to you from time to time. All orders are subject to acceptance or rejection by us in our sole discretion.

3. You may offer and sell shares to your customers only at the public offering price determined in the manner described in the applicable Prospectus. The public offering price is the net asset value per share as provided in the applicable Prospectus plus, with respect to certain Funds, a sales charge from which you shall receive a discount equal to a percentage of the applicable offering price as provided in the applicable Prospectus. You shall receive a sales commission, with respect to certain Funds, equal to a percentage of the amount invested as provided in the applicable Prospectus. You shall receive a distribution service fee, for certain Funds for which such fees are available, as provided in the applicable Prospectus which fee shall be payable with respect to such assets, for such periods and at such intervals as are from time to time specified by us. The discounts or other concessions to which you may be entitled in connection with sales to your customers pursuant to any special features of a Fund (such as cumulative discounts, letters of intent, etc., the terms of which shall be as described in the applicable Prospectus and related forms) shall be in accordance with the terms of such features. You may receive an

administrative service fee, with respect to certain Funds for which such fees are available, as provided in the applicable Prospectus, which fee shall be payable with respect to such

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assets, for such periods and at such intervals as are from time to time specified by us.

4. By accepting this agreement, you agree:

(a) To purchase shares only from us or from your customers.

(b) That you will purchase shares from us only to cover purchase orders already received from your customers, or for your own bona fide investments.

(c) That you will not purchase shares from your customers at a price lower than the bid price then quoted by or for the Fund involved. You may, however, sell shares for the account of your customer to the Fund, or to us as agent for the Fund, at the bid price currently quoted by or for the Fund and charge your customer a fair commission for handling the transaction.

(d) That you will not withhold placing with us orders received from your customers so as to profit yourself as a result of such withholding.

5. We will not accept from you any conditional orders for shares.

6. If any shares confirmed to you under the terms of this agreement are repurchased by the issuing Fund or by us as agent for the Fund, or are tendered for repurchase, within seven business days after the date of our confirmation of the original purchase order, you shall forthwith refund to us the full discount, commission, finder's fee or other concession, if any, allowed or paid to you on such shares.

7. Payment for shares ordered from us shall be in New York clearing house funds and must be received by the appropriate Fund's shareholder service agent within seven days after our acceptance of your order (or such shorter time period as may be required by applicable regulations). If such payment is not received, we reserve the right, without notice, forthwith to cancel the sale or, at our option, to sell the shares ordered back to the Fund, in which case we may hold you responsible for any loss, including loss of profit suffered by us as a result of your failure to make such payment.

8. Shares sold to you hereunder shall be available in negotiable form for delivery at the appropriate Fund's shareholder services agent, against payment, unless other instructions have been given.

9. All sales will be made subject to our receipt of shares



from the Fund. We reserve the right, in our discretion, without notice, to suspend sales or withdraw the offering of shares entirely. We reserve the right to modify, cancel or change the terms of this agreement, upon 15 days prior written notice to you. Also, the sales charges, discounts, commissions or other concessions, service fees of any kind provided for hereunder are subject to change at any time by the Funds and us.

10. All communications to us should be sent to the address in the heading above. Any notice to you shall be duly given if

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mailed or telegraphed to you at the address specified by you below.

11. This agreement shall be construed in accordance with the laws of Illinois. This agreement is subject to the Prospectuses of the Funds from time to time in effect, and, in the event of a conflict, the terms of the Prospectuses shall control. References herein to the "Prospectus" of a Fund shall mean the prospectus and statement of additional information of such Fund as from time to time in effect. Any changes, modifications or additions reflected in any such Prospectus shall be effective on the date of such Prospectus (or supplement thereto) unless specified otherwise.

12. This agreement is subject to the Additional Stipulations and Conditions on the reverse side hereof, all of which are a part of this agreement.

Kemper Distributors, Inc.

By

-----  
Authorized Signature

Title

-----  
We have read the foregoing agreement and accept and agree to the terms and conditions thereof.

Firm

Witness

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By

-----

Authorized Representative

Dated

-----

Title

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ADDITIONAL STIPULATIONS AND CONDITIONS

13. No person is authorized to make any representations concerning shares of any Fund except those contained in the Prospectus of such Fund and in printed information subsequently issued by the Fund or by us as information supplemental to such Prospectus. If you wish to use your own advertising with respect to a Fund, all such advertising must be approved by us or by the Fund prior to use. You shall be responsible for any required filing of such advertising.

14. Your acceptance of this agreement constitutes a representation (i) that you are a registered security dealer and a member in good standing of the National Association of Securities Dealers, Inc. and that you agree to comply with all state and federal laws, rules and regulations applicable to transactions hereunder and to the Rules of Fair Practice of the National Association of Securities Dealers, Inc., including specifically Section 26, Article III thereof, or (ii) if you are offering and selling shares of the Funds only in jurisdictions outside of the several states, territories and possessions of the United States and are not otherwise required to be a member of the National Association of Securities Dealers, Inc., that you nevertheless agree to conduct your business in accordance with the spirit of the Rules of Fair Practice of the National Association of Securities Dealers, Inc., and to observe the laws and regulations of the applicable jurisdiction. You likewise agree that you will not offer to sell shares of any Fund in any state or other jurisdiction in which they may not lawfully be offered for sale.

15. You shall make available an investment management account for your customers through the Funds and shall provide such office space and equipment, telephone facilities, personnel and literature distribution as is necessary or appropriate for providing information and services to your customer. Such

services and assistance may include, but not be limited to, establishment and maintenance of shareholder accounts and records, processing purchase and redemption transactions, answering routine inquiries regarding the Funds, and such other services as may be agreed upon from time to time and as may be permitted by applicable statute, rule, or regulation. You agree to release, indemnify and hold harmless the Funds, us and our respective representatives and agents from any and all direct or indirect liabilities or losses resulting from requests, directions, actions or inactions of or by you, your officers, employees or agents regarding the purchase, redemption or transfer of registration of shares of the Funds for accounts of you, your customers and other shareholders or from any unauthorized or improper use of any on-line computer facilities. You shall prepare such periodic reports for us as shall reasonably be requested by us. You shall immediately inform the Funds or us of all written complaints received by you from Fund

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shareholders relating to the maintenance of their accounts and shall promptly answer all such complaints and other similar correspondence. You shall provide the Funds and us on a timely basis with such information as may be required to complete various regulatory forms.

16. As a result of the necessity to compute the amount of any contingent deferred sales charge due with respect to the redemption of shares, you may not hold shares of a Fund imposing such a charge in an account registered in your name or in the name of your nominee for the benefit of certain of your customers except with our prior written consent. Except as otherwise permitted by us, shares of such a Fund owned by a shareholder must be in a separate identifiable account for such shareholder.

17. Shares of certain Funds have been divided into separate classes: Class A Shares, Class B Shares and Class C Shares. Class A shares are offered at net asset value plus an initial sales charge. Class B Shares are offered at net asset value without an initial sales charge but are subject to a contingent deferred sales charge and a Rule 12b-1 fee and have a conversion feature. Class C Shares are offered at net asset value without an initial sales charge or contingent deferred sales charge but are subject to a Rule 12b-1 fee and have no conversion feature. Please see the appropriate Prospectuses for a more complete description of the distinctions between the classes of shares.

It is important to investors not only to choose Funds appropriate for their investment objectives, but also to choose the appropriate distribution arrangement, based on the amount invested and the expected duration of the investment. To assist investors in these decisions, we have instituted the following

policies with respect to orders for shares of the Funds. The following policies and procedures with respect to sales of classes of shares of the Funds apply to each broker/dealer that distributes shares of the Funds.

1. All purchase orders for \$500,000 or more (not including street name or omnibus accounts) should be for class A Shares.

2. Any purchase order of less than \$500,000 may be for either Class A, Class B or Class C Shares in light of the relevant facts and circumstances, including:

- a. the specific purchase order dollar amount;
- b. the length of time the investor expects to hold the shares; and
- c. any other relevant circumstances such as the availability of purchases under a Letter of Intent, Combined Purchases or Cumulative Discount Privilege.

There are instances when one pricing structure may be more appropriate than another. For example, investors who would qualify for a reduced sales charge on Class A Shares may determine that payment of a reduced front-end sales charge is preferable to payment of an ongoing Rule 12b-1 fee. On the other hand, investors whose orders would not qualify for such a discount and who plan to hold their investment for more than six years may wish to defer the sales charge and would consider Class

B Shares. Investors who prefer not to pay an initial sales charge and who plan to redeem their shares within six years might consider Class C Shares.

Appropriate supervisory personnel within your organization must ensure that all employees receiving investor inquiries about the purchase of shares of the Funds advise the investor of the available pricing structures offered by the Funds and the impact of choosing one method over another, including breakpoints and the availability of Letters of Intent, Combined Purchases and Cumulative Discounts. In some instances it may be appropriate for a supervisory person to discuss a purchase with the investor.

18. This agreement shall be in substitution of any prior selling group agreement between you and us regarding these shares. This agreement shall not be applicable to the provision of services for Cash Equivalent Fund, Tax-Exempt California Money Market Fund, Tax Exempt New York Money Market Fund, Investors Cash Trust and similar wholesale money market funds. The payment of related distribution and services fees, shall be subject to separate services agreements.



CUSTODY AGREEMENT

AGREEMENT, made the 1st day of March, 1995 by and between Kemper International Bond Fund, a Massachusetts business trust having its principal place of business at 120 South LaSalle Street, Chicago, Illinois 60603 ("Fund") and Investors Fiduciary Trust Company, a trust company organized and existing under the laws of Missouri, having its principal place of business at Kansas City, Missouri ("Custodian").

WHEREAS, Fund wants to appoint Investors Fiduciary Trust Company as Custodian to have custody of a portion of Fund's portfolio securities and monies pursuant to this Agreement; and, for purposes related to its foreign investments held outside the United States, Fund wants another custodian to have custody of the remainder of Fund's portfolio securities and monies pursuant to a separate agreement; and

WHEREAS, Investors Fiduciary Trust Company wants to accept such appointment;

NOW, THEREFORE, for and in consideration of the mutual promises contained herein, the parties hereto, intending to be legally bound, mutually covenant and agree as follows:

1. APPOINTMENT OF CUSTODIAN.

Fund hereby constitutes and appoints Investors Fiduciary Trust Company as Custodian of Fund which is to include:

A. Custody of the securities and monies at any time owned by Fund and received by Custodian; and

B. Performing certain accounting and record keeping functions relating to its function as Custodian for Fund and each of its Portfolios.

2. DELIVERY OF CORPORATE DOCUMENTS.

Fund has delivered or will deliver to Custodian prior to the effective date of this Agreement, copies of the following documents and all amendments or supplements thereto, properly certified or authenticated:

A. Resolutions of the Board of Trustees of Fund appointing Investors Fiduciary Trust Company as Custodian hereunder and approving the form of this Agreement; and

B. Resolutions of the Board of Trustees of Fund authorizing certain persons to give instructions on behalf of Fund to Custodian and authorizing Custodian to rely upon written instructions over their signatures.

3. DUTIES AND RESPONSIBILITIES OF CUSTODIAN.

A. Delivery of Assets

All Fund's securities and monies, except as permitted by the Investment Company Act of 1940 ("1940 Act"), will be delivered either to Custodian or to The Chase Manhattan Bank, N.A., pursuant to a separate custody agreement. Fund will deliver or cause to be delivered to Custodian on the effective date of this Agreement, or as soon thereafter as practicable, and from time to time thereafter, portfolio securities acquired by it and monies then owned by it except as permitted by the 1940 Act or from time to time coming into its possession during the time this Agreement shall continue in effect. Custodian shall have no responsibility or liability whatsoever for or on account of securities or monies not so delivered. All securities so delivered to Custodian (other than bearer securities) shall be registered in the name of Fund or its nominee, or of a nominee of Custodian, or shall be properly endorsed and in form for transfer satisfactory to Custodian.

