SECURITIES AND EXCHANGE COMMISSION

FORM 497

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PROSPECTUS

December 13, 1994

Prairie Funds (the "Trust") is an open-end, management investment company, known as a series fund. The Trust permits investors to invest in any of 12 separate series (the "Funds"), divided into five general fund types: Asset Allocation; Equity; Bond; Municipal Bond; and Money Market.

First Chicago Investment Management Company ("FCIMCO" or the "Investment Adviser") will serve as each Fund's investment adviser and administrator. The Investment Adviser has engaged ANB Investment Management and Trust Company ("ANB- IMC") to serve as sub-investment adviser to the International Equity Fund and to provide day-to-day management of that Fund's investments.

Concord Financial Group, Inc. (the "Distributor") will serve as each Fund's distributor.

By this Prospectus, Class A shares of each Fund, Class B shares of each Fund other than the U.S. Government Money Market and Municipal Money Market Funds, and Class I shares of each Fund other than the Money Market Funds, are being offered.

Class A shares of each Fund, other than the Money Market Funds, are subject to a sales charge imposed at the time of purchase and Class B shares of each such Fund are subject to a contingent deferred sales charge imposed on redemptions made within up to six years of purchase. Class A and Class B shares are offered to any investor. Each Fund offers these alternatives to permit an investor to choose the method of purchasing shares that is most beneficial given the amount of the purchase, the length of time the investor expects to hold the shares and other circumstances. Class B shares of the Money Market Fund may be acquired only through the exchange of Class B shares of the other Funds.

Class I shares are offered without a sales charge and are sold only to qualified trust, custody and/or agency account clients of The First National Bank of Chicago ("FNBC"), American National Bank and Trust Company ("ANB") or their affiliates and to certain qualified employee benefit plans or other programs.

Other differences between the Classes include the services offered to and expenses borne by each Class and certain voting rights, as described herein.

Fund shares are not deposits or obligations of, or guaranteed by, any bank, and are not federally insured by the Federal Deposit Insurance Corporation ("FDIC"), the Federal Reserve Board, or any other agency. Fund shares involve certain investment risks, including the possible loss of principal. For all Funds other than the Money Market Funds, investors should recognize that the share price, yield and investment return of each Fund fluctuate and are not guaranteed.

For the Money Market Funds, investors should recognize that an investment in a Money Market Fund is neither insured nor guaranteed by the U.S. Government. There can be no assurance that the Money Market Funds will be able to maintain a stable net asset value of $1.00 per share.

This Prospectus sets forth concisely information about the Trust and Funds that an investor should know before investing. It should be read and retained for future reference.

Part B (also known as the Statement of Additional Information), dated December 13, 1994, which may be revised from time to time, provides a further discussion of certain areas in this Prospectus and other matters which may be of interest to some investors. It has been filed with the Securities and Exchange Commission and is incorporated herein by reference. For a free copy, write to the Trust at Three First National Plaza, Chicago, Illinois 60670, or call 1-800-370-9446.

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PRAIRIE FUNDS

ASSET ALLOCATION FUNDS

The Managed
Assets Income Fund
The Managed
Assets Fund

EQUITY FUNDS

The Equity Income Fund
The Growth Fund
The Special Opportunities Fund
The International Equity Fund

BOND FUNDS

The Bond Fund
The International Bond Fund

MUNICIPAL BOND FUND

The Intermediate Municipal
Bond Fund

MONEY MARKET FUNDS

The U.S. Government
Money Market Fund
The Money Market Fund
The Municipal
Money Market Fund

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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THE PRAIRIE FUNDS

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ASSET ALLOCATION FUNDS

These Funds will follow an asset allocation strategy by investing in equity securities, fixed-income securities and short-term instruments of domestic and foreign issuers:

THE MANAGED ASSETS INCOME FUND

seeks to maximize current income; capital appreciation is a secondary, but nonetheless important, goal.

THE MANAGED ASSETS FUND

seeks to maximize total return, consisting of capital appreciation and current income, without assuming undue risk.

EQUITY FUNDS

These Funds will invest principally in equity securities:

THE EQUITY INCOME FUND

seeks to provide income; capital appreciation and growth of earnings are secondary, but nonetheless important, goals. This Fund will invest primarily in income-producing equity securities of domestic issuers.

THE GROWTH FUND

seeks long-term capital appreciation. This Fund will invest primarily in equity securities of domestic issuers believed by the Fund's investment adviser to have above-average growth characteristics.

THE SPECIAL OPPORTUNITIES FUND

seeks long-term capital appreciation. This Fund will invest primarily in equity securities of small- to medium-sized emerging growth domestic issuers that the Fund's investment adviser believes are undervalued in the marketplace.

THE INTERNATIONAL EQUITY FUND

seeks long-term capital appreciation. This Fund will invest primarily in equity securities of foreign issuers.

BOND FUNDS

These Funds will invest principally in fixed-income securities:

THE BOND FUND

seeks to provide as high a level of current income as is consistent with the preservation of capital. This Fund will invest in a portfolio of U.S. dollar denominated investment grade fixed-income securities of domestic and foreign issuers, without regard to maturity.

THE INTERNATIONAL BOND FUND

seeks to provide both long-term capital appreciation and current income. This Fund will invest primarily in investment grade debt securities of foreign issuers.

MUNICIPAL BOND FUND

This Fund will invest principally in Municipal Obligations:

THE INTERMEDIATE MUNICIPAL BOND FUND

seeks to provide as high a level of current income exempt from Federal income tax as is consistent with the preservation of capital. This Fund will invest primarily in a portfolio of investment grade Municipal Obligations which, under normal conditions, will have a dollar-weighted average maturity expected to range between three and ten years.

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MONEY MARKET FUNDS

These Funds will invest in various kinds of money market instruments and will seek a stable net asset value of $1.00 per share:

THE U.S. GOVERNMENT MONEY MARKET FUND

seeks to provide as high a level of current income as is consistent with the preservation of capital and the maintenance of liquidity. This Fund will invest only in short-term securities issued or guaranteed as to principal or interest by the U.S. Government, its agencies and instrumentalities, and repurchase agreements in respect of such securities.

THE MONEY MARKET FUND

seeks to provide as high a level of current income as is consistent with the preservation of capital and the maintenance of liquidity. This Fund will invest in short-term money market instruments.

THE MUNICIPAL MONEY MARKET FUND

seeks to provide as high a level of current income exempt from Federal income tax as is consistent with the preservation of capital and the maintenance of liquidity. This Fund will invest in short-term Municipal Obligations.

FEE TABLE
<TABLE>
<CAPTION>

SHAREHOLDER TRANSACTION EXPENSES	CLASS A Money Market Funds	CLASS A Intermediate Municipal Bond Fund	CLASS A All Other Funds	CLASS B Intermediate Municipal Bond Fund	CLASS B All Other Funds Offering Class B	CLASS I All Funds Offering Class I
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Maximum Sales Charge Imposed On Purchases (as a percentage of offering price)	None	3.00%	4.50%	None	None	None
Sales Charge On Reinvested Dividends	None	None	None	None	None	None
Maximum Deferred Sales Charge Imposed On Redemptions (as a percentage of the amount subject to charge)	None	None*	None*	3.00%	5.00%	None
Redemption Fees	None	None	None	None	None	None
Exchange Fees	None	None	None	None	None	None

</TABLE>

* A contingent deferred sales charge of up to 1.00% may be assessed on certain redemptions of Class A shares purchased without an initial sales charge as part of an investment of $1 million or more.

ANNUAL FUND OPERATING EXPENSES

(as a percentage of average daily net assets)

CLASS A SHARES
<TABLE>
<CAPTION>

Example
An investor would
pay the following expenses

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	Management Fees	12b-1 Fees	Other Expenses*	Total Operating Expenses*	on a $1,000 investment, assuming (1) 5% annual return and (2) redemption at the end of each time period: 1 Year	3 Years
<S>	<C>	<C>	<C>	<C>	<C>	<C>
ASSET ALLOCATION FUNDS:						
Managed Assets Income Fund	.65%	none	.66%	1.31%	$58	$85
Managed Assets Fund	.65%	none	.68%	1.33%	$58	$85
EQUITY FUNDS:						
Equity Income Fund	.50%	none	.68%	1.18%	$56	$81
Growth Fund	.65%	none	.68%	1.33%	$58	$85
Special Opportunities Fund	.70%	none	.68%	1.38%	$58	$87
International Equity Fund	.80%	none	.78%	1.58%	$60	$93
BOND FUNDS:						
Bond Fund	.55%	none	.68%	1.23%	$57	$82
International Bond Fund	.70%	none	.78%	1.48%	$59	$90
MUNICIPAL BOND FUND:						
Intermediate Municipal Bond Fund	.40%	none	.50%	.90%	$39	$58
MONEY MARKET FUNDS:						
U.S. Government Money Market Fund	.40%	none	.48%	.88%	$9	$28
Money Market Fund	.40%	none	.59%	.99%	$10	$32
Municipal Money Market Fund	.40%	none	.55%	.95%	$10	$30

</TABLE>

* After expense reimbursements or fee waivers.

CLASS B SHARES
<TABLE>
<CAPTION>

	Management Fees	12b-1 Fees	Other Expenses*	Total Operating Expenses*	Example An investor would pay the following expenses on a $1,000 investment, assuming (1) 5% annual return and (2) except where noted, redemption at the end of each time period: 1 Year	3 Years
<S>	<C>	<C>	<C>	<C>	<C>	<C>
ASSET ALLOCATION FUNDS:						
Managed Assets Income Fund	.65%	.75%	.66%	2.06%	$72	$97/$64**
Managed Assets Fund	.65%	.75%	.68%	2.08%	$73	$98/$65**
EQUITY FUNDS:						
Equity Income Fund	.50%	.75%	.68%	1.93%	$71	$93/$61**
Growth Fund	.65%	.75%	.68%	2.08%	$73	$98/$65**
Special Opportunities Fund	.70%	.75%	.68%	2.13%	$73	$99/$67**
International Equity Fund	.80%	.75%	.78%	2.33%	$75	$105/$73**
BOND FUNDS:						
Bond Fund	.55%	.75%	.68%	1.98%	$72	$95/$62**
International Bond Fund	.70%	.75%	.78%	2.23%	$74	$102/$70**
MUNICIPAL BOND FUND:						
Intermediate Municipal Bond Fund	.40%	.75%	.68%	1.83%	$69	$92/$59**
MONEY MARKET FUNDS:						
Money Market Fund	.40%	.75%	.59%	1.74%	$18	$56

</TABLE>

* After expense reimbursements or fee waivers.

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** Assuming no redemption of Class B shares.

CLASS I SHARES

<TABLE>
<CAPTION>

<S>	Management Fees <C>	12b-1 Fees <C>	Other Expenses* <C>	Total Operating Expenses* <C>	Example An investor 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: 1 Year <C>	3 Years <C>
ASSET ALLOCATION FUNDS:						
Managed Assets Income Fund	.65%	none	.15%	.80%	$8	$26
Managed Assets Fund	.65%	none	.15%	.80%	$8	$26
EQUITY FUNDS:						
Equity Income Fund	.50%	none	.15%	.65%	$7	$21
Growth Fund	.65%	none	.15%	.80%	$8	$26
Special Opportunities Fund	.70%	none	.15%	.85%	$9	$27
International Equity Fund	.80%	none	.25%	1.05%	$11	$33
BOND FUNDS:						
Bond Fund	.55%	none	.15%	.70%	$7	$22
International Bond Fund	.70%	none	.25%	.95%	$10	$30
MUNICIPAL BOND FUND:						
Intermediate Municipal Bond Fund	.40%	none	.15%	.55%	$6	$18

</TABLE>

* After expense reimbursements or fee waivers.

THE AMOUNTS LISTED IN THE EXAMPLES SHOULD NOT BE CONSIDERED AS REPRESENTATIVE OF FUTURE EXPENSES AND ACTUAL EXPENSES MAY BE GREATER OR LESS THAN THOSE INDICATED. MOREOVER, WHILE EACH EXAMPLE ASSUMES A 5% ANNUAL RETURN, A FUND'S ACTUAL PERFORMANCE WILL VARY AND MAY RESULT IN AN ACTUAL RETURN GREATER OR LESS THAN 5%.

The purpose of the foregoing table is to assist investors in understanding the various costs and expenses that investors in a Fund will bear, directly or indirectly, the payment of which will reduce investors' return on an annual basis. Long-term investors in Class B shares of a Fund could pay more in 12b-1 fees than the economic equivalent of paying a front-end sales charge. Other Expenses and Total Operating Expenses are based on estimated amounts for the current fiscal year. Other Expenses and Total Operating Expenses noted above, without expense reimbursements or fee waivers, would be increased, with respect to Class A, Class B and Class I, by .31% for the Managed Assets Income Fund, .45% for the Managed Assets Fund, .09% for the Equity Income Fund, .08% for the Growth Fund, .17% for the Special Opportunities Fund, .11% for the International Equity Fund, .15% for the Bond Fund and .45% for the International Bond Fund, by .08% with respect to Class A and Class I and .07% with respect to Class B for the Intermediate Municipal Bond Fund, by .31% with respect to Class A and Class B for the Money Market Fund, by .14% with respect to Class A for the U.S. Government Money Market Fund, and by .18% for the Municipal Money Market Fund. With respect to each Fund, the Investment Adviser has undertaken until such time as it gives investors at least 60 days' notice to the contrary that if, in any fiscal year, certain expenses of the Fund, including the investment advisory fee, exceed the Total Operating Expenses noted above in the table for such Fund, the Investment Adviser may waive a portion of its investment advisory fee or bear certain other expenses to the extent of such excess expense. FCIMCO, FNBC, ANB and their affiliates and certain Service Agents (as defined below) may charge their clients direct fees for effecting transactions in Fund shares; such fees are not reflected in the foregoing table. See "How to Buy Shares," "Management of the Trust" and "Distribution Plan and Shareholder Services Plan."

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HIGHLIGHTS

The following summary is qualified in its entirety by the more detailed information appearing elsewhere in this Prospectus.

THE TRUST

The Trust is an open-end, management investment company, known as a series fund. The Trust currently has established 12 series.

INVESTMENT OBJECTIVES AND MANAGEMENT POLICIES

Each Fund's investment objective is set forth on the cover page of this Prospectus. The differences in objectives and policies among the Funds determine the types of portfolio securities in which each Fund invests and can be expected to affect the degree of risk to which each Fund is subject and each Fund's yield or return. The Funds' management policies are described on the page of this Prospectus indicated below.

<TABLE>
<CAPTION>

NAME OF FUND	PAGE
<S>	<C>
Managed Assets Income Fund	10
Managed Assets Fund	10
Equity Income Fund	11
Growth Fund	11
Special Opportunities Fund	11
International Equity Fund	11
Bond Fund	12
International Bond Fund	12
Intermediate Municipal Bond Fund	13
U.S. Government Money Market Fund	13
Money Market Fund	13
Municipal Money Market Fund	14

</TABLE>

INVESTMENT ADVISER AND ADMINISTRATOR

First Chicago Investment Management Company is each Fund's investment adviser and administrator. The Trust has agreed to pay the Investment Adviser an annual fee as set forth under "Management of the Trust." The Investment Adviser has engaged ANB-IMC to serve as sub-investment adviser to the International Equity Fund.

ALTERNATIVE PURCHASE METHODS

Each Fund offers Class A shares; each Fund, other than the U.S. Government Money Market and Municipal Money Market Funds, offers Class B shares; and each Fund, other than the Money Market Funds, offers Class I shares. Each Class A, Class B and Class I share represents an identical pro rata interest in the relevant Fund's investment portfolio.