B. Safekeeping

Custodian will receive delivery of and keep safely the assets of Fund delivered to it from time to time. Custodian will not deliver any such assets to any person except as permitted by the provisions of this Agreement or any agreement executed by it according to the terms of this Agreement. Custodian shall be responsible only for the monies and securities of Fund held directly by it or its nominees or sub-custodian under this Agreement; provided that Custodian's responsibility for any sub-custodian appointed at the Fund's direction for purposes of (i) effecting third-party repurchase transactions with banks, brokers, dealers, or other entities through the use of a common custodian or sub-custodian; or (ii) providing depository and clearing agency services with respect to certain variable rate demand note securities ("special sub-custodian") shall be further limited as set forth in this Agreement. Custodian may participate directly or

indirectly through a sub-custodian in the Depository Trust Company, the Treasury/Federal Reserve Book Entry System, the Participants Trust Company and any other securities depository approved by the Board of Trustees of the Fund, subject to compliance with the provisions of Rule 17f-4 under the 1940 Act including, without limitation, the

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specific provisions of subsections (a) (1) through (d) (4) thereof.

#### C. Registration of Securities

Custodian will hold stocks and other registerable portfolio securities of Fund registered in the name of Fund or in the name of any nominee of Custodian for whose fidelity and liabilities Custodian shall be fully responsible, or in street certificate form, so-called, with or without any indication of fiduciary capacity. Unless otherwise instructed, Custodian will register all such portfolio securities in the name of its authorized nominee.

#### D. Exchange of Securities

Upon receipt of instructions, Custodian will exchange, or cause to be exchanged, portfolio securities held by it for the account of Fund for other securities or cash issued or paid in connection with any reorganization, recapitalization, merger, consolidation, split-up of shares, change of par value, conversion or otherwise, and will deposit any such securities in accordance with the terms of any reorganization or protective plan. Without instructions, Custodian is authorized to exchange securities held by it in temporary form for securities in definitive form, to effect an exchange of shares when the par value of the stock is changed, and, upon receiving payment therefore, to surrender bonds or other securities held by it at maturity or when advised of earlier call for redemption, except that Custodian shall receive instructions prior to surrendering any convertible security.

#### E. Purchases or Sales of Investments of Fund

Fund shall, on each business day on which a purchase or sale of a portfolio security shall be made by it, deliver to Custodian instructions which shall specify with respect to each such transaction:

(1) The name of the issuer and description of the security;



- (2) The number of shares or the principal amount purchased or sold, and accrued interest, if any;
- (3) The trade date;
- (4) The settlement date;
- (5) The date when the securities sold were purchased by Fund or other information identifying the securities sold and to be delivered;

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- (6) The price per unit and the brokerage commission, taxes and other expenses in connection with the transaction;
- (7) The total amount payable or receivable upon such transaction; and
- (8) The name of the person from whom or the broker or dealer through whom the transaction was made.

In accordance with such purchase instructions, Custodian shall pay for out of monies held for the account of Fund, but only insofar as monies are available therein for such purpose, and receive the portfolio securities so purchased by or for the account of Fund. Such payment shall be made only upon receipt by Custodian of the securities so purchased in form for transfer satisfactory to Custodian.

In accordance with such sales instructions, Custodian will deliver or cause to be delivered the securities thus designated as sold for the account of Fund to the broker or other person specified in the instructions relating to such sale, such delivery to be made only upon receipt of payment therefor in such form as shall be satisfactory to Custodian, with the understanding that Custodian may deliver or cause to be delivered securities for payment in accordance with the customs prevailing among dealers in securities.

#### F. Purchases or Sales of Options and Futures Transactions

Fund will, on each business day on which a purchase or sale of the following options and/or futures shall be made by it, deliver to Custodian instructions which shall specify with respect to each such purchase or sale:

- (1) Securities Options

- (a) The underlying security;
- (b) The price at which purchased or sold;
- (c) The expiration date;
- (d) The number of contracts;
- (e) The exercise price;
- (f) Whether opening, exercising, expiring or closing the transaction;
- (g) Whether the transaction involves a put or call;
- (h) Whether the option is written or purchased;
- (i) Market on which option traded; and
- (j) Name and address of the broker or dealer through whom the sale or purchase was made.

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(2) Options on Indices

- (a) The index;
- (b) The price at which purchased or sold;
- (c) The exercise price;
- (d) The premium;
- (e) The multiple;
- (f) The expiration date;
- (g) Whether the transaction is an opening, exercising, expiring or closing transaction;
- (h) Whether the transaction involves a put or call;
- (i) Whether the option is written or purchased; and
- (j) Name and address of the broker or dealer through whom the sale or purchase was made.

(3) Securities Index Futures Transactions

- (a) The last trading date specified in the contract and, when available, the closing level, thereof;
- (b) The index level on the date the contract is entered into;
- (c) The multiple;
- (d) Any margin requirements;
- (e) The need for a segregated margin account (in addition to instructions; and, if not already in the possession of Custodian, Fund shall deliver a substantially complete and executed custodial safekeeping account and procedural agreement which shall be incorporated into this Custody Agreement); and
- (f) The name and address of the futures commission merchant through whom the sale or purchase was made.

(4) Options on Index Futures Contracts

- (a) The underlying index futures contract;
- (b) The premium;
- (c) The expiration date;
- (d) The number of options;
- (e) The exercise price;
- (f) Whether the transaction involves an opening, exercising, expiring or closing transaction;
- (g) Whether the transaction involves a put or call;
- (h) Whether the option is written or purchased; and
- (i) The market on which the option is traded.

G. Securities Pledged to Secure Loans

(1) Upon receipt of instructions, Custodian will release or cause to be released securities held in custody to the pledgee designated in such instructions by way of

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pledge or hypothecation to cure any loan incurred by Fund; provided, however, that the securities shall be released only upon payment to Custodian of the monies borrowed, except that in cases where additional collateral is required to secure a borrowing already made, further securities may be released or caused to be released for that purpose upon receipt of instructions. Upon receipt of instructions, Custodian will pay, but only from funds available for such purpose, any such loan upon redelivery to it of the securities pledged or hypothecated therefor and upon surrender of the note or notes evidencing such loan.

(2) Upon receipt of instructions, Custodian will release securities held in custody to the borrower designated in such instructions; provided, however, that the securities shall be released only upon deposit with Custodian of full cash collateral as specified in such instructions, and that Fund will retain the right to any dividends, interest or distribution on such loaned securities. Upon receipt of instructions and the loaned securities, Custodian will release the cash collateral to the borrower.

H. Routine Matters

Custodian will, in general, attend to all routine and mechanical matters in connection with the sale, exchange, substitution, purchase, transfer, or other dealings with

securities or other property of Fund except as may be otherwise provided in this Agreement or directed from time to time by the Board of Trustees of Fund.

I. Demand Deposit Account

Custodian will open and maintain a demand deposit account or accounts in the name of Custodian, subject only to draft or order by Custodian upon receipt of instructions. All monies received by Custodian from or for the account of Fund shall be deposited in said account or accounts.

When properly authorized by a resolution of the Board of Trustees of Fund, Custodian may open and maintain an additional demand deposit account or accounts in such other banks or trust companies as may be designated in such resolution, such accounts, however, to be in the name of Custodian and subject only to its draft or order.

J. Income and Other Payments to Fund

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Custodian will:

(1) collect, claim and receive and deposit for the account of Fund all income and other payments which become due and payable on or after the effective date of this Agreement with respect to the securities deposited under this Agreement, and credit the account of Fund with such income on the payable date;

(2) execute ownership and other certificates and affidavits for all federal, state and local tax purposes in connection with the collection of bond and note coupons; and

(3) take such other action as may be necessary or proper in connection with:

(a) the collection, receipt and deposit of such income and other payments, including but not limited to the presentation for payment of:

(1) all coupons and other income items requiring presentation;

(2) all other securities which may mature or be called, redeemed, retired or otherwise become

payable and regarding which the Custodian has actual knowledge, or notice of which is contained in publications of the type to which it normally subscribes for such purpose; and

(b) the endorsement for collection, in the name of Fund, of all checks, drafts or other negotiable instruments.

Custodian, however, shall not be required to institute suit or take other extraordinary action to enforce collection except upon receipt of instructions and upon being indemnified to its satisfaction against the costs and expenses of such suit or other actions. Custodian will receive, claim and collect all stock dividends, rights and other similar items and deal with the same pursuant to instructions. Unless prior instructions have been received to the contrary, Custodian will, without further instructions, sell any rights held for the account of Fund on the last trade date prior to the date of expiration of such rights.

#### K. Payment of Dividends and Other Distributions

On the declaration of any dividend or other distribution on the shares of beneficial interest of any Portfolio ("Portfolio Shares") by the Board of Trustees of

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Fund, Fund shall deliver to Custodian instructions with respect thereto, including a copy of the Resolution of said Board of Trustees certified by the Secretary or an Assistant Secretary of Fund wherein there shall be set forth the record date as of which shareholders are entitled to receive such dividend or distribution, and the amount payable per share on such dividend or distribution.

On the date specified in such Resolution for the payment of such dividend or other distribution, Custodian shall pay out of the monies held for the account of Fund, insofar as the same shall be available for such purposes, and credit to the account of the Dividend Disbursing Agent for Fund, such amount as may be necessary to pay the amount per share payable in cash on Portfolio Shares issued and outstanding on the record date established by such Resolution.

#### L. Portfolio Shares Purchased by Fund

Whenever any Portfolio Shares are purchased by Fund, Fund or its agent shall advise Custodian of the aggregate dollar amount to be paid for such shares and shall confirm such advice in writing. Upon receipt of such advice, Custodian shall charge such aggregate dollar amount to the custody account of Fund and either deposit the same in the account maintained for the purpose of paying for the purchase of Portfolio Shares or deliver the same in accordance with such advice.

M. Portfolio Shares Purchased from Fund

Whenever Portfolio Shares are purchased from Fund, Fund will deposit or cause to be deposited with Custodian the amount received for such shares. Custodian shall not have any duty or responsibility to determine that Fund Shares purchased from Fund have been added to the proper shareholder account or accounts or that the proper number of such shares have been added to the shareholder records.

N. Proxies and Notices

Custodian will promptly deliver or mail to Fund all proxies properly signed, all notices of meetings, all proxy statements and other notices, requests or announcements affecting or relating to securities held by Custodian for Fund and will, upon receipt of instructions, execute and deliver or cause its nominee to execute and deliver such proxies or other authorizations as may be required. Except as provided by this Agreement or pursuant to instructions hereafter received by Custodian, neither it nor its nominee shall exercise any power inherent in any such securities,

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including any power to vote the same, or execute any proxy, power of attorney, or other similar instrument voting any of such securities, or give any consent, approval or waiver with respect thereto, or take any other similar action.

O. Disbursements

Custodian will pay or cause to be paid insofar as funds are available for the purpose, bills, statements and other obligations of Fund (including but not limited to obligations in connection with the conversion, exchange or surrender of securities owned by Fund, interest charges, variation margin, dividend disbursements, taxes, management fees, administration-distribution fees, custodian fees, legal fees, auditors' fees, transfer agents' fees, brokerage

commissions, compensation to personnel, and other operating expenses of Fund) pursuant to instructions of Fund setting forth the name of the person to whom payment is to be made, the amount of the payment, and the purpose of the payment.

P. Books, Records and Accounts

Custodian acknowledges that all the records it shall prepare and maintain pursuant to this Agreement shall be the property of Fund and that upon request of Fund it shall make Fund's records available to it, along with such other information and data as are reasonably requested by Fund, for inspection, audit or copying, or turn said records over to Fund.

Custodian shall, within a reasonable time, render to Fund as of the close of business on each day, a detailed statement of the amounts received or paid and of securities received or delivered for the account of Fund during said day. Custodian shall, from time to time, upon request by Fund, render a detailed statement of the securities and monies held for Fund under this Agreement, and Custodian shall maintain such books and records as are necessary to enable it do so and shall permit such persons as are authorized by Fund, including Fund's independent public accountants, to examine such records or to confirm the contents of such records; and, if demanded, shall permit federal and state regulatory agencies to examine said securities, books and records. Upon the written instructions of Fund or as demanded by federal or state regulatory agencies, Custodian shall instruct any sub-custodian to permit such persons as are authorized by Fund to examine the books, records and securities held by such sub-custodian which relate to Fund.