Class A shares are sold at net asset value per share plus, for each Fund, other than the Money Market Funds, an initial sales charge imposed at the time of purchase. The initial sales charge may be reduced or waived for certain purchases. See "How to Buy Shares--Class A Shares." Class A shares of each Fund are subject to an annual service fee. Class A shares held by investors who after purchasing Class A shares establish a Fiduciary Account (as defined below) automatically will convert to Class I shares, based on the relative net asset values for shares of each such Class.

Class B shares are sold at net asset value per share with no initial sales charge at the time of purchase; as a result, the entire purchase price is immediately invested in the Fund. Class B shares are subject to a contingent deferred sales charge ("CDSC"), which is assessed only if the Class B shares are redeemed within six years (five years in the case of the Intermediate Municipal

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Bond Fund) of purchase. Class B shares of the Money Market Fund may be acquired only through the exchange of Class B shares of the other Funds and are subject to the CDSC, if any, of the shares with which the exchange is made. See "How to Redeem Shares--Contingent Deferred Sales Charge-- Class B Shares." Class B shares are subject to an annual distribution fee and service fee. The distribution fee paid by Class B will cause Class B to have a higher expense ratio and to pay lower dividends than Class A. Approximately eight years (seven years in the case of the Intermediate Municipal Bond Fund) after the date of purchase, Class B shares automatically will convert to Class A shares, based on the relative net asset values for shares of each such Class, and will no longer be subject to a distribution fee.

Class I shares are sold at net asset value with no sales charge. Class I shares are offered exclusively to qualified trust, custody and/or agency account clients of FNBC, ANB or their affiliates ("Fiduciary Accounts") and qualified benefit plans or other programs with assets in excess of $100 million ("Eligible Retirement Plans"). Class I shares held by investors who after purchasing Class I shares withdraw from their Fiduciary Accounts automatically will convert to Class A shares, based on the relative net asset values for shares of each such Class.

See "Alternative Purchase Methods."

HISTORICAL PERFORMANCE INFORMATION

Composite Performance for the Predecessor Funds for Various Periods Ended September 30, 1994

CLASS A SHARES
<TABLE>
<CAPTION>

	Average Annual Total Return			
	1 Year	3 Years	5 Years	10 Years
<S>	<C>	<C>	<C>	<C>
ASSET ALLOCATION FUNDS:				
Managed Assets Fund (1)	N/A	N/A	N/A	N/A
Managed Assets Income Fund (2)	0.78%	7.86%	9.21%	N/A
EQUITY FUNDS:				
Equity Income Fund (3)	-2.91%	7.64%	7.79%	11.94%
Growth Fund (3)	4.23%	8.92%	9.89%	13.10%
Special Opportunities Fund (3)	-3.71%	10.32%	11.95%	12.86%
International Equity Fund (1)	N/A	N/A	N/A	N/A
BOND FUNDS:				
Bond Fund (3)	-3.26%	5.21%	6.53%	9.43%
International Bond Fund (3)	5.55%	10.95%	10.57%	N/A
MUNICIPAL BOND FUND:				
Intermediate Municipal Bond Fund (2)	0.30%	6.53%	7.71%	N/A
MONEY MARKET FUNDS:				
U.S. Government Money Market Fund (2)	3.33%	3.04%	4.49%	N/A
Money Market Fund (2)	3.18%	3.20%	4.71%	N/A
Municipal Money Market Fund (2)	2.07%	2.47%	3.35%	N/A

</TABLE>

CLASS B SHARES
<TABLE>
<CAPTION>

	1 Year	3 Years	5 Years	10 Years
<S>	<C>	<C>	<C>	<C>
ASSET ALLOCATION FUNDS:				

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Managed Assets Fund (1)	N/A	N/A	N/A	N/A
Managed Assets Income Fund (4)	N/A	N/A	N/A	N/A
EQUITY FUNDS:				
Equity Income Fund (3)	-3.64%	6.84%	6.98%	11.10%
Growth Fund (3)	3.45%	8.11%	9.07%	12.26%
Special Opportunities Fund (3)	-4.43%	9.50%	11.12%	12.02%
International Equity Fund (1)	N/A	N/A	N/A	N/A
BOND FUNDS:				
Bond Fund (3)	-3.98%	4.42%	5.74%	8.62%
International Bond Fund (3)	4.77%	10.12%	9.75%	N/A
MUNICIPAL BOND FUND:				
Intermediate Municipal Bond Fund (4)	N/A	N/A	N/A	N/A
MONEY MARKET FUND:				
Money Market Fund (4)	N/A	N/A	N/A	N/A

</TABLE>

CLASS I SHARES

<TABLE>
<CAPTION>

<S>	1 Year <C>	3 Years <C>	5 Years <C>	10 Years <C>
ASSET ALLOCATION FUNDS:				
Managed Assets Fund (1)	N/A	N/A	N/A	N/A
Managed Assets Income Fund (4)	N/A	N/A	N/A	N/A
EQUITY FUNDS:				
Equity Income Fund (3)	-2.40%	8.21%	8.36%	12.53%
Growth Fund (3)	4.78%	9.50%	10.47%	13.70%
Special Opportunities Fund (3)	-3.19%	10.90%	12.54%	13.46%
International Equity Fund (1)	N/A	N/A	N/A	N/A
BOND FUNDS:				
Bond Fund (3)	-2.74%	5.76%	7.09%	10.01%
International Bond Fund (3)	6.11%	11.54%	11.16%	N/A
MUNICIPAL BOND FUND:				
Intermediate Municipal Bond Fund (4)	N/A	N/A	N/A	N/A

</TABLE>

(1) No predecessor fund exists; thus, no prior performance information for the Fund is available.

(2) The Fund will commence operations through a transfer of assets from an investment company advised by FNBC, using substantially the same investment objective, policies, restrictions and methodologies as the Fund. The predecessor funds are: for Managed Assets Income Fund, First Prairie Diversified Asset Fund; for Intermediate Municipal Bond Fund, the Intermediate Series of First Prairie Municipal Bond Fund; for U.S. Government Money Market Fund, the Government Series of First Prairie Money Market Fund; for Money Market Fund, the Money Market Series of First Prairie Money Market Fund; and for Municipal Money Market Fund, First Prairie Municipal Money Market Fund. The performance shown is that of the predecessor fund.

(3) The Fund will commence operations through a transfer of assets from a common trust fund managed by FNBC, using substantially the same investment objective, policies, restrictions and methodologies as the Fund. The common trust fund did not charge any expenses. The performance information reflects the operating expenses that are expected to be charged as more fully set forth in the Fee Table above.

(4) No predecessor class exists; thus, no prior performance information for the Class is available.

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The historical pro-forma performance information presented above for each Fund is deemed relevant because the predecessor was advised by FNBC which reorganized the personnel responsible for advising the predecessor into FCIMCO, its wholly-owned subsidiary, which will manage the Fund, using substantially the same investment objective, policies, restrictions and methodologies as those used by the Fund. However, this performance information is not necessarily indicative of the future performance of any Fund. Because each Fund will be actively managed, its investments will vary from time to time and will not be identical to the past portfolio investments of the predecessor. Each Fund's performance will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost.

HOW TO BUY SHARES

Orders for the purchase of Class A and Class B shares may be placed through a number of institutions including FCIMCO, FNBC, ANB and their affiliates, including First Chicago Investment Services, Inc. ("FCIS"), a registered broker-dealer, the Distributor and certain banks, securities dealers and other industry professionals such as investment advisers, accountants and estate planning firms (collectively, "Service Agents").

Investors purchasing Class I shares through their Fiduciary Accounts at FNBC, ANB or their affiliates should contact such entity directly for appropriate instructions, as well as for information about conditions pertaining to the account and any related fees. Class I shares may be purchased for a Fiduciary Account or Eligible Retirement Plan only by a custodian, trustee, investment manager or other entity authorized to act on behalf of such Account or Plan.

The minimum initial investment is $1,000. All subsequent investments must be at least $100.

See "How to Buy Shares."

SHAREHOLDER SERVICES

The Trust offers Fund shareholders certain services and privileges including: Exchange Privilege, Letter of Intent and Automatic Investment Plan. Certain services and privileges may not be available through all Service Agents.

HOW TO REDEEM SHARES

Generally, investors should contact their representatives at FCIMCO, FNBC, ANB or appropriate Service Agent for redemption instructions. Investors who are not clients of FCIMCO, FNBC, ANB or a Service Agent may redeem Fund shares by written request to the Trust's transfer agent.

See "How to Redeem Shares."

DESCRIPTION OF THE FUNDS

GENERAL

The Trust is a "series fund," which is a mutual fund divided into separate portfolios. Each portfolio is treated as a separate entity for certain matters under the Investment Company Act of 1940, as amended (the "1940 Act"), and for other purposes, and a shareholder of one portfolio is not deemed to be a shareholder of any other portfolio. As described below, for certain matters Trust shareholders vote together as a group; as to others they vote separately by portfolio. By this Prospectus, shares of 12 of the Trust's portfolios are being offered: five diversified portfolios (the "Diversified Funds")--Managed Assets Income Fund, Managed Assets Fund, U.S. Government Money Market Fund, Money Market Fund and Municipal Money Market Fund--and seven non-diversified portfolios (the "Non-Diversified Funds")--Equity Income Fund, Special Opportunities Fund, Growth Fund, International Equity Fund, Bond Fund,

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International Bond Fund and Intermediate Municipal Bond Fund. From time to time, other portfolios may be established and sold pursuant to other offering documents. See "General Information."

INVESTMENT OBJECTIVES

Each Fund's investment objective is set forth on the cover page of this Prospectus. The differences in objectives and policies among the Funds determine the types of portfolio securities in which each Fund invests and can be expected to affect the degree of risk to which each Fund is subject and each Fund's yield or return. See "Management Policies" below, and "Appendix." Each Fund's investment objective cannot be changed without approval by the holders of a majority (as defined in the 1940 Act) of such Fund's

outstanding voting securities. There can be no assurance that each Fund's investment objective will be achieved.

MANAGEMENT POLICIES

The following section should be read in conjunction with "Certain Portfolio Securities" and "Investment Techniques" in the Appendix.

ASSET ALLOCATION FUNDS

Each of the Managed Assets Income Fund and Managed Assets Fund will follow an asset allocation strategy by investing in equity, fixed-income and short-term securities of domestic and foreign issuers. For each Asset Allocation Fund, the asset classes, market sectors, securities and portfolio strategies selected will be those that the Investment Adviser believes prudent and offer the greatest potential for achieving the relevant Asset Allocation Fund's investment objective. The Investment Adviser has broad latitude in selecting investments and portfolio strategies.

The equity securities in which each Asset Allocation Fund may invest consist of common stocks, preferred stocks and convertible securities, including those in the form of depositary receipts, as well as warrants to purchase such securities (collectively, "Equity Securities"). The fixed-income securities in which each Asset Allocation Fund may invest include bonds and debentures (including those that are convertible), notes, mortgage-related securities, asset-backed securities, municipal obligations and convertible debt obligations (collectively, "Fixed-Income Securities"), with maturities of more than three years. The short-term securities which may be purchased by an Asset Allocation Fund include fixed-income securities with maturities of less than three years at the time of purchase, and money market instruments of the type in which the Money Market Fund invests (collectively, "Money Market Instruments"), as described below.

Each Asset Allocation Fund's portfolio of debt securities will consist primarily of those which are rated no lower than Baa by Moody's Investors Service, Inc. ("Moody's") or BBB by Standard & Poor's Corporation ("S&P"), Fitch Investors Service, Inc. ("Fitch") or Duff & Phelps Credit Rating Co. ("Duff"), or, if unrated, deemed to be of comparable quality by the Investment Adviser. Debt securities rated Baa by Moody's or BBB by S&P, Fitch or Duff are considered investment grade obligations which lack outstanding investment characteristics and may have speculative characteristics as well. The Managed Assets Fund may invest up to 20% of its net assets in debt securities rated below investment grade and the Managed Assets Income Fund may invest up to 5% of its net assets in convertible bonds rated below investment grade. See "Risk Factors--Lower Rated Securities" below.

The following table sets forth for each Asset Allocation Fund the asset classes, benchmark percentages and asset class strategy ranges within which the Investment Adviser intends to manage the Fund's assets:

<TABLE>
<CAPTION>

	Managed Assets Income Fund		Managed Assets Fund	
Asset Class	Benchmark Percentage	Strategy Range	Benchmark Percentage	Strategy Range
<S>	<C>	<C>	<C>	<C>

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Equity	25%	5-45%	50%	30-70%
Fixed-Income	55%	35-75%	40%	20-60%
Short-Term	20%	0-40%	10%	0-30%

</TABLE>

"Benchmark percentage" represents the asset mix the Investment Adviser would expect to maintain when its assessment of economic conditions and investment opportunities indicate that the financial markets are fairly valued relative to each other. The asset class "strategy range" indicates ordinarily expected variations from this benchmark and reflects the fact that the Investment Adviser expects to make policy weight shifts within specific asset classes. Under normal conditions, the Investment Adviser expects to adhere to the asset class strategy ranges set forth above; however, the Investment Adviser reserves the right to vary the asset class mix and the percentage of securities invested in any asset class or market from the benchmark percentages and asset class strategy ranges set forth above as the risk/return characteristics of either markets or asset classes, as assessed by the Investment Adviser, vary over time. When the Investment Adviser determines that adverse market conditions exist, each Asset Allocation Fund may adopt a temporary defensive posture and invest its entire portfolio in Money Market Instruments. Each Asset Allocation Fund will invest in substantially the same securities within an investment class. The amount of each Asset Allocation Fund's aggregate assets invested in a particular investment class, and thus in particular securities, will differ, but the relative percentage that a particular security comprises within an investment class ordinarily will remain substantially the same. The asset allocation mix selected will be a primary determinant in the respective Asset Allocation Fund's investment performance. Under certain market conditions, limiting the Asset Allocation Fund's asset allocation among these asset classes may inhibit their ability to achieve their respective investment objectives.

Each Asset Allocation Fund also may engage in futures and options transactions and other derivative securities transactions, such as interest rate and equity index swaps, leveraging, short-selling, foreign

exchange transactions and lending portfolio securities, each of which involves risk. See "Risk Factors" below and "Appendix--Investment Techniques."

EQUITY FUNDS

Each of the Equity Income Fund, Growth Fund, Special Opportunities Fund and International Equity Fund (the "Equity Funds") will invest at least 65% of the value of its total assets (except when maintaining a temporary defensive position) in Equity Securities, as defined under "Asset Allocation Funds" above.

Each Equity Fund may invest, in anticipation of otherwise investing cash positions, to meet asset segregation or margin requirements or as otherwise noted below, in Money Market Instruments. Under normal market conditions, no Equity Fund expects to have a substantial portion of its assets invested in Money Market Instruments. However, when the Investment Adviser determines that adverse market conditions exist, an Equity Fund may adopt a temporary defensive posture and invest entirely in Money Market Instruments.

Each Equity Fund also may invest in Fixed-Income Securities (as defined under "Asset Allocation Funds" above) to the extent described below.

Each Equity Fund also may engage in futures and options transactions and other derivative securities transactions, such as equity index swaps, leveraging, short-selling and lending portfolio securities, and, except for the Equity Income Fund, may engage in foreign exchange transactions, each of which involves risk. See "Risk Factors" below and "Appendix--Investment Techniques."