Q. Appointment of Sub-Custodian

Notwithstanding any other provisions of this Agreement, all or any of the monies or securities of Fund may be held in Custodian's own custody or in the custody of one or more other banks or trust companies acting as sub-custodians as may be approved by resolutions of Fund's Board of Trustees, evidenced by a copy thereof certified by the Secretary or Assistant Secretary of Fund. Any sub-custodian must have the qualifications required for custodians under the 1940

Act unless exempted therefrom. Any sub-custodian may participate directly or indirectly in the Depository Trust Company, the Treasury/Reserve Book Entry System, the Participants Trust Company and any other securities depository approved by the Board of Trustees of the Fund to the same extent and subject to the same conditions as provided hereunder. Neither Custodian nor sub-custodian shall be entitled to reimbursement by Fund for any fees or expenses of any sub-custodian; provided that Custodian shall not be liable for, and Fund shall hold Custodian harmless from, the expenses of any special sub-custodian. The appointment of a sub-custodian shall not relieve Custodian of any of its obligations hereunder; provided that Custodian shall be responsible to Fund for any loss, damage, or expense suffered or incurred by Fund resulting from the actions or omissions of a special sub-custodian only to the extent the special sub-custodian is liable to Custodian.

R. Multiple Portfolios

If Fund shall issue shares of more than one Portfolio during the term hereof, Custodian agrees that all securities and other assets of Fund shall be segregated by Portfolio and all books and records, account values or actions shall be maintained, held, made or taken, as the case may be, separately for each Portfolio.

S. Other Custodian

Pursuant to instructions, Custodian will transmit securities and moneys of Fund to The Chase Manhattan Bank, N.A., as custodian for Fund.

4. INSTRUCTIONS.

A. The term "instructions", as used herein, means written or oral instructions to Custodian from an authorized person of Fund. Certified copies of resolutions of the Board of Trustees of Fund naming one or more persons authorized to give instructions in the name and on behalf of Fund may be received and accepted by Custodian as conclusive evidence of the authority of any person so to act and may be

considered to be in full force and effect (and Custodian shall be fully protected in acting in reliance thereon) until receipt by Custodian of notice to the contrary. Unless the resolution authorizing any person to give instructions specifically requires that the approval of



anyone else shall first have been obtained, Custodian shall be under no obligation to inquire into the right of the person giving such instructions to do so. Notwithstanding any of the foregoing provisions of this Section 4, no authorizations or instructions received by Custodian from Fund shall be deemed to authorize or permit any trustee, officer, employee, or agent of Fund to withdraw any of the securities or monies of Fund upon the mere receipt of instructions from such trustee, officer, employee or agent.

B. No later than the next business day immediately following each oral instruction referred to herein, Fund shall give Custodian written confirmation of each such oral instruction. Either party may electronically record any oral instruction whether given in person or via telephone.

#### 5. LIMITATION OF LIABILITY OF CUSTODIAN

A. Custodian shall hold harmless and indemnify Fund from and against any loss or liability arising out of Custodian's failure to comply with the terms of this Agreement or arising out of Custodian's negligence, willful misconduct, or bad faith. Custodian may request and obtain the advice and opinion of counsel for Fund or of its own counsel with respect to questions or matters of law, and it shall be without liability to Fund for any action taken or omitted by it in good faith, in conformity with such advice or opinion.

B. If Fund requires Custodian in any capacity to take, with respect to any securities, any action which involves the payment of money by it, or which in Custodian's opinion might make it or its nominee liable for payment of monies or in any other way, Custodian shall be and be kept indemnified by Fund in an amount and form satisfactory to Custodian against any liability on account of such action.

C. Custodian shall be entitled to receive, and Fund agrees to pay to Custodian, on demand, reimbursement for such cash disbursements, costs and expenses as may be agreed upon from time to time by Custodian and Fund.

D. Custodian shall be protected in acting as custodian hereunder upon any instructions, advice, notice, request, consent, certificate or other instrument or paper reasonably appearing to it to be genuine and to have been properly executed and shall, unless otherwise specifically

provided herein, be entitled to receive as conclusive proof of any fact or matter required to be ascertained from Fund hereunder, a certificate signed by Fund's President, or other officer specifically authorized for such purpose.

E. Without limiting the generality of the foregoing, Custodian shall be under no duty or obligation to inquire into, and shall not be liable for:

(1) The validity of the issue of any securities purchased by or for Fund, the legality of the purchase thereof or evidence of ownership required by Fund to be received by Custodian, or the propriety of the decision to purchase or amount paid therefor;

(2) The legality of the sales of any securities by or for Fund, or the propriety of the amount paid therefor;

(3) The legality of the issue or sale of any shares of Fund, or the sufficiency of the amount to be received therefor;

(4) The legality of the purchase of any shares of Fund, or the propriety of the amount to be paid therefor; or

(5) The legality of the declaration of any dividend by Fund, or the legality of the issue of any shares of Fund in payment of any share dividend.

F. Custodian shall not be liable for, or considered to be the custodian of, any money represented by any check, draft, wire transfer, clearing house funds, uncollected funds, or instrument for the payment of money received by it on behalf of Fund, until Custodian actually receives such money, provided only that it shall advise Fund promptly if it fails to receive any such money in the ordinary course of business, and use its best efforts and cooperate with Fund toward the end that such money shall be received.

G. Subject to the obligations of Custodian under Section 3.B. hereof, Custodian shall not be responsible for loss occasioned by the acts, neglects, defaults or insolvency of any broker, bank, trust company, or any other person with whom Custodian may deal in the absence of negligence, misconduct or bad faith on the part of Custodian.

H. Custodian or any sub-custodian shall provide Fund for its approval by its Board of Trustees agreements with

banks or trust companies which will act as sub-custodian for Fund pursuant to this Agreement; and, as set forth in

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Section 3.B hereof, Custodian shall be responsible for the monies and securities of the Fund held by it or its nominees or sub-custodians under this Agreement, but not for monies and securities of the Fund held by any special sub-custodian except to the extent the special sub-custodian is liable to Custodian.

6. COMPENSATION.

Fund shall pay to Custodian such compensation at such times as may from time to time be agreed upon in writing by Custodian and Fund. Custodian may charge such compensation against monies held by it for the account of Fund. Custodian shall also be entitled, notwithstanding the provisions of Sections 5B or 5C hereof, to charge against any monies held by it for the account of Fund the amount of any loss, damage, liability or expense for which it shall be entitled to reimbursement under the provisions of this Agreement. Custodian shall not be entitled to reimbursement by Fund for any loss or expenses of any sub-custodian; provided that Custodian shall not be liable for, and Fund shall hold Custodian harmless from, the expenses of any special sub-custodian.

7. TERMINATION.

Either party to this Agreement may terminate the same by notice in writing, delivered or mailed, postage prepaid, to the other party hereto and received not less than sixty (60) days prior to the date upon which such termination shall take effect. Upon termination of this Agreement, Fund shall pay to Custodian such compensation for its reimbursable disbursements, costs and expenses paid or incurred to such date and Fund shall use its best efforts to obtain a successor custodian. Unless the holders of a majority of the outstanding shares of Fund vote to have the securities, funds and other properties held under this Agreement delivered and paid over to some other person, firm or corporation specified in the vote, having not less than Two Million Dollars (\$2,000,000) aggregate capital, surplus and undivided profits, as shown by its last published report, and meeting such other qualifications for custodian as set forth in the Bylaws of Fund, the Board of Trustees of Fund shall, forthwith upon giving or receiving notice of termination of this Agreement, appoint as successor custodian a bank or trust company having such qualifications. Custodian shall, upon termination of this Agreement, deliver to the successor custodian so specified or

appointed, at custodian's office, all securities then held by Custodian hereunder, duly endorsed and in form for transfer, and all funds and other properties of Fund deposited with or held by Custodian hereunder, and shall cooperate in effecting changes in book-entries at the Depository Trust Company, the Treasury/Federal Reserve Book-Entry System, the Participants Trust Company and any other securities depository holding assets

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of the Fund. In the event no such vote has been adopted by the shareholders of Fund and no written order designating a successor custodian shall have been delivered to Custodian on or before the date when such termination shall become effective, then Custodian shall deliver the securities, funds and properties of Fund to a bank or trust company at the selection of Custodian and meeting the qualifications for custodian, if any, set forth in the Bylaws of Fund and having not less than Two Million Dollars (\$2,000,000) aggregate capital, surplus and undivided profits, as shown by its last published report. Upon either such delivery to a successor custodian, Custodian shall have no further obligations or liabilities under this Agreement. Thereafter such bank or trust company shall be the successor custodian under this Agreement and shall be entitled to reasonable compensation for its services. In the event that no such successor custodian can be found, Fund will submit to its shareholders, before permitting delivery of the cash and securities owned by Fund to anyone other than a successor custodian, the question of whether Fund shall be liquidated or shall function without a custodian. Notwithstanding the foregoing requirement as to delivery upon termination of this Agreement, Custodian may make any other delivery of the securities, funds and property of Fund which shall be permitted by the 1940 Act and Fund's Agreement and Declaration of Trust and Bylaws then in effect. Except as otherwise provided herein, neither this Agreement nor any portion thereof may be assigned by Custodian without the consent of Fund, authorized or approved by a resolution of its Board of Trustees.

#### 8. NOTICES.

Notices, requests, instructions and other writings received by Fund at 120 South LaSalle Street, Chicago, Illinois 60603 or at such other address as Fund may have designated by certified resolution of the Board of Trustees to Custodian and notices, requests, instructions and other writings received by Custodian at its offices at 21 West 10th Street, Kansas City, Missouri 64105, or to such other address as it may have designated to Fund in writing, shall be deemed to have been properly given hereunder.

9. MISCELLANEOUS.

A. This Agreement is executed and delivered in the State of Missouri and shall be governed by the laws of the State of Missouri (except as to Section 9.H. hereof which shall be governed in accordance with the laws of The Commonwealth of Massachusetts).

B. All the terms and provisions of this Agreement shall be binding upon, inure to the benefit of, and be enforceable by the respective successors and assigns of the parties hereto.

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C. No provisions of the Agreement may be amended or modified in any manner except by a written agreement properly authorized and executed by both parties hereto.

D. The captions in this Agreement are included for convenience of reference only, and in no way define or delimit any of the provisions hereof or otherwise affect their construction or effect.

E. This Agreement shall become effective at the close of business on the date hereof.

F. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

G. If any part, term or provision of this Agreement is by the courts held to be illegal, in conflict with any law or otherwise invalid, the remaining portion or portions shall be considered severable and not be affected, and the rights and obligations of the parties shall be construed and enforced as if the Agreement did not contain the particular part, term or provision held to be illegal or invalid.

H. All parties hereto are expressly put on notice of Fund's Agreement and Declaration of Trust, which is on file with the Secretary of The Commonwealth of Massachusetts, and the limitation of shareholder and trustee liability contained therein. This Agreement has been executed by and on behalf of Fund by its representatives as such representatives and not individually, and the obligations of Fund hereunder are not binding upon any of the Trustees, officers or shareholders of Fund individually but are binding upon only the assets and property of Fund. With

respect to any claim by Custodian for recovery of that portion of the compensation (or any other liability of Fund arising hereunder) allocated to a particular Portfolio, whether in accordance with the express terms hereof or otherwise, Custodian shall have recourse solely against the assets of that Portfolio to satisfy such claim and shall have no recourse against the assets of any other Portfolio for such purpose.

I. This Agreement, together with the Fee Schedule, is the entire contract between the parties relating to the subject matter hereof and supersedes all prior agreements.

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IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective authorized officers.

KEMPER INTERNATIONAL BOND FUND

By: /s/ John E. Peters

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Title: Vice President

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Attest: /s/ Philip J. Collora

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Title: Assistant Secretary

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INVESTORS FIDUCIARY TRUST COMPANY

By: /s/ Joseph F. Smith

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Title: E. V. P.

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Attest: /s/ Marvin Rau

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Title: Secretary  
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## FOREIGN CUSTODY AGREEMENT

AGREEMENT dated Jan. 26, 1994 between THE CHASE MANHATTAN BANK, N.A. (the "Bank") and KEMPER INTERNATIONAL BOND FUND ("Fund").

1. Custody Account. The Bank agrees to establish and maintain (a) a custody account in the name of the Fund ("Custody Account") for any and all stocks, shares, bonds, debentures, notes, mortgages or other obligations for the payment of money and any certificates, receipts, warrants or other instruments representing rights to receive, purchase or subscribe for the same or evidencing or representing any other rights or interests therein and other similar property (hereinafter called "Securities") and from time to time received by the Bank or its subcustodian (as defined in the last sentence of Section 3) for the account of the Fund, and (b) a deposit account in the name of the Fund ("Deposit Account") for any and all cash in any currency received by the Bank or its subcustodian for the account of the Fund, which cash shall not be subject to withdrawal by draft or check.