The EQUITY INCOME FUND will invest primarily in income-producing Equity Securities of domestic issuers. The Investment Adviser will be particularly alert to companies which pay above-average dividends, yet offer opportunities for capital appreciation and growth of earnings. In addition, the Fund may invest up to 35% of the value of its net assets in convertible debt securities that generally have features similar to both common stocks and bonds and offer the potential for current income and capital appreciation over time.

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While the Fund will invest primarily in Equity Securities of domestic issuers, the Fund also may invest in depository receipts of foreign issuers. The Fund also may invest in Fixed-Income Securities and Money Market Instruments based on the Investment Adviser's assessment of economic conditions and investment opportunities. The Fixed-Income Securities, other than convertible debt securities, in which the Fund may invest must be rated investment grade, or, if unrated, deemed to be of comparable quality by the Investment Adviser. The convertible debt securities in which the Fund may invest may be rated lower than investment grade. See "Risk Factors--Lower Rated Securities" below.

The GROWTH FUND will invest primarily in Equity Securities of domestic issuers believed by the Investment Adviser to have above-average growth characteristics. The Investment Adviser will consider some of the following factors in making its investment decisions: the development of new or improved products or services, a favorable outlook for growth in the industry, patterns of increasing sales and earnings, the probability of increased operating efficiencies, cyclical conditions, or other signs that the company is expected to show greater than average earnings growth and capital appreciation.

While the Fund will invest primarily in Equity Securities of domestic issuers, the Fund also may invest in depository receipts of foreign issuers and may invest up to 20% of its total assets (valued at the time of investment) in Equity Securities of foreign issuers. The Fund also may invest in Fixed-Income Securities which, other than convertible debt securities, are rated investment grade, or, if unrated, deemed to be of comparable quality by the Investment Adviser. The Fund may invest in convertible debt securities rated lower than investment grade. See "Risk Factors--Lower Rated Securities" below.

The SPECIAL OPPORTUNITIES FUND will invest primarily in Equity Securities of small- to medium-sized emerging growth domestic issuers that the Investment Adviser believes are undervalued in the marketplace. The Investment Adviser will consider some of the following factors in making its investment decisions: high quality management, significant equity ownership positions by management, a leading or dominant position in a major product line, a sound financial position and a relatively high rate of return on invested capital. The Fund also may invest in companies that offer the possibility of accelerating earnings growth because of management changes, new products or structural changes in industry or the economy.

While the Fund will invest primarily in Equity Securities of domestic issuers, the Fund also may invest in depository receipts of foreign issuers and may invest up to 20% of its total assets (valued at the time of investment) in Equity Securities of foreign issuers. The Fund also may invest in Fixed-Income Securities which, other than convertible debt securities, are rated investment grade, or, if unrated, deemed to be of comparable quality by the Investment Adviser. The Fund may invest in convertible debt securities rated lower than investment grade. See "Risk Factors--Lower Rated Securities" below.

The INTERNATIONAL EQUITY FUND will invest in Equity Securities of issuers located throughout the world, except the United States. As a neutral position, the

Fund will hold Equity Securities of issuers located in the countries which constitute the Morgan Stanley Capital International-Europe, Australia and Far East ("EAFE") Index. The EAFE Index is a broadly diversified international index composed of the Equity Securities of approximately 1,000 companies located outside the United States. Building on this base, the Investment Adviser and ANB-IMC will shift the Fund's holdings to emphasize or de-emphasize regions of the international market based on such region's relative attractiveness. In making these shifts, the Investment Adviser and ANB-IMC will use a computer-based model which takes into account a number of factors, including relative economic strength, relative inflation rates, relative valuation of equity markets, bond yield differentials, forecasts of trade flows and financial market volatility.

The Fund will seek to identify those countries offering the greatest relative potential investment return, rather than selecting individual companies in each country which will outperform the major stock index of their respective countries. Thus, the individual stocks selected will generally be chosen through a statistical procedure to approximate the investment performance of the relevant country index. The Fund is not an index fund and is neither sponsored

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by nor affiliated with Morgan Stanley Capital International.

BOND FUNDS

Each of the Bond Fund and International Bond Fund (the "Bond Funds") will invest at least 65% of the value of its total assets (except when maintaining a temporary defensive position) in bonds, debentures and other debt instruments. Each Bond Fund will invest in Fixed-Income Securities. When management believes it advisable for temporary defensive purposes or in anticipation of otherwise investing cash positions, each Bond Fund may invest in Money Market Instruments.

Each Bond Fund also may engage in futures and options transactions and other derivative securities transactions, such as interest rate swaps, leveraging, short-selling and lending portfolio securities, and the International Bond Fund may engage in foreign exchange transactions, each of which involves risk. See "Risk Factors" below and "Appendix--Investment Techniques."

The BOND FUND will invest in a broad range of U.S. dollar denominated Fixed-Income Securities of domestic and foreign issuers, without regard to maturity. At least 65% of the value of the Fund's net assets will consist of Fixed-Income Securities which, at the time of purchase, are rated no lower than investment grade by Moody's, S&P, Fitch or Duff. The remainder of the Fund's net assets may be invested in Fixed-Income Securities rated no lower than B by Moody's, S&P, Fitch and Duff. The Fund also may invest in Fixed-Income Securities which, while not rated, are determined by the Investment Adviser to be of comparable quality to those rated securities in which the Fund may invest.

The INTERNATIONAL BOND FUND will invest in Fixed-Income Securities of issuers located throughout the world, except the United States. The Fund also may invest in convertible preferred stocks. The Fund may hold foreign currency, and may purchase debt securities or hold currencies in combination with forward currency exchange contracts. The Fund will be alert to opportunities to profit from fluctuations in currency exchange rates. The Fund will be particularly alert to favorable arbitrage opportunities (such as those resulting from favorable interest rate differentials) arising from the relative yields of the various types of securities in which the Fund may invest and market conditions generally. The Fund may invest without restriction in companies in, or governments of, developing countries. Developing countries have economic structures that are generally less diverse and mature, and political systems that are less stable, than those of developed countries. The markets of developing countries may be more volatile than the markets of more mature economies; however, such markets may provide higher rates of return to investors. See "Risk Factors--Investing in Foreign Securities" below.

At least 65% of the value of the Fund's net assets will consist of Fixed-Income Securities which, at the time of purchase, are rated at least investment grade, or, if unrated, deemed to be of comparable quality by the Investment Adviser. The Fund may invest up to 35% of the value of its net assets in Fixed-Income Securities rated lower than investment grade. See "Risk Factors--Lower Rated Securities" below.

MUNICIPAL FUNDS

It is a fundamental policy of the Intermediate Municipal Bond Fund (the "Municipal Bond Fund" and, together with the Municipal Money Market Fund, the "Municipal Funds") that it will invest (except when maintaining a temporary defensive position) at least 80% of the value of its net assets in Municipal Obligations and at least 65% of the value of its total assets in bonds, debentures and other debt instruments. Municipal Obligations in which the Municipal Funds will invest are debt obligations issued by states, territories and possessions of the United States and the District of Columbia and their political subdivisions, agencies and instrumentalities, or multi-state agencies or authorities, the interest from which is, in the opinion of bond counsel to the issuer, exempt from Federal income tax.

From time to time, each Municipal Fund may invest more than 25% of the value of its total assets in industrial development bonds which, although issued by industrial development authorities, may be backed only by the assets and revenues of the non-governmental users. Interest on Municipal Obligations (including certain industrial development bonds) which are specified private activity bonds, as defined in the Internal Revenue Code of 1986, as amended (the

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"Code"), issued after August 7, 1986, while exempt from Federal income tax, is a preference item for the purpose of the alternative minimum tax. Where a regulated investment company receives such interest, a proportionate share of any exempt-interest dividend paid by the investment company may be treated as such a preference item to the shareholder. Each Municipal Fund may invest without limitation in such Municipal Obligations if the Investment Adviser determines that their purchase is consistent with the Fund's investment objective. See "Risk Factors--Municipal Obligations" below.

From time to time, on a temporary basis other than for temporary defensive purposes (but not to exceed 20% of the value of the Fund's net assets) or for temporary defensive purposes, each Municipal Fund may invest in taxable Money Market Instruments. Dividends paid by the Fund that are attributable to income earned by it from these securities will be taxable to investors. See "Dividends, Distributions and Taxes." Under normal market conditions, the Trust anticipates that not more than 5% of the value of a Municipal Fund's total assets will be invested in any one category of these securities.

The INTERMEDIATE MUNICIPAL BOND FUND will invest in a portfolio of Municipal Obligations which, under normal market conditions, will have a dollar-weighted average maturity expected to range between three and ten years. The Fund will purchase Municipal Obligations only if rated investment grade, or, if unrated, determined by the Investment Adviser to be of comparable quality to the rated securities in which the Fund may invest. The Fund also may engage in futures and options transactions and lending portfolio securities, each of which involves risk. See "Risk Factors" below and "Appendix--Investment Techniques."

MONEY MARKET FUNDS

Each of the U.S. Government Money Market Fund, Money Market Fund and Municipal Money Market Fund (the "Money Market Funds") seeks to maintain a net asset value of $1.00 per share for purchases and redemptions. To do so, the Trust uses the amortized cost method of valuing each Money Market Fund's securities pursuant to Rule 2a-7 under the 1940 Act, certain requirements of which are summarized below.

In accordance with Rule 2a-7, each Money Market Fund is required to maintain a dollar-weighted average portfolio maturity of 90 days or less, purchase only instruments having remaining maturities of 13 months or less and invest only in U.S. dollar denominated securities determined in accordance with procedures established by the Board of Trustees to present minimal credit risks and, in the case of the Money Market Fund and Municipal Money Market Fund, which are rated in one of the two highest rating categories for debt obligations by at least two nationally recognized statistical rating organizations (or one rating organization if the instrument was rated by only one such organization) or, if unrated, are of comparable quality as determined in accordance with procedures established by the Board of Trustees. The nationally recognized statistical rating organizations currently rating instruments of the type the Money Market Fund and Municipal Money Market Fund may purchase are Moody's, S&P, Duff, Fitch, IBCA Limited and IBCA Inc., and Thomson BankWatch, Inc. and their rating criteria are described in the Appendix to the Trust's Statement of Additional Information. For further information regarding the amortized cost method of valuing securities, see "Determination of Net Asset Value" in the Trust's Statement of Additional Information. There can be no assurance that each Money Market Fund will be able to maintain a stable net asset value of $1.00 per share.

The U.S. GOVERNMENT MONEY MARKET FUND will invest only in short-term securities issued or guaranteed as to principal or interest by the U.S. Government, its agencies or instrumentalities and may enter into repurchase agreements. The Fund also may lend securities from its portfolio as described under "Appendix--Investment Techniques."

The MONEY MARKET FUND will invest in short-term money market obligations, including securities issued or guaranteed by the U.S. Government or its agencies or instrumentalities, certificates of deposit, time deposits, bankers' acceptances and other short-term obligations issued by domestic banks, foreign branches of domestic banks, foreign subsidiaries of domestic banks, domestic and foreign branches of foreign banks and thrift institutions, repurchase agreements, and high quality domestic and foreign commercial paper and other short-term corporate obligations, including those with floating or variable rates of interest. In addition, the Money Market Fund is permitted to lend portfolio securities and enter into reverse repurchase agreements to the extent described under "Appendix--Investment Techniques." During normal market

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conditions, at least 25% of the Fund's total assets will be invested in bank obligations.

The Fund will not invest more than 5% of its total assets in the securities (including the securities collateralizing a repurchase agreement) of, or subject to puts issued by, a single issuer, except that (i) the Fund may invest more than 5% of its total assets in a single issuer for a period of up to three business days in certain limited circumstances, (ii) the Fund may invest in obligations issued or guaranteed by the U.S. Government without any such limitation, and (iii) the limitation with respect to puts does not apply to unconditional puts if no more than 10% of the Money Market Fund's total assets is invested in securities issued or guaranteed by the issuer of the unconditional put. Investments in rated securities not rated in the highest category by at least two rating organizations (or one rating organization if the instrument was rated by only one such organization), and unrated securities not determined by the Board of Trustees to be comparable to those rated in the highest category, will be limited to 5% of the Money Market Fund's total assets, with the investment in any one such issuer being limited to no more than the greater of 1% of the Fund's total assets or $1,000,000. As to each security, these percentages are measured at the time the Money Market Fund purchases the security.

The MUNICIPAL MONEY MARKET FUND will invest at least 80% of the value of its net assets (except when maintaining a temporary defensive position) in short-term Municipal Obligations. Subject to the requirements of Rule 2a-7, the Fund will engage in management policies that are substantially identical to those of the Intermediate Municipal Bond Fund. See "Appendix--Certain Portfolio Securities--Municipal Obligations." The Fund also may lend securities from its portfolio as described under "Appendix--Investment Techniques."

CERTAIN FUNDAMENTAL POLICIES

Each Fund may (i) borrow money to the extent permitted under the 1940 Act; and (ii) invest up to 25% of the value of its total assets in the securities of issuers in a single industry, provided there is no limitation on the purchase of obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities or, in the case of the Municipal Funds, Municipal Obligations. In addition, (i) each of the Diversified Funds may invest up to 5% of its total assets in the obligations of any one issuer, except that up to 25% of the value of the Fund's total assets may be invested (subject, in the case of the Money Market Funds, to the provisions of Rule 2a-7), and obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities may be purchased, without regard to any such limitation; and (ii) the Money Market Fund will invest, except when it has adopted a temporary defensive position, at least 25% of its total assets in securities issued by banks, including foreign banks and branches. This paragraph describes fundamental policies that cannot be changed as to a Fund without approval by the holders of a majority (as defined in the 1940 Act) of such Fund's outstanding voting shares. See "Investment Objectives and Management Policies--Investment Restrictions" in the Trust's Statement of Additional Information.

CERTAIN ADDITIONAL NON-FUNDAMENTAL POLICIES

Each Fund may (i) purchase securities of any company having less than three years' continuous operation (including operations of any predecessors) if such purchase does not cause the value of such Fund's investments in all such companies to exceed 10% of the value of its total assets; (ii) pledge, hypothecate, mortgage or otherwise encumber its assets, but only to secure permitted borrowings; and (iii) invest up to 15% (10% in the case of the Money Market Funds) of the value of its net assets in repurchase agreements providing for settlement in more than seven days after notice and in other illiquid securities. See "Investment Objectives and Management Policies--Investment Restrictions" in the Trust's Statement of Additional Information.

RISK FACTORS

GENERAL

Since each Fund will pursue different types of investments, the risks of investing will vary depending on the Fund selected for investment. Before

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selecting a Fund in which to invest, the investor should assess the risks associated with the types of investments made by the Fund. The net asset value per share of each Fund, other than a Money Market Fund, is not fixed and should be expected to fluctuate. Investors should consider each Fund as a supplement to an overall investment program and should invest only if they are willing to undertake the risks involved.

INVESTMENT TECHNIQUES

Each Fund may engage in various investment techniques to the extent described herein. The use of investment techniques such as short-selling, engaging in financial futures and options transactions, leverage through borrowing, purchasing securities on a forward commitment basis, and lending portfolio securities--techniques that are not necessarily employed by each Fund--involves greater risk than that incurred by many other funds with similar objectives that do not engage in such techniques. See "Appendix--Investment Techniques." Using these techniques may produce higher than normal portfolio turnover and may affect the degree to which a Fund's net asset value fluctuates. Higher portfolio turnover rates are likely to

result in comparatively greater brokerage commissions or transaction costs. In addition, short-term gains realized from portfolio transactions are taxable to shareholders as ordinary gains.