2. Maintenance of Securities Abroad. Securities in the Custody Account shall be held in the country or other jurisdiction as shall be specified from time to time in Instructions, provided that such country or other jurisdiction shall be one in which the principal trading market for such

Securities is located or the country or other jurisdiction in which such Securities are to be presented for payment or are acquired for the Custody Account and cash in the Deposit Account shall be credited to an account in such amounts and in the country or other jurisdiction as shall be specified from time to time in Instructions, provided that such country or other jurisdiction shall be one in which such cash is the legal currency for the payment of public or private debts.

3. Eligible Foreign Custodians and Securities Depositories. The Fund's Board of Trustees authorizes the Bank to hold the Securities in the Custody Account and the cash in the Deposit Account in custody and deposit accounts, respectively, which have been established by the Bank with one of its branches, a branch of a qualified U.S. bank, an eligible foreign custodian or an eligible foreign securities depository; provided, however, that the Bank has recommended and the Board has approved the use of, and the Bank's contract with, such eligible foreign custodian or eligible foreign securities depository by resolution, and a certified copy of such resolution has been provided to the Bank. Furthermore, if one of its branches, a branch of a qualified U.S. bank or an eligible foreign custodian is selected to act as the Bank's subcustodian to hold any of the Securities or cash, such entity is authorized to hold such Securities or cash in its account with any eligible foreign securities depository in which it participates. For purposes of this Agreement (a)



"qualified

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U.S. bank" shall mean a qualified U.S. bank as defined in Rule 17f-5 under the Investment Company Act of 1940 ("Investment Company Act"); (b) "eligible foreign custodian" shall mean (i) a banking institution or trust company incorporated or organized under the laws of a country other than the United States that is regulated as such by that country's government or an agency thereof and that has shareholders' equity in excess of \$200 million in U.S. currency (or a foreign currency equivalent thereof), (ii) a majority owned direct or indirect subsidiary of a qualified U.S. bank or bank holding company that is incorporated or organized under the laws of a country other than the United States and that has shareholders' equity in excess of \$100 million in U.S. currency (or a foreign currency equivalent thereof) or (iii) a banking institution or trust company incorporated or organized under the laws of a country other than the United States or a majority owned direct or indirect subsidiary of a qualified U.S. bank or bank holding company that is incorporated or organized under the laws of a country other than the United States which has such other qualifications as shall be authorized or permitted by a rule, regulation, interpretation or exemptive order promulgated by or under the authority of the Securities and Exchange Commission, specified in Instructions and approved by the Bank; and (c) "eligible foreign securities depository" shall mean a securities depository or clearing agency, incorporated or organized under the laws of a

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country other than the United States, which operates (i) the central system for handling of securities or equivalent book-entries in that country or (ii) a transnational system for the central handling of securities or equivalent book entries.

Hereinafter the term "subcustodian" will refer to any branch of a qualified U.S. bank, any eligible foreign custodian or any eligible foreign securities depository with which the Bank has entered an agreement of the type contemplated hereunder regarding Securities and/or cash held in or to be acquired for the Custody Account or the Deposit Account.

4. Use of Subcustodian. With respect to Securities and other assets which are maintained by the Bank in the physical custody of a subcustodian pursuant to Section 3 (as used in this Section 4, the term "Securities" means such Securities and other assets),

(a) The Bank will identify on its books as belonging to the Fund any Securities held by such subcustodian.

(b) In the event that a subcustodian permits any of the Securities placed in its care to be held in an eligible foreign securities depository, such subcustodian will be required by its agreement with the Bank to

identify on its books such Securities as being held for the account of the Bank as a custodian for its customers.

(c) Any Securities in the Custody Account held by a subcustodian of the Bank will be subject only to the

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instructions of the Bank or its agents; and any Securities held in an eligible foreign securities depository for the account of a subcustodian will be subject only to the instructions of such subcustodian.

(d) The Bank will only deposit Securities in an account with a subcustodian which includes exclusively the assets held by the Bank for its customers, and the Bank will cause such account to be designated by such subcustodian as a special custody account for the exclusive benefit of customers of the Bank.

(e) Any agreement the Bank shall enter into with a subcustodian with respect to the holding of Securities shall require that (i) the Securities are not subject to any right, charge, security interest, lien or claim of any kind in favor of such subcustodian except for their safe custody or administration and (ii) beneficial ownership of such Securities is freely transferable without the payment of money or value other than for safe custody or administration; provided, however, that the foregoing shall not apply to the extent that any of the above-mentioned rights, charges, etc. result from any compensation or other expenses arising with respect to the safekeeping of Securities pursuant to such agreement or from any arrangements made by the Fund with any such subcustodian.

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(f) The Bank shall allow independent public accountants of the Fund such reasonable access to the records of the Bank relating to the Securities held in the Custody Account as is required by such accountants in connection with their examination of the books and records pertaining to the affairs of the Fund. The Bank shall, subject to restrictions under applicable law, also obtain from any subcustodian with which the Bank maintains the physical possession of any Securities in the Custody Account an undertaking to permit independent public accountants of the Fund such reasonable access to the records of such subcustodian as may be required in connection with their examination of the books and records pertaining to the affairs of the Fund. The Bank shall furnish to the Fund such reports (or portions thereof) of the Bank's external auditors as relate directly to the Bank's system of internal accounting controls applicable to the Bank's duties under this Agreement. The Bank shall use its best efforts to obtain and furnish the Fund with similar reports with respect to each eligible foreign custodian and eligible foreign securities depository holding Securities of the Fund.

(g) The Bank will supply to the Fund from time to time as mutually agreed upon a statement in respect to any Securities in the Custody Account held by a subcustodian,

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including an identification of the entity having possession of the Securities, and the Bank will send to the Fund an advice or notification of any transfers of Securities to or from the Custody Account, indicating, as to Securities acquired for the Fund, the identity of the entity having physical possession of such Securities. In the absence of the filing in writing with the Bank by the Fund of exceptions or objections to any such statement within sixty (60) days following receipt of the statement, the Fund shall be deemed to have approved such statement; and in such case or upon written approval of the Fund of any such statement the Bank shall, to the extent permitted by law, be released, relieved and discharged with respect to all matters and things set forth in such statement as though such statement had been settled by the decree of a court of competent jurisdiction in an action in which the Fund and all persons having any equity interest in the Fund were parties.

(h) The Bank hereby warrants to the Fund that in its opinion, after due inquiry, the established procedures to be followed by each of its branches, each branch of a qualified U.S. bank, each eligible foreign custodian and each eligible foreign securities depository holding the Fund's Securities pursuant to this Agreement afford protection for such Securities at least equal to that afforded by the Bank's established procedures with respect to similar securities

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held by the Bank (and its securities depositories) in New York.

5. Deposit Account Payments. Subject to the provisions of Section 7, the Bank shall make, or cause its subcustodians to make, payments of cash credited to the Deposit Account only

(a) in connection with the purchase of Securities for the Fund and the delivery of such Securities to, or the crediting of such Securities to the account of, the Bank or its subcustodian, each such payment to be made at prices as confirmed by Instructions (as defined in Section 9 hereof) from Authorized Persons (as defined in Section 10 hereof);

(b) for the purchase or redemption of shares of the capital stock of the Fund and the delivery to, or crediting to the account of, the Bank or its subcustodian of such shares to be so purchased or redeemed;

(c) for the payment for the account of the Fund of dividends, interest, taxes, management or supervisory fees, capital distributions or operating expenses;

(d) for the payments to be made in connection with the conversion, exchange or surrender of Securities held in the Custody Account;

(e) for transmittal either to United Missouri Bank of Kansas City, National Association, or to Investors Fiduciary Trust Company, Custodian for the Fund;

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(f) for other proper corporate purposes of the Fund; or

(g) upon the termination of this Custody Agreement as hereinafter set forth.

All payments of cash for a purpose permitted by subsection (a), (b), (c), (d) or (e) of this Section 5 will be made only upon receipt by the Bank of Instructions from Authorized Persons which shall specify the purpose for which the payment is to be made and the applicable subsection of this Section 5. In the case of any payment to be made for the purpose permitted by subsection (f) of this Section 5, the Bank must first receive a certified copy of a resolution of the Board adequately describing such payment, declaring such purpose to be a proper purpose, and naming the person or persons to whom such payment is to be made. Any payment pursuant to subsection (g) of this Section 5 will be made in accordance with Section 17.

In the event that any payment made under this Section 5 exceeds the funds available in the Deposit Account, the Bank may, in its discretion, advance the Fund an amount equal to such excess and such advance shall be deemed a loan from the Bank to the Fund, payable on demand, bearing interest at the rate of interest customarily charged by the Bank on similar loans.

If the Bank causes the Deposit Account to be credited on the payable date for interest, dividends or redemptions, the Fund will promptly return to the Bank any such amount or property so

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credited upon oral or written notification that neither the Bank nor its subcustodian can collect such amount or property in the ordinary course of business. The Bank or its subcustodian, as the case may be, shall have no duty or obligation to institute legal proceedings, file a claim or proof of claim in any insolvency proceeding to take any other action with respect to the collection of such amount or property beyond its ordinary collection procedures.

6. Custody Account Transactions. Subject to the provisions of Section 7, Securities in the Custody Account will be transferred, exchanged or delivered by the Bank or its subcustodians only

(a) upon sale of such Securities for the Fund and receipt by the Bank

or its subcustodian only of payment therefor, each such payment to be in the amount confirmed by Instructions from Authorized persons;

(b) when such Securities are called, redeemed or retired, or otherwise become payable;

(c) in exchange for or upon conversion into other Securities along or other Securities and cash pursuant to any plan or merger, consolidation, reorganization, recapitalization or readjustment;

(d) upon conversion of such Securities pursuant to their terms into other Securities;

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(e) upon exercise of subscription, purchase or other similar rights represented by such Securities;

(f) for the purpose of exchanging interim receipts or temporary Securities for definitive Securities;

(g) for the purpose of delivery either to United Missouri Bank of Kansas City, National Association, or to Investors Fiduciary Trust Company, as Custodian for the Fund;

(h) for the purpose of redeeming in kind shares of the Fund against delivery to the Bank or its subcustodian of such shares to be so redeemed;

(i) for other proper trust purposes of the Fund;

(j) upon the termination of this Custody Agreement as hereinafter set forth.

All transfers, exchanges or deliveries of Securities in the Custody Account for a purpose permitted by either subsection (a), (b), (c), (d), (e), (f) or (g) of this Section 6 will be made, except as provided in Section 8, only upon receipt by the Bank of Instructions from Authorized Persons which shall specify the purpose of the transfer, exchange or delivery to be made and the applicable subsection of this Section 6. In the case of any transfer or delivery to be made for the purpose permitted by subsection (h) of this Section 6, the Bank must first receive Instructions from Authorized Persons specifying the shares held by the Bank or its subcustodian to be so transferred or delivered

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and naming the person or persons to whom transfers or delivery of such shares shall be made. In the case of any transfer, exchange or delivery to be made for the purpose permitted by subsection (i) of this Section 6, the Bank must first receive a certified copy of a resolution of the Board adequately describing such

transfer, exchange or delivery, declaring such purpose to be a proper trust purpose, and naming the person or persons to whom delivery of such Securities shall be made. Any transfer or delivery pursuant to subsection (j) of this Section 6 will be made in accordance with Section 17.

7. Custody Account Procedures. With respect to any transaction involving Securities held in or to be acquired for the Custody Account, the Bank in its discretion may cause the Deposit Account to be credited on the contractual settlement date with the proceeds of any sale or exchange of Securities from the Custody Account and to be debited on the contractual settlement date for the cost of Securities purchased or acquired for the Custody Account. The Bank may reverse any such credit or debit if the transaction with respect to which such credit or debit were made fails to settle within a reasonable period, determined by the Bank in its discretion, after the contractual settlement date, except that if any Securities delivered pursuant to this Section 7 are returned by the recipient thereof, the Bank may cause any such credits and debits to be reversed at any time. With respect to any transactions as to which the Bank does not

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determine so to credit or debit the Deposit Account, the proceeds from the sale or exchange of Securities will be credited and the cost of such Securities purchased or acquired will be debited to the Deposit Account on the date such proceeds or Securities are received by the Bank.