A Fund's ability to engage in certain short-term transactions may be limited by the requirement that, to qualify as a regulated investment company, it must earn less than 30% of its gross income from the disposition of securities held for less than three months. This 30% test limits the extent to which a Fund may sell securities held for less than three months and invest in certain futures contracts, among other strategies. However, portfolio turnover will not otherwise be a limiting factor in making investment decisions. See "Portfolio Transactions" in the Statement of Additional Information.

EQUITY SECURITIES

(Asset Allocation and Equity Funds only) Investors should be aware that Equity Securities fluctuate in value, often based on factors unrelated to the value of the issuer of the securities, and that fluctuations can be pronounced. Changes in the value of a Fund's portfolio securities will result in changes in the value of such Fund's shares and thus the Fund's yield and total return to investors.

The securities of the smaller companies may be subject to more abrupt or erratic market movements than larger, more-established companies, both because the securities typically are traded in lower volume and because the issuers typically are subject to a greater degree to changes in earnings and prospects.

FIXED-INCOME SECURITIES

(Asset Allocation, Equity, Bond and Municipal Bond Funds and, to a limited extent, each Money Market Fund) Investors should be aware that even though interest-bearing securities are investments which promise a stable stream of income, the prices of such securities are inversely affected by changes in interest rates and, therefore, are subject to the risk of market price fluctuations. The values of Fixed-Income Securities also may be affected by changes in the credit rating or financial condition of the issuing entities. Certain securities that may be purchased by these Funds, such as those rated Baa by Moody's and BBB by S&P, Fitch and Duff, may be subject to such risk with respect to the issuing entity and to greater market fluctuations than certain lower yielding, higher rated Fixed-Income Securities. See "Lower Rated Securities" below and "Appendix--Certain Portfolio Securities--Ratings" and Appendix in the Trust's Statement of Additional Information.

LOWER RATED SECURITIES

(Asset Allocation, Equity Income, Growth, Special Opportunities, Bond and International Bond Funds only) Investors should carefully consider the relative risks of investing in the higher yielding (and, therefore, higher risk) debt securities in which each of the Managed Assets Fund, Managed Assets Income Fund

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and Bond Fund and International Bond Fund may invest up to 20%, 5% and 35% of its net assets, respectively, and convertible debt securities in which each of the Equity Income, Growth and Special Opportunities Funds may invest up to 35% of its net assets. The Bond Fund, International Bond Fund, Equity Income Fund, Growth Fund and Special Opportunities Fund each intend to invest less than 35% of the value of its net assets in such securities. These are securities such as those rated Ba by Moody's or BB by S&P, Fitch or Duff or, in the case of the Bond Fund, B by Moody's, S&P, Fitch or Duff or, in the case of each of the other Funds, as low as the lowest rating assigned by Moody's, S&P, Fitch or Duff. They generally are not meant for short-term investing and may be subject to certain risks with respect to the issuing entity and to greater market fluctuations than certain lower yielding, higher rated fixed-income securities. Securities rated Ba by Moody's are judged to have speculative elements; their future cannot be considered as well assured and often the protection of interest and principal payments may be very moderate. Securities rated BB by S&P, Fitch or Duff are regarded as having predominantly speculative characteristics and, while such obligations have less near-term vulnerability to default than other speculative grade debt, they face major ongoing uncertainties or exposure to adverse business, financial or economic conditions which could lead to inadequate capacity to meet timely interest and principal payments. Securities rated C by Moody's are regarded as having extremely poor prospects of ever attaining any real investment standing. Securities rated D by S&P, Fitch and Duff are in default and the payment of interest and/or repayment of principal is in arrears. Such securities, though high yielding, are characterized by great risk. See Appendix in the Trust's Statement of Additional Information for a general description of securities ratings. Although these ratings may be an initial criterion for selection of portfolio investments, the Investment Adviser also will evaluate these securities and the ability of the issuers of such securities to pay interest and principal. The Fund's ability to achieve its investment objectives may be more dependent on the Investment Adviser's credit analysis than might be the case for a fund that invested in higher rated securities. See "Appendix--Certain Portfolio Securities--Fixed-Income Securities--Ratings."

The market price and yield of securities rated Ba or lower by Moody's and BB or lower by S&P, Fitch or Duff are more volatile than those of higher rated securities. Factors adversely affecting the market price and yield of these securities will adversely affect the Fund's net asset value. In addition, the retail secondary market for these securities may be less liquid than that of higher rated securities; adverse conditions could make it difficult at times for the Fund to sell certain securities or could result in lower prices than those used in calculating such Fund's net asset value.

The market values of certain lower rated debt securities tend to reflect specific developments with respect to the issuer to a greater extent than do higher rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher rated securities. Issuers of such debt securities often are highly leveraged and may not have available to them more traditional methods of financing. Therefore, the risk associated with acquiring the securities of such issuers generally is greater than is the case with higher rated securities.

MUNICIPAL OBLIGATIONS

(Municipal Funds only) Certain provisions in the Code relating to the issuance of Municipal Obligations may reduce the volume of Municipal Obligations qualifying for Federal tax exemption. One effect of these provisions could be to increase the cost of the Municipal Obligations available for purchase by the Municipal Funds and thus reduce the available yield. Shareholders of the Municipal Funds should consult their tax advisers concerning the effect of these provisions on an investment in the Fund. Proposals that may restrict or eliminate the income tax exemption for interest on Municipal Obligations may be introduced in the future. If any such proposal were enacted that would reduce the availability of Municipal Obligations for investment by any of these Funds so as to adversely affect its shareholders, the Trust would reevaluate the affected Fund's investment objective and policies and submit possible changes in the Fund's structure to shareholders for their consideration. If legislation were enacted that would treat a type of Municipal Obligation as taxable, the Trust would treat such security as a permissible taxable investment within the applicable limits set forth herein.

Each Municipal Fund may invest more than 25% of the value of its total

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assets in Municipal Obligations which are related in such a way that an economic, business or political development or change affecting one such security also would affect the other securities; for example, securities the interest upon which is paid from revenues of similar types of projects, or securities of issuers that are located in the same state. As a result, each Municipal Fund may be subject to greater risk as compared to a fund that does not follow this practice.

Certain municipal lease/purchase obligations in which the Municipal Funds may invest may contain "non-appropriation" clauses which provide that the municipality has no obligation to make lease payments in future years unless money is appropriated for such purpose on a yearly basis. Although "non-appropriation" lease/purchase obligations are secured by the leased property, disposition of the leased property in the event of foreclosure might prove difficult. In evaluating the credit quality of a municipal lease/purchase obligation that is unrated, the Investment Adviser will consider, on an ongoing basis, a number of factors including the likelihood that the issuing municipality will discontinue appropriating funding for the leased property.

FOREIGN SECURITIES

(Asset Allocation, Growth, Special Opportunities, International Equity and International Bond Funds and, to a limited extent, Equity Income and Money Market Funds only) Foreign securities markets generally are not as developed or efficient as those in the United States. Securities of some foreign issuers are less liquid and more volatile than securities of comparable U.S. issuers. Similarly, volume and liquidity in most foreign securities markets are less than in the United States and, at times, volatility of price can be greater than in the United States. In addition, there may be less publicly available information about a non-U.S. issuer, and non-U.S. issuers generally are not subject to uniform accounting and financial reporting standards, practices and requirements comparable to those applicable to U.S. issuers. See "Appendix-- Certain Portfolio Securities--Taxable Money Market Securities--Bank Obligations."

Because evidences of ownership of such securities usually are held outside the United States, each of these Funds will be subject to additional risks which include possible adverse political and economic developments, possible seizure or nationalization of foreign deposits and possible adoption of governmental restrictions which might adversely affect the payment of principal and interest on the foreign securities or might restrict the payment of principal and interest to investors located outside the country of the issuers, whether from currency blockage or otherwise. Custodial expenses for a portfolio of non-U.S. securities generally are higher than for a portfolio of U.S. securities.

Since foreign securities often are purchased with and payable in currencies of foreign countries, the value of these assets as measured in U.S. dollars may be affected favorably or unfavorably by changes in cur-

rency rates and exchange control regulations. Some currency exchange costs generally will be incurred when a Fund changes investments from one country to another.

Furthermore, some of these securities may be subject to brokerage or stamp taxes levied by foreign governments, which have the effect of increasing the cost of such investment and reducing the realized gain or increasing the realized loss on such securities at the time of sale. Income received by a Fund from sources within foreign countries may be reduced by withholding and other taxes imposed by such countries. Tax conventions between certain countries and the United States, however, may reduce or eliminate such taxes. All such taxes paid by a Fund will reduce its net income available for distribution to its shareholders.

FOREIGN CURRENCY EXCHANGE

(Asset Allocation, Growth, Special Opportunities, International Equity and International Bond Funds only) Currency exchange rates may fluctuate significantly over short periods of time. They generally are determined by the forces of supply and demand in the foreign exchange markets and the relative merits of investments in different countries, actual or perceived changes in interest rates and other complex factors, as seen from an international perspective. Currency exchange rates also can be affected unpredictably by

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intervention by U.S. or foreign governments or central banks, or the failure to intervene, or by currency controls or political developments in the United States or abroad.

The foreign currency market offers less protection against defaults in the forward trading of currencies than is available when trading in currencies occurs on an exchange. Since a forward currency contract is not guaranteed by an exchange or clearinghouse, a default on the contract would deprive the Fund of unrealized profits or force such Fund to cover its commitments for purchase or resale, if any, at the current market price.

FOREIGN COMMODITY TRANSACTIONS

(Asset Allocation, Growth, Special Opportunities, International Equity and International Bond Funds only) Unlike trading on domestic commodity exchanges, trading on foreign commodity exchanges is not regulated by the Commodity Futures Trading Commission (the "CFTC") and may be subject to greater risks than trading on domestic exchanges. For example, some foreign exchanges are principal markets so that no common clearing facility exists and an investor may look only to the broker for performance of the contract. In addition, any profits that the Fund might realize in trading could be eliminated by adverse changes in the exchange rate, or such Fund could incur losses as a result of those changes. Transactions on foreign exchanges may include both commodities which are traded on domestic exchanges and those which are not.

MORTGAGE-RELATED SECURITIES

(Asset Allocation, Equity and Bond Funds only) No assurance can be given as to the liquidity of the market for certain mortgage-backed securities, such as collateralized mortgage obligations and stripped mortgage-backed securities. Determination as to the liquidity of interest-only and principal-only fixed mortgage-backed securities issued by the U.S. Government or its agencies and instrumentalities will be made in accordance with guidelines established by the Trust's Board of Trustees. In accordance with such guidelines, the Investment Adviser will monitor investments in such securities with particular regard to trading activity, availability of reliable price information and other relevant information. The Trust intends to treat other stripped mortgage-backed securities as illiquid securities. See "Appendix--Certain Portfolio Securities--Fixed-Income Securities--Mortgage-Related Securities" and "--Illiquid Securities."

ZERO COUPON SECURITIES

(Asset Allocation, Equity, Bond and Municipal Bond Funds only) Federal income tax law requires the holder of a zero coupon security or of certain pay-in-kind bonds to accrue income with respect to these securities prior to the receipt of cash payments. To maintain its qualification as a regulated investment company and avoid liability for Federal income taxes, each Fund that invests in such securities may be required to distribute such income accrued with respect to these securities and may have to dispose of portfolio securities under disadvantageous circumstances in order to generate cash to satisfy these distribution requirements.

OTHER INVESTMENT CONSIDERATIONS

The classification of each Non-Diversified Fund as a "non-diversified" investment company means that the proportion of such Fund's assets that may be invested in the securities of a single issuer is not limited by the 1940 Act. A "diversified" investment company is required by the 1940 Act generally, with respect to 75% of its total assets, to invest not more than 5% of such assets in the securities of a single issuer and to hold not more than 10% of the voting securities of any single issuer. However, each Fund intends to conduct its operations so as to qualify as a "regulated investment company" for purposes of the Code, which requires that, at the end of each quarter of its taxable year, (i) at least 50% of the market value of its total assets be invested in cash, U.S. Government securities,

the securities of other regulated investment companies and other securities, with such other securities of any one issuer limited for the purposes of this calculation to an amount not greater than 5% of the value of each such Fund's total assets and (ii) not more than 25% of the value of its total assets be invested in the securities of any one issuer (other than U.S. Government

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securities or the securities of other regulated investment companies). Since a relatively high percentage of each Non-Diversified Fund's assets may be invested in the securities of a limited number of issuers, some of which may be within the same industry or economic sector, its portfolio securities may be more susceptible to any single economic, political or regulatory occurrence than the portfolio securities of a diversified investment company.

Investment decisions for each Fund are made independently from those of the other investment companies or investment advisory accounts that may be advised by the Investment Adviser. However, if such other investment companies or managed accounts are prepared to invest in, or desire to dispose of, securities in which a Fund invests at the same time as the Fund, available investments or opportunities for sales will be allocated equitably to each of them. In some cases, this procedure may adversely affect the size of the position obtained for or disposed of by a Fund or the price paid or received by a Fund.

ALTERNATIVE PURCHASE METHODS

The Trust offers investors three methods of purchasing Fund shares. Orders for purchases of Class I shares, however, may be placed only for certain eligible investors as described below. An investor who is not eligible to purchase Class I shares may choose from Class A and Class B the Class of shares that best suits the investor's needs, given the amount of purchase, the length of time the investor expects to hold the shares and any other relevant circumstances. Each Class A, Class B and Class I share represents an identical pro rata interest in a Fund's investment portfolio.

Class A shares are sold at net asset value per share plus, for each Fund other than a Money Market Fund, a maximum initial sales charge of 4.50% (3.00% in the case of the Intermediate Municipal Bond Fund) of the public offering price imposed at the time of purchase. The initial sales charge may be reduced or waived for certain purchases. See "How to Buy Shares--Class A Shares." Class A shares of each Fund are subject to an annual service fee at the rate of up to .25% of the value of the average daily net assets of Class A. See "Distribution Plan and Shareholder Services Plan." Class A shares held by investors who after purchasing Class A shares establish a Fiduciary Account will con vert to Class I shares automatically upon the establishment of such Account, based on the relative net asset values for shares of each such Class.

Class B shares are sold at net asset value per share with no initial sales charge at the time of purchase; as a result, the entire purchase price is immediately invested in the Fund. Class B shares are subject to a maximum 5.00% (3.00% in the case of the Intermediate Municipal Bond Fund) CDSC, which is assessed only if Class B shares are redeemed within six years (five years in the case of the Intermediate Municipal Bond Fund) of purchase. Class B shares of the Money Market Fund may be acquired only through exchanges with Class B shares of the other Funds and are subject to the CDSC, if any, of the shares with which the exchange is made. See "How to Buy Shares--Class B Shares" and "How to Redeem Shares--Contingent Deferred Sales Charge--Class B Shares." Class B shares are subject to an annual service fee and distribution fee. See "Distribution Plan and Shareholder Services Plan." Approximately eight years (seven years in the case of the Intermediate Municipal Bond Fund) after the date of purchase, Class B shares automatically will convert to Class A shares, based on the relative net asset values for shares of each such Class, and will no longer be subject to the distribution fee. Class B shares that have been acquired through the reinvestment of dividends and distributions will be converted on a pro rata basis together with other Class B shares, in the proportion that a shareholder's Class B shares converting to Class A shares bears to the total Class B shares not acquired through the reinvestment