Notwithstanding the preceding paragraph, settlement and payment for Securities received for, and delivery of Securities out of, the Custody Account may be effected in accordance with the customary or established securities trading or securities processing practices and procedures in the jurisdiction or market in which the transaction occurs, including, without limitation, delivering Securities to the purchaser thereof or to a dealer therefor (or an agent for such purchaser or dealer) against a receipt with the expectation of receiving later payment for such Securities from such purchaser or dealer.

8. Actions of the Bank. Until the Bank receives instructions from Authorized Persons to the contrary, the Bank will, or will instruct its subcustodian to,

(a) present for payment any Securities in the Custody Account which are called, redeemed or retired or otherwise become payable and all coupons and other income items which call for payment upon presentation to the extent that the Bank or subcustodian is aware of such opportunities for payment, and hold cash received upon presentation of such

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Securities in accordance with the provisions of Sections 2, 3 and 4 of this Agreement;

(b) in respect of Securities in the Custody Account, execute in the

name of the Fund such ownership and other certificates as may be required to obtain payments in respect thereof;

(c) exchange interim receipts or temporary Securities in the Custody Account for definitive Securities;

(d) convert moneys received with respect to Securities of foreign issue into United States dollars or any other currency necessary to effect any transaction involving the Securities whenever it is practicable to do so through customary banking channels, using any method or agency available, including, but not limited to, the facilities of the Bank, its subsidiaries, affiliates or subcustodians; and

(e) in the event of any loss of Securities or cash, use its best efforts to ascertain the circumstances relating to such loss and promptly report the same to the Fund.

9. Instructions. As used in this Agreement, the term "Instructions" means instructions of the Fund received by the Bank, via telephone, telex, TWX, facsimile transmission, bank wire or other teleprocess or electronic instruction system acceptable to the Bank which the Bank reasonably believes in good faith to have been given by Authorized Persons or which are

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transmitted with proper testing or authentication pursuant to terms and conditions which the Bank may specify.

Any Instructions delivered to the Bank by telephone shall promptly thereafter be confirmed in writing by an Authorized Person (which confirmation may bear the facsimile signature of such Person), but the Fund will hold the Bank harmless for its failure to send such confirmation in writing, the failure of such confirmation to conform to the telephone instructions received or the Bank's failure to produce such confirmation at any subsequent time provided that the Bank has timely advised the Fund of its failure to send such confirmation in writing or the failure of such confirmation to conform to the telephone instructions received. Unless otherwise expressly provided, all Instructions shall continue in full force and effect until cancelled or superceded. If the Bank requires test arrangements, authentication methods or other security devices to be used with respect to instructions, any Instructions given by the Fund thereafter shall be given and processed in accordance with such terms and conditions for the use of such arrangements, methods or devices as the Bank may put into effect and modify from time to time. The Fund shall safeguard any testkeys, identification codes or other security devices which the Bank shall make available to it. The Bank may electronically record any Instructions given by telephone, and any other telephone discussions, with respect to the Custody Account.

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10. Authorized Persons. As used in this Agreement, the term "Authorized Persons" means such officers or such agents of the Fund as have been designated by a resolution of the Board, a certified copy of which has been provided to the Bank, to act on behalf of the Fund in the performance of any acts which Authorized Persons may do under this Agreement. Such persons shall continue to be Authorized Persons until such time as the Bank receives instructions from Authorized Persons that any such officer or agent is no longer an Authorized Person.

11. Nominees. Securities in the Custody Account which are ordinarily held in registered form may be registered in the name of the Bank's nominee or, as to any Securities in the possession of an entity other than the Bank, in the name of such entity's nominee. The Fund agrees to hold any such nominee harmless from any liability as a holder of record of such Securities. The Bank may without notice to the Fund cause any such Securities to cease to be registered in the name of any such nominee and to be registered in the name of the Fund. In the event that any Securities registered in the name of the Bank's nominee or held by one of its subcustodians and registered in the name of such subcustodian's nominee are called for partial redemption by the issuer of such Security, the Bank may allot, or cause to be allotted, the called portion to the respective beneficial holders of such class of security in any manner the Bank deems to be fair and equitable.

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12. Standard of Care. The Bank shall be responsible for the performance of only such duties as are set forth herein or contained in Instructions given to the Bank by Authorized Persons which are not contrary to the provisions of this Agreement. The Bank will use reasonable care with respect to the safekeeping of Securities in the Custody Account. The Bank shall be liable to the Fund for any loss which shall occur as the result of the failure of a subcustodian or an eligible foreign securities depository engaged by such subcustodian to exercise reasonable care with respect to the safekeeping of such Securities and other assets to the same extent that the Bank would be liable to the Fund if the Bank were holding such Securities and other assets in New York. In the event of any loss to the Fund by reason of the failure of the Bank or its subcustodian or an eligible foreign securities depository engaged by such subcustodian to utilize reasonable care, the Bank shall be liable to the Fund to the extent of the Fund's damages, to be determined based on the market value of the property which is the subject of the loss at the date of discovery of such loss and without reference to any special conditions or circumstances. The Bank shall be held to the exercise of reasonable care in carrying out this Agreement but shall be indemnified by, and shall be without liability to, the Fund for any action taken or omitted by the Bank in good faith without negligence. The Bank shall be entitled to rely, and may act, on advice of counsel (who may be counsel for the

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Fund) on all matters and shall be without liability for any action reasonably taken or omitted pursuant to such advice.

The Bank need not maintain any insurance for the benefit of the Fund. However, the Bank represents and warrants that it presently maintains a bankers' blanket bond ("Bond") which provides standard fidelity and non-negligent loss coverage with respect to securities which may be held by the Bank and securities which may be held in the offices of foreign banks and foreign securities depositories which may be utilized by the Bank pursuant to this Agreement. The Bank agrees that if at any time the Bank for any reason discontinues such coverage, it shall immediately notify the Fund in writing. The Bank represents that only the named insured on the Bond, which includes the Bank but not any of the Bank's customers, is directly protected against loss. The Bank represents that while it might resist a claim of one of its customers to recover for a loss not covered by the Bond, as a practical matter, where a claim is brought and loss is possibly covered by the Bond, the Bank would give notice of the claim to its insurer, and the insurer would normally determine whether to defend the claim against the Bank or to pay the claim on behalf of the Bank.

All collections of funds or other property paid or distributed in respect of Securities in the Custody Account shall be made at the risk of the Fund. The Bank shall have no liability for any loss occasioned by delay in the actual receipt

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of notice by the Bank or by its subcustodian of any payment, redemption or other transaction regarding Securities in the Custody Account in respect of which the Bank has agreed to take action as provided in Section 8 hereof. The Bank shall not be liable for any action taken in good faith upon Instructions or upon any certified copy of any resolution of the Board and may rely on the genuineness of any such documents which it may in good faith believe to be validly executed. The Bank shall not be liable for any loss resulting from, or caused by, the direction of the Fund to maintain custody of any Securities or cash in a foreign country including, but not limited to, losses resulting from nationalization, expropriation, currency restrictions, acts of war or terrorism, insurrection, revolution, nuclear fusion, fission or radiation, or acts of God.

13. Compliance with Securities and Exchange Commission Rules and Orders. To the extent that a condition of a rule, regulation, interpretation or exemptive order promulgated by or under the authority of the Securities and Exchange Commission applies to the Bank or the Fund each shall be solely responsible to assure that this Agreement and the maintenance of Securities and cash under this Agreement complies with any such rule, regulation, interpretation or exemptive order.

14. Corporate Action. The Bank or its subcustodian is to forward promptly to the Fund all communications relative to the Securities in the Custody Account. Such communications as call

for voting or the exercise of rights or other specific action (including material relative to legal proceedings intended to be transmitted to security holders) shall be transmitted to the Fund by means which will permit the Fund to take timely action. The Bank or its subcustodian will cause its nominee to execute and deliver to the Fund proxies relating to Securities in the Custody Account registered in the name of such nominee but without indicating the manner in which such proxies are to be voted. Proxies relating to bearer Securities will be delivered in accordance with written instructions from Authorized Persons.

Bank hereby agrees that Bank shall create, maintain, and retain all records relating to its activities and obligations under this Agreement in such manner as will meet the obligations of the Fund under the Investment Company Act, particularly Section 31 thereof and Rules 31a-1, 31a-2 and 31a-3 thereunder, and applicable Federal, state and foreign tax laws and other laws or administrative rules or procedures, in each case as currently in effect, which may be applicable to the Fund. All records so maintained in connection with the performance of its duties under this Agreement shall be preserved and maintained as required by regulation and, in the event of termination of the Agreement, shall be available to the Fund or its agent upon request.

15. Fees and Expenses. The Fund agrees to pay to the Bank from time to time such compensation for its services pursuant to this Agreement as may be mutually agreed upon in writing from

time to time including reimbursement of the Bank's reasonable out-of-pocket or incidental expenses, including legal fees. The Fund hereby agrees to hold the Bank harmless from any liability or loss resulting from any taxes or other governmental charges, and any expenses related thereto, which may be imposed, or assessed with respect to the Custody Account or any Securities in the Custody Account and also agrees to hold the Bank, its subcustodians, and their respective nominees harmless from any liability as a record holder of Securities in the Custody Account. The Bank is authorized to charge any account of the Fund for such items and the Bank shall have a lien on Securities in the Custody Account and on cash in the Deposit Account for any amount owing to the Bank from time to time under this Agreement.

16. Effectiveness. This Agreement shall be effective on the date first noted above; provided, however, that the Board has provided the Bank a certified copy of a resolution that (i) approves each of the subcustodians listed in Appendix A hereto and the terms of the custody agreement between the Bank and each such subcustodian attached as Exhibits I through hereof, and (ii) states that the Board has determined that the use of each such subcustodian and the terms of each such subcustody agreement are consistent with the best interests of the Fund and its shareholders.

17. Termination. This Agreement may be terminated by the Fund or the Bank by 60 days written notice to the other, sent by

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registered mail, provided that any termination by the Fund shall be authorized by a resolution of its Board, a certified copy of which shall accompany such notice of termination, and provided further, that such resolution shall specify the names of the persons to whom the Bank shall deliver the Securities in the Custody Account and to whom the cash in the Deposit Account shall be paid. If notice of termination is given by the Bank, the Fund shall, within 60 days following the giving of such notice, deliver to the Bank a certified copy of a resolution of its Board specifying the names of the persons to whom the Bank shall deliver the Securities in the Custody Account and to whom the cash in the Deposit Account shall be paid. In either case the Bank will deliver such Securities and cash to the persons so specified, after deducting therefrom any amounts which the Bank determines to be owed to it under Section 15. If within 60 days following the giving of a notice of termination by the Bank, the Bank does not receive from the Fund a certified copy of a resolution of the Board specifying the names of the persons to whom the Bank shall deliver the Securities in the Custody Account and to whom the cash in the Deposit Account shall be paid, the Bank, at its election, may deliver such Securities and pay such cash to a bank or trust company doing business in the State of New York to be held and disposed of pursuant to the provisions of this Agreement, or to Authorized Persons, or may continue to hold such Securities and cash until a certified copy of one or more

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resolutions as aforesaid is delivered to the Bank. Concurrently with the delivery of such Securities, the Bank shall deliver to the Company, or such other person as the Company shall instruct, the records referred to in Section 14 hereof which are in the possession or control of the Bank. The obligations of the parties hereto regarding the use of reasonable care, indemnities and payment of fees and expenses shall survive the termination of this Agreement.

18. Notices. Any notice or other communication from the Fund to the Bank is to be sent to the office of the Bank at 1211 Avenue of the Americas (33rd floor), New York, New York, 10036, Attention Global Custody Division, or such other address as may hereafter be given to the Company in accordance with the notice provisions hereunder, and any notice from the Bank to the Fund is to be mailed postage prepaid, addressed to the Fund at the address appearing below, or as it may hereafter be changed on the Bank's records in accordance with notice hereunder from the Fund.

19. Governing Law and Successors and Assigns. This Agreement shall be governed by the law of the State of New York and shall not be assignable by either party, but shall bind the successors and assigns of the Fund and the Bank.

20. Headings. The headings of the paragraphs hereof are included for convenience of reference only and do not form a part of this Agreement.

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21. Additional Portfolios. If the Fund shall issue shares of more than one portfolio during the term hereof, the Bank agrees that all securities and other assets of the Fund shall be segregated by portfolio and all books and records, account values or actions shall be maintained, held, made or taken, as the case may be, separately for each portfolio. Other than as encompassed by the preceding sentence, references in this Agreement to "the Fund" are applicable either to the entire trust or to a particular portfolio or portfolios, as the context may make reasonable and appropriate. If the Fund has more than one portfolio, instructions shall designate the portfolio or portfolios to which they apply.

22. Disclaimer. All parties hereto are expressly put on notice of the Fund's Agreement and Declaration of Trust and all amendments thereto, all of which are on file with the Secretary of The Commonwealth of Massachusetts, and the limitation of shareholder and trustee liability contained therein. This Agreement has been executed by and on behalf of the Fund by its representatives as such representatives and not individually, and the obligations of the Fund hereunder are not binding upon any of the Trustees, officers or shareholders of the Fund individually but are binding upon only the assets and property of the Fund. With respect to any claim by Bank for recovery of that portion of the compensation (or any other liability of the Fund arising hereunder) allocated to a particular portfolio, whether in

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accordance with the express terms hereof or otherwise, the Bank shall have recourse solely against the assets of that portfolio to satisfy such claim and shall have no recourse against the assets of any other portfolio for such purpose.

KEMPER INTERNATIONAL BOND FUND

By: /s/ Philip J. Collora  
-----  
Title(s) Vice President

Address for Record: 120 South LaSalle Street  
-----  
Chicago, Illinois 60603  
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THE CHASE MANHATTAN BANK, N.A.

By: /s/ Michelle David

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Title Vice President

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## AGENCY AGREEMENT

AGREEMENT dated the 1st day of February, 1995, by and between KEMPER INTERNATIONAL BOND FUND, a Massachusetts business trust having its principal place of business at 120 South LaSalle Street, Chicago, IL 60603 ("Fund"), and INVESTORS FIDUCIARY TRUST COMPANY, a state chartered trust company organized and existing under the laws of the State of Missouri having its principal place of business at 127 West 10th Street, Kansas City, Missouri 64105 ("IFTC").

WHEREAS, Fund wants to appoint IFTC as Transfer Agent and Dividend Disbursing Agent, and IFTC wants to accept such appointment;

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties hereto agree as follows:

1. Documents to be Filed with Appointment.

In connection with the appointment of IFTC as Transfer Agent and Dividend Disbursing Agent for Fund, there will be filed with IFTC the following documents:

A. A certified copy of the resolutions of the Board of Trustees of Fund appointing IFTC as Transfer Agent and Dividend Disbursing Agent, approving the form of this Agreement, and designating certain persons to give written instructions and requests on behalf of Fund.

B. A certified copy of the Agreement and Declaration of Trust of Fund and any amendments thereto.

C. A certified copy of the Bylaws of Fund.

D. Copies of Registration Statements filed with the Securities and Exchange Commission.

E. Specimens of all forms of outstanding share certificates as approved by the Board of Trustees of Fund, with a certificate of the Secretary of Fund as to such approval.

F. Specimens of the signatures of the officers of the Fund authorized to sign share certificates and individuals

authorized to sign written instructions and requests on behalf of the Fund.

G. An opinion of counsel for Fund:

(1) With respect to Fund's organization and existence under the laws of The Commonwealth of Massachusetts.

(2) With respect to the status of all shares of Fund covered by this appointment under the Securities Act of 1933, and any other applicable federal or state statute.

(3) To the effect that all issued shares are, and all unissued shares will be when issued, validly issued, fully paid and nonassessable.

2. Certain Representations and Warranties of IFTC. IFTC represents and warrants to Fund that:

A. It is a trust company duly organized and existing and in good standing under the laws of the State of Missouri.

B. It is duly qualified to carry on its business in the State of Missouri.

C. It is empowered under applicable laws and by its Articles of Incorporation and Bylaws to enter into and perform the services contemplated in this Agreement.

D. All requisite corporate proceedings have been taken to authorize it to enter into and perform this Agreement.

E. It has and will continue to have and maintain the necessary facilities, equipment and personnel to perform its duties and obligations under this Agreement.

F. It is, and will continue to be, registered as a transfer agent under the Securities Exchange Act of 1934.

3. Certain Representations and Warranties of Fund. Fund represents and warrants to IFTC that:

A. It is a business trust duly organized and existing and in good standing under the laws of The Commonwealth of Massachusetts.

B. It is an investment company registered under the Investment Company Act of 1940.

C. A registration statement under the Securities Act of 1933 has been filed and will be effective with respect to all shares of Fund being offered for sale at any time and from time to time.

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D. All requisite steps have been or will be taken to register Fund's shares for sale in all applicable states, including the District of Columbia.

E. Fund and its Trustees are empowered under applicable laws and by the Fund's Agreement and Declaration of Trust and Bylaws to enter into and perform this Agreement.

#### 4. Scope of Appointment.

A. Subject to the conditions set forth in this Agreement, Fund hereby employs and appoints IFTC as Transfer Agent and Dividend Disbursing Agent effective the date hereof.

B. IFTC hereby accepts such employment and appointment and agrees that it will act as Fund's Transfer Agent and Dividend Disbursing Agent. IFTC agrees that it will also act as agent in connection with Fund's periodic withdrawal payment accounts and other openaccount or similar plans for shareholders, if any.

C. IFTC agrees to provide the necessary facilities, equipment and personnel to perform its duties and obligations hereunder in accordance with industry practice.

D. Fund agrees to use all reasonable efforts to deliver to IFTC in Kansas City, Missouri, as soon as they are available, all its shareholder account records.

E. Subject to the provisions of Sections 20 and 21 hereof, IFTC agrees that it will perform all the usual and ordinary services of Transfer Agent and Dividend Disbursing Agent and as agent for the various shareholder accounts, including, without limitation, the following: issuing, transferring and cancelling share certificates, maintaining all shareholder accounts, preparing shareholder meeting lists, mailing proxies, receiving and tabulating proxies, mailing shareholder reports and prospectuses, withholding federal income taxes, preparing and mailing checks for disbursement of income and capital gains dividends, preparing and filing all required U.S. Treasury Department information returns for all shareholders, preparing and mailing confirmation forms to shareholders and dealers with



respect to all purchases and liquidations of Fund shares and other transactions in shareholder accounts for which confirmations are required, recording reinvestments of dividends and distributions in Fund shares, recording redemptions of Fund shares and preparing and mailing checks for payments upon redemption and for disbursements to systematic withdrawal plan shareholders.

5. Compensation and Expenses.

A. In consideration for the services provided hereunder by IFTC as Transfer Agent and Dividend Disbursing Agent, Fund will pay to IFTC from time to time compensation as agreed upon for all services rendered as Agent, and also, all its reasonable outofpocket expenses and other disbursements incurred in connection with the agency. Such compensation will be set forth in a separate schedule to be agreed to by Fund and IFTC. The initial agreement regarding compensation is attached as Exhibit A.

B. Fund agrees to promptly reimburse IFTC for all reasonable outofpocket expenses or advances incurred by IFTC in connection with the performance of services under this Agreement including, but not limited to, postage (and first class mail insurance in connection with mailing share certificates), envelopes, check forms, continuous forms, forms for reports and statements, stationery, and other similar items, telephone and telegraph charges incurred in answering inquiries from dealers or shareholders, microfilm used each year to record the previous year's transactions in shareholder accounts and computer tapes used for permanent storage of records and cost of insertion of materials in mailing envelopes by outside firms. IFTC may, at its option, arrange to have various service providers submit invoices directly to the Fund for payment of out-of-pocket expenses reimbursable hereunder.

6. Efficient Operation of IFTC System.

A. In connection with the performance of its services under this Agreement, IFTC is responsible for the accurate and efficient functioning of its system at all times, including:

- (1) The accuracy of the entries in IFTC's records

reflecting purchase and redemption orders and other instructions received by IFTC from dealers, shareholders, Fund or its principal underwriter.

(2) The timely availability and the accuracy of shareholder lists, shareholder account verifications, confirmations and other shareholder account information to be produced from IFTC's records or data.

(3) The accurate and timely issuance of dividend and distribution checks in accordance with instructions received from Fund.

(4) The accuracy of redemption transactions and payments in accordance with redemption instructions received from dealers, shareholders or Fund or other authorized persons.

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(5) The deposit daily in Fund's appropriate special bank account of all checks and payments received from dealers or shareholders for investment in shares.

(6) The requiring of proper forms of instructions, signatures and signature guarantees and any necessary documents supporting the rightfulness of transfers, redemptions and other shareholder account transactions, all in conformance with IFTC's present procedures with such changes as may be deemed reasonably appropriate by IFTC or as may be reasonably approved by or on behalf of Fund.

(7) The maintenance of a current duplicate set of Fund's essential or required records, as agreed upon from time to time by Fund and IFTC, at a secure distant location, in form available and usable forthwith in the event of any breakdown or disaster disrupting its main operation.

## 7. Indemnification.

A. Fund shall indemnify and hold IFTC harmless from and against any and all claims, actions, suits, losses, damages, costs, charges, counsel fees, payments, expenses and liabilities arising out of or attributable to any action or omission by IFTC pursuant to this Agreement or in connection with the agency relationship created by this Agreement, provided that IFTC has acted in good faith, without negligence and without willful misconduct.

B. IFTC shall indemnify and hold Fund harmless from and against any and all claims, actions, suits, losses, damages,

costs, charges, counsel fees, payments, expenses and liabilities arising out of or attributable to any action or omission by IFTC pursuant to this Agreement or in connection with the agency relationship created by this Agreement, provided that IFTC has not acted in good faith, without negligence and without willful misconduct.

C. In order that the indemnification provisions contained in this Section 7 shall apply, upon the assertion of a claim for which either party (the "Indemnifying Party") may be required to provide indemnification hereunder, the party seeking indemnification (the "Indemnitee") shall promptly notify the Indemnifying Party of such assertion, and shall keep such party advised with respect to all developments concerning such claim. The Indemnifying Party shall be entitled to assume control of the defense and the negotiations, if any, regarding settlement of the claim. If the Indemnifying Party assumes control, the Indemnitee shall have the option to participate in the defense and negotiations of such claim at its own expense. The Indemnitee shall in no event confess, admit to, compromise, or settle any claim for which the Indemnifying Party may be required to

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indemnify it except with the prior written consent of the Indemnifying Party, which shall not be unreasonably withheld.

8. Certain Covenants of IFTC and Fund.

A. All requisite steps will be taken by Fund from time to time when and as necessary to register the Fund's shares for sale in all states in which Fund's shares shall at the time be offered for sale and require registration. If at any time Fund receives notice of any stop order or other proceeding in any such state affecting such registration or the sale of Fund's shares, or of any stop order or other proceeding under the Federal securities laws affecting the sale of Fund's shares, Fund will give prompt notice thereof to IFTC.

B. IFTC hereby agrees to establish and maintain facilities and procedures reasonably acceptable to Fund for safekeeping of share certificates, check forms, and facsimile signature imprinting devices, if any; and for the preparation or use, and for keeping account of, such certificates, forms and devices. Further, IFTC agrees to carry insurance, as specified in Exhibit B hereto, with insurers reasonably acceptable to Fund and in minimum amounts that are reasonably acceptable to Fund, which will not be changed without the consent of Fund, which consent shall not be unreasonably withheld, and which will be expanded in coverage or increased in amounts from time to time if

and when reasonably requested by Fund. If IFTC determines that it is unable to obtain any such insurance upon commercially reasonable terms, it shall promptly so advise Fund in writing. In such event, Fund shall have the right to terminate this Agreement upon 30 days notice.

C. To the extent required by Section 31 of the Investment Company Act of 1940 and Rules thereunder, IFTC agrees that all records maintained by IFTC relating to the services to be performed by IFTC under this Agreement are the property of Fund and will be preserved and will be surrendered promptly to Fund on request.

D. IFTC agrees to furnish Fund semiannual reports of its financial condition, consisting of a balance sheet, earnings statement and any other reasonably available financial information reasonably requested by Fund. The annual financial statements will be certified by IFTC's certified public accountants.

E. IFTC represents and agrees that it will use all reasonable efforts to keep current on the trends of the investment company industry relating to shareholder services and will use all reasonable efforts to continue to modernize and improve its system without additional cost to Fund.

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F. IFTC will permit Fund and its authorized representatives to make periodic inspections of its operations at reasonable times during business hours.

G. If IFTC is prevented from complying, either totally or in part, with any of the terms or provisions of this Agreement, by reason of fire, flood, storm, strike, lockout or other labor trouble, riot, war, rebellion, accidents, acts of God, equipment, utility or transmission failure or damage, and/or any other cause or casualty beyond the reasonable control of IFTC, whether similar to the foregoing matters or not, then upon written notice to Fund, the requirements of this Agreement that are affected by such disability, to the extent so affected, shall be suspended during the period of such disability; provided, however, that IFTC shall make reasonable effort to remove such disability as soon as possible. During such period, Fund may seek alternate sources of service without liability hereunder; and IFTC will use all reasonable efforts to assist Fund to obtain alternate sources of service. IFTC shall have no liability to Fund for nonperformance because of the reasons set forth in this Section 8.G; but if a disability that, in Fund's reasonable

belief, materially affects IFTC's ability to perform its obligations under this Agreement continues for a period of 30 days, then Fund shall have the right to terminate this Agreement upon 10 days written notice to IFTC.

9. Adjustment.

In case of any recapitalization, readjustment or other change in the structure of Fund requiring a change in the form of share certificates, IFTC will issue or register certificates in the new form in exchange for, or in transfer of, the outstanding certificates in the old form, upon receiving the following:

A. Written instructions from an officer of Fund.

B. Certified copy of any amendment to the Agreement and Declaration of Trust or other document effecting the change.

C. Certified copy of any order or consent of each governmental or regulatory authority required by law for the issuance of the shares in the new form, and an opinion of counsel that no order or consent of any other government or regulatory authority is required.

D. Specimens of the new certificates in the form approved by the Board of Trustees of Fund, with a certificate of the Secretary of Fund as to such approval.

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E. Opinion of counsel for Fund:

(1) With respect to the status of the shares of Fund in the new form under the Securities Act of 1933, and any other applicable federal or state laws.

(2) To the effect that the issued shares in the new form are, and all unissued shares will be when issued, validly issued, fully paid and nonassessable.

10. Share Certificates.

Fund will furnish IFTC with a sufficient supply of blank share certificates and from time to time will renew such supply upon the request of IFTC. Such certificates will be signed manually or by facsimile signatures of the officers of

Fund authorized by law and Fund's Bylaws to sign share certificates and, if required, will bear the trust seal or facsimile thereof.

11. Death, Resignation or Removal of Signing Officer.

Fund will file promptly with IFTC written notice of any change in the officers authorized to sign share certificates, written instructions or requests, together with two signature cards bearing the specimen signature of each newly authorized officer, all as certified by an appropriate officer of the Fund. In case any officer of Fund who will have signed manually or whose facsimile signature will have been affixed to blank share certificates will die, resign, or be removed prior to the issuance of such certificates, IFTC may issue or register such share certificates as the share certificates of Fund notwithstanding such death, resignation, or removal, until specifically directed to the contrary by Fund in writing. In the absence of such direction, Fund will file promptly with IFTC such approval, adoption, or ratification as may be required by law.

12. Future Amendments of Agreement and Declaration of Trust and Bylaws.

Fund will promptly file with IFTC copies of all material amendments to its Agreement and Declaration of Trust and Bylaws and Registration Statement made after the date of this Agreement.

13. Instructions, Opinion of Counsel and Signatures.

At any time IFTC may apply to any officer of Fund for instructions, and may consult with legal counsel for Fund at the expense of Fund, or with its own legal counsel at its own expense, with respect to any matter arising in connection with

the agency; and it will not be liable for any action taken or omitted by it in good faith in reliance upon such instructions or upon the opinion of such counsel. IFTC is authorized to act on the orders, directions or instructions of such persons as the Board of Trustees of Fund shall from time to time designate by resolution. IFTC will be protected in acting upon any paper or document, including any orders, directions or instructions, reasonably believed by it to be genuine and to have been signed by the proper person or persons; and IFTC will not be held to have notice of any change of authority of any person so authorized by Fund until receipt of written notice thereof from

Fund. IFTC will also be protected in recognizing share certificates that it reasonably believes to bear the proper manual or facsimile signatures of the officers of Fund, and the proper countersignature of any former Transfer Agent or Registrar, or of a CoTransfer Agent or CoRegistrar.

14. Papers Subject to Approval of Counsel.

The acceptance by IFTC of its appointment as Transfer Agent and Dividend Disbursing Agent, and all documents filed in connection with such appointment and thereafter in connection with the agencies, will be subject to the approval of legal counsel for IFTC, which approval will not be unreasonably withheld.

15. Certification of Documents.

The required copy of the Agreement and Declaration of Trust of Fund and copies of all amendments thereto will be certified by the appropriate official of The Commonwealth of Massachusetts; and if such Agreement and Declaration of Trust and amendments are required by law to be also filed with a county, city or other officer or official body, a certificate of such filing will appear on the certified copy submitted to IFTC. A copy of the order or consent of each governmental or regulatory authority required by law for the issuance of Fund shares will be certified by the Secretary or Clerk of such governmental or regulatory authority, under proper seal of such authority. The copy of the Bylaws and copies of all amendments thereto and copies of resolutions of the Board of Trustees of Fund will be certified by the Secretary or an Assistant Secretary of Fund.

16. Records.

IFTC will maintain customary records in connection with its agency, and particularly will maintain those records required to be maintained pursuant to subparagraph (2)(iv) of paragraph (b) of Rule 31a1 under the Investment Company Act of 1940, if any.

17. Disposition of Books, Records and Cancelled Certificates.

IFTC will send periodically to Fund, or to where designated by the Secretary or an Assistant Secretary of Fund,

all books, documents, and all records no longer deemed needed for current purposes and share certificates which have been cancelled in transfer or in exchange, upon the understanding that such books, documents, records, and share certificates will not be destroyed by Fund without the consent of IFTC (which consent will not be unreasonably withheld), but will be safely stored for possible future reference.

18. Provisions Relating to IFTC as Transfer Agent.

A. IFTC will make original issues of share certificates upon written request of an officer of Fund and upon being furnished with a certified copy of a resolution of the Board of Trustees authorizing such original issue, an opinion of counsel as outlined in Section 1.G or 9.E of this Agreement, the certificates required by Section 10 of this Agreement and any other documents required by Section 1 or 9 of this Agreement.

B. Before making any original issue of certificates, Fund will furnish IFTC with sufficient funds to pay any taxes required on the original issue of the shares. Fund will furnish IFTC such evidence as may be required by IFTC to show the actual value of the shares. If no taxes are payable, IFTC will upon request be furnished with an opinion of outside counsel to that effect.

C. Shares will be transferred and new certificates issued in transfer, or shares accepted for redemption and funds remitted therefor, upon surrender of the old certificates in form deemed by IFTC properly endorsed for transfer or redemption accompanied by such documents as IFTC may deem necessary to evidence the authority of the person making the transfer or redemption, and bearing satisfactory evidence of the payment of any applicable share transfer taxes. IFTC reserves the right to refuse to transfer or redeem shares until it is satisfied that the endorsement or signature on the certificate or any other document is valid and genuine, and for that purpose it may require a guarantee of signature by such persons as may from time to time be specified in the prospectus related to such shares or otherwise authorized by Fund. IFTC also reserves the right to refuse to transfer or redeem shares until it is satisfied that the requested transfer or redemption is legally authorized, and it will incur no liability for the refusal in good faith to make transfers or redemptions which, in its judgment, are improper, unauthorized, or otherwise not rightful. IFTC may, in effecting transfers or redemptions, rely upon Simplification Acts or other statutes which protect it and Fund in not requiring complete fiduciary documentation.



D. When mail is used for delivery of share certificates, IFTC will forward share certificates in "nonnegotiable" form as provided by Fund by first class mail, all such mail deliveries to be covered while in transit to the addressee by insurance arranged for by IFTC.

E. IFTC will issue and mail subscription warrants and certificates provided by Fund and representing share dividends, exchanges or splitups, or act as Conversion Agent upon receiving written instructions from any officer of Fund and such other documents as IFTC deems necessary.

F. IFTC will issue, transfer, and splitup certificates upon receiving written instructions from an officer of Fund and such other documents as IFTC may deem necessary.

G. IFTC may issue new certificates in place of certificates represented to have been lost, destroyed, stolen or otherwise wrongfully taken, upon receiving indemnity satisfactory to IFTC, and may issue new certificates in exchange for, and upon surrender of, mutilated certificates. Any such issuance shall be in accordance with the provisions of law governing such matter and any procedures adopted by the Board of Trustees of the Fund of which IFTC has notice.

H. IFTC will supply a shareholder's list to Fund properly certified by an officer of IFTC for any shareholder meeting upon receiving a request from an officer of Fund. It will also supply lists at such other times as may be reasonably requested by an officer of Fund.

I. Upon receipt of written instructions of an officer of Fund, IFTC will address and mail notices to shareholders.

J. In case of any request or demand for the inspection of the share books of Fund or any other books of Fund in the possession of IFTC, IFTC will endeavor to notify Fund and to secure instructions as to permitting or refusing such inspection. IFTC reserves the right, however, to exhibit the share books or other books to any person in case it is advised by its counsel that it may be held responsible for the failure to exhibit the share books or other books to such person.

#### 19. Provisions Relating to Dividend Disbursing Agency.

A. IFTC will, at the expense of Fund, provide a special form of check containing the imprint of any device or other matter desired by Fund. Said checks must, however, be of a form and size convenient for use by IFTC.

B. If Fund wants to include additional printed matter, financial statements, etc., with the dividend checks, the same will be furnished to IFTC within a reasonable time prior to

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the date of mailing of the dividend checks, at the expense of Fund.

C. If Fund wants its distributions mailed in any special form of envelopes, sufficient supply of the same will be furnished to IFTC but the size and form of said envelopes will be subject to the approval of IFTC. If stamped envelopes are used, they must be furnished by Fund; or, if postage stamps are to be affixed to the envelopes, the stamps or the cash necessary for such stamps must be furnished by Fund.

D. IFTC will maintain one or more deposit accounts as Agent for Fund, into which the funds for payment of dividends, distributions, redemptions or other disbursements provided for hereunder will be deposited, and against which checks will be drawn.

## 20. Termination of Agreement.

A. This Agreement may be terminated by either party upon sixty (60) days prior written notice to the other party.

B. Fund, in addition to any other rights and remedies, shall have the right to terminate this Agreement forthwith upon the occurrence at any time of any of the following events:

(1) Any interruption or cessation of operations by IFTC or its assigns which materially interferes with the business operation of Fund.

(2) The bankruptcy of IFTC or its assigns or the appointment of a receiver for IFTC or its assigns.

(3) Any merger, consolidation or sale of substantially all the assets of IFTC or its assigns.

(4) The acquisition of a controlling interest in IFTC or its assigns, by any broker, dealer, investment adviser or investment company except as may presently exist.

(5) Failure by IFTC or its assigns to perform its duties in accordance with this Agreement, which failure materially adversely affects the business operations of Fund and

which failure continues for thirty (30) days after written notice from Fund.

(6) The registration of IFTC or its assigns as a transfer agent under the Securities Exchange Act of 1934 is revoked, terminated or suspended for any reason.

C. In the event of termination, Fund will promptly pay IFTC all amounts due to IFTC hereunder. Upon termination of

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this Agreement, IFTC shall deliver all shareholder and account records pertaining to Fund either to Fund or as directed in writing by Fund.

#### 21. Assignment.

A. Except for the assignment of responsibilities pursuant to the Services Agreement ("Services Agreement") between IFTC and Kemper Service Company ("KSVC"), which Fund has approved, neither this Agreement nor any rights or obligations hereunder may be assigned by IFTC without the written consent of Fund; provided, however, no assignment will relieve IFTC of any of its obligations hereunder.

B. This Agreement including, without limitation, the provisions of Section 7 will inure to the benefit of and be binding upon the parties and their respective successors and assigns including KSVC pursuant to the aforesaid Services Agreement.

C. KSVC is authorized by Fund to use the system services of DST Systems, Inc.

#### 22. Confidentiality.

A. Except as provided in the last sentence of Section 18.J hereof, or as otherwise required by law, IFTC will keep confidential all records of and information in its possession relating to Fund or its shareholders or shareholder accounts and will not disclose the same to any person except at the request or with the consent of Fund.

B. Except as otherwise required by law, Fund will keep confidential all financial statements and other financial records (other than statements and records relating solely to Fund's business dealings with IFTC) and all manuals, systems and other technical information and data, not publicly disclosed, relating to IFTC's operations and programs furnished to it by

IFTC pursuant to this Agreement and will not disclose the same to any person except at the request or with the consent of IFTC. Notwithstanding anything to the contrary in this Section 22.B, if an attempt is made pursuant to subpoena or other legal process to require Fund to disclose or produce any of the aforementioned manuals, systems or other technical information and data, Fund shall give IFTC prompt notice thereof prior to disclosure or production so that IFTC may, at its expense, resist such attempt.

23. Survival of Representations and Warranties.

All representations and warranties by either party herein contained will survive the execution and delivery of this Agreement.

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24. Miscellaneous.

A. This Agreement is executed and delivered in the State of Illinois and shall be governed by the laws of said state (except as to Section 24.G hereof which shall be governed by the laws of The Commonwealth of Massachusetts).

B. No provisions of this Agreement may be amended or modified in any manner except by a written agreement properly authorized and executed by both parties hereto.

C. The captions in this Agreement are included for convenience of reference only, and in no way define or limit any of the provisions hereof or otherwise affect their construction or effect.

D. This Agreement shall become effective as of the date hereof.

E. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

F. If any part, term or provision of this Agreement is held by the courts to be illegal, in conflict with any law or otherwise invalid, the remaining portion or portions shall be considered severable and not be affected, and the rights and obligations of the parties shall be construed and enforced as if the Agreement did not contain the particular part, term or provision held to be illegal or invalid.

G. All parties hereto are expressly put on notice of Fund's Agreement and Declaration of Trust which is on file with the Secretary of The Commonwealth of Massachusetts, and the limitation of shareholder and trustee liability contained therein. This Agreement has been executed by and on behalf of Fund by its representatives as such representatives and not individually, and the obligations of Fund hereunder are not binding upon any of the Trustees, officers or shareholders of the Fund individually but are binding upon only the assets and property of Fund. With respect to any claim by IFTC for recovery of that portion of the compensation and expenses (or any other liability of Fund arising hereunder) allocated to a particular Portfolio, whether in accordance with the express terms hereof or otherwise, IFTC shall have recourse solely against the assets of that Portfolio to satisfy such claim and shall have no recourse against the assets of any other Portfolio for such purpose.

H. This Agreement, together with the Fee Schedule, is the entire contract between the parties relating to the subject matter hereof and supersedes all prior agreements between the parties.

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IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective duly authorized officer as of the day and year first set forth above.

KEMPER INTERNATIONAL BOND FUND

By: /s/ John E. Peters  
-----

Title: Vice President  
-----

Attest: /s/ Philip J. Collora  
-----

Title: Assistant Secretary  
-----

INVESTORS FIDUCIARY TRUST COMPANY

By: /s/ Joseph F. Smith  
-----

Title: E V P

-----  
Attest: /s/ Marvin Rau  
-----

Title: Secretary  
-----

15

EXHIBIT A

FEE SCHEDULE

<TABLE>

<CAPTION>

Transfer Agency Function

Fee Payable by Fund

<S>

<C>

1. Annual open shareholder  
account fee.

\$6.00 per year per account.

2. Annual closed shareholder  
account fee.

\$6.00 per year per account.

3. Establishment of new  
shareholder account.

\$4.00 per new account.

4. Payment of dividend.

\$.40 per dividend payment  
per account.

5. Automated ACH/UIT transaction.

\$.50 per transaction.

6.	Process purchase or redemption of shares transaction.	\$1.25 per transaction.
7.	Non-monetary transactions fee.	\$2.00 per year per open account.
8.	All other shareholder inquiry, correspondence and research transactions.	\$1.25 per transaction.
9.	Disaster recovery fee.	\$.40 per year per open and closed account.

</TABLE>

The out-of-pocket expenses of IFTC will be reimbursed by Fund in accordance with the provisions of Section 5 of the Agency Agreement. All fees will be subject to offset by earnings allowances under the Custody Agreement between Fund and IFTC.

#### EXHIBIT B

#### IFTC INSURANCE COVERAGE

##### DESCRIPTION OF POLICY:

##### Fidelity Bond

Covers losses caused by dishonesty of employees, physical loss of securities on or outside of premises while in possession of authorized person, loss caused by forgery or alteration of checks or similar instruments.

##### Errors and Omissions Insurance

Covers claims made for actual or alleged negligent acts, errors or omissions committed in the performance of transfer agency services.

##### Mail Insurance (applies to all full service operations)

Provides indemnity for the following types of securities lost in the mails:

Non-negotiable securities mailed to domestic locations via registered mail.

Non-negotiable securities mailed to domestic locations via firstclass or certified mail.

Non-negotiable securities mailed to foreign locations via registered mail.

Negotiable securities mailed to all locations via registered mail.



CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Independent Auditors and Reports to Shareholders" and to the use of our report dated December 16, 1994 in the Registration Statement (Form N-1A) and its incorporation by reference in the related Prospectus and Statement of Additional Information of Kemper International Bond Fund, filed with the Securities and Exchange Commission in this Post-Effective Amendment No. 1 to the Registration Statement under the Securities Act of 1933 (Registration No. 33-85096) and this Amendment No. 1 to the Registration Statement under the Investment Company Act of 1940 (Registration No. 811-8818).

/s/ ERNST & YOUNG LLP

Chicago, Illinois  
July 24, 1995

## KEMPER INTERNATIONAL BOND FUND

## Subscription Agreement

1. Share Subscription. The undersigned agrees to purchase from Kemper International Bond Fund (the "Fund") the number of shares (the "Shares") without par value, set forth at the end of this Agreement on the terms and conditions set forth herein and in the Preliminary Prospectus ("Preliminary Prospectus") described below, and hereby tenders the amount of the price required to purchase these Shares at the price set forth at the end of this Agreement.

The undersigned understands that the Fund has prepared a registration statement or an amendment thereto for filing with the Securities and Exchange Commission on Form N-1A, which contains the Preliminary Prospectus which describes the Fund and the Shares. By its signature hereto, the undersigned hereby acknowledges receipt of a copy of the Preliminary Prospectus.

The undersigned recognizes that the Fund will not be fully operational until such time as it commences the public offering of its shares. Accordingly, a number of features of the Fund described in the Preliminary Prospectus, including, without limitation, the declaration and payment of dividends, and redemption of shares upon request of shareholders, are not, in fact, in existence at the present time and will not be instituted until the Fund's registration under the Securities Act of 1933 is made effective.

2. Registration and Warranties. The undersigned hereby represents and warrants as follows:

(a) It is aware that no Federal or state agency has made any findings or determination as to the fairness for investment, nor any recommendation or endorsement, of the Shares;

(b) It has such knowledge and experience of financial and business matters as will enable it to utilize the information made available to it in connection with the offering of the Shares, to evaluate the merits and risks of the prospective investment and to make an informed investment decision;

(c) It recognizes that the Fund has no financial or operating history and, further, that investment in the Fund involves certain risks, and it has taken full cognizance of and understands all of the risks related to the purchase of

the Shares, and it acknowledges that it has suitable financial resources and anticipated income to bear the economic risk of such an investment;

(d) It is purchasing the Shares for its own account, for investment, and not with any present intention of redemption, distribution, or resale of the Shares, either in whole or in part;

(e) It will not sell the Shares purchased by it without registration of the Shares under the Securities Act of 1933 or exemption therefrom;

(f) This Agreement and the Preliminary Prospectus and such material documents relating to the Fund as it has requested have been provided to it by the Fund and have been reviewed carefully by it; and

(g) It has also had the opportunity to ask questions of, and receive answers from, representatives of the Fund concerning the Fund and the terms of the offering.

3. The undersigned recognizes that the Fund reserves the unrestricted right to reject or limit any subscription and to close the offer at any time.

Number of Shares: 11,111.111 shares of Kemper International Bond Fund. Subscription price \$9.00 per share for an aggregate price of \$100,000.

IN WITNESS WHEREOF, the undersigned has executed this instrument this 16th day of December 1994.

KEMPER FINANCIAL SERVICES, INC.

By: /s/ John E. Peters

Title: Sr. Exec. V.P.

POWER OF ATTORNEY  
-----

The person whose signature appears below hereby appoints Charles F. Custer, Stephen B. Timbers and Philip J. Collora and each of them, any of whom may act without the joinder of the others, as his attorney-in-fact to sign and file on his behalf individually and in the capacity stated below such registration statements, amendments, post-effective amendments, exhibits, applications and other documents with the Securities and Exchange Commission or any other regulatory authority as may be desirable or necessary in connection with the public offering of shares of Kemper International Bond Fund.

Signature -----	Title -----	Date -----
/s/ Stephen B. Timbers -----	Trustee	March 2, 1995

POWER OF ATTORNEY  
-----

The person whose signature appears below hereby appoints Charles F. Custer, Stephen B. Timbers and Philip J. Collora and each of them, any of whom may act without the joinder of the others, as his attorney-in-fact to sign and file on his behalf individually and in the capacity stated below such registration statements, amendments, post-effective amendments, exhibits, applications and other documents with the Securities and Exchange Commission or any other regulatory authority as may be desirable or necessary in connection with the public offering of shares of Kemper International Bond Fund.

Signature

Title

Date

-----

-----

-----

/s/ Arthur R. Gottschalk

Trustee

March 2, 1995

-----

POWER OF ATTORNEY

-----

The person whose signature appears below hereby appoints Charles F. Custer, Stephen B. Timbers and Philip J. Collora and each of them, any of whom may act without the joinder of the others, as his attorney-in-fact to sign and file on his behalf individually and in the capacity stated below such registration statements, amendments, post-effective amendments, exhibits, applications and other documents with the Securities and Exchange Commission or any other regulatory authority as may be desirable or necessary in connection with the public offering of shares of Kemper International Bond Fund.

Signature

Title

Date

-----

-----

-----

/s/ Frederick T. Kelsey

Trustee

March 2, 1995

-----

POWER OF ATTORNEY

-----

The person whose signature appears below hereby appoints Charles F. Custer, Stephen B. Timbers and Philip J. Collora and each of them, any of whom may act without the joinder of the others, as his attorney-in-fact to sign and file on his behalf individually and in the capacity stated below such registration statements, amendments, post-effective amendments, exhibits, applications and other documents with the Securities and Exchange Commission or any other regulatory authority as may be desirable or necessary in connection with the public offering of shares of Kemper

Signature	Title	Date
-----	-----	-----

/s/ David B. Mathis	Trustee	March 2, 1995
-----		

POWER OF ATTORNEY  
-----

The person whose signature appears below hereby appoints Charles F. Custer, Stephen B. Timbers and Philip J. Collora and each of them, any of whom may act without the joinder of the others, as his attorney-in-fact to sign and file on his behalf individually and in the capacity stated below such registration statements, amendments, post-effective amendments, exhibits, applications and other documents with the Securities and Exchange Commission or any other regulatory authority as may be desirable or necessary in connection with the public offering of shares of Kemper International Bond Fund.

Signature	Title	Date
-----	-----	-----

/s/ John B. Tingleff	Trustee	March 2, 1995
-----		

POWER OF ATTORNEY  
-----

The person whose signature appears below hereby appoints Charles F. Custer, Stephen B. Timbers and Philip J. Collora and each of them, any of whom may act without the joinder of the others, as his attorney-in-fact to sign and file on his behalf individually and in the capacity stated below such registration statements, amendments, post-effective

amendments, exhibits, applications and other documents with the Securities and Exchange Commission or any other regulatory authority as may be desirable or necessary in connection with the public offering of shares of Kemper International Bond Fund.

Signature

Title

Date

-----

-----

-----

/s/ John G. Weithers

Trustee

March 2, 1995

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VEDDER, PRICE, KAUFMAN & KAMMHOLZ

July 21, 1995

Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549

Re: Kemper International Bond Fund  
-----

To the Commission:

We are counsel to the above-referenced investment company (the "Fund") and as such have participated in the preparation and review of Post-Effective Amendment No. 1 to the Fund's registration statement being filed pursuant to Rule 485(b) under the Securities Act of 1933. In accordance with paragraph (b)(4) of Rule 485, we hereby represent that such amendment does not contain disclosures which would render it ineligible to become effective pursuant to paragraph (b) thereof.

Very truly yours,

/s/ Vedder, Price, Kaufman & Kammholz

VEDDER, PRICE, KAUFMAN & KAMMHOLZ

DAS:dfd



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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE 1995 SEMI-ANNUAL REPORT TO SHAREHOLDERS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL INFORMATION.

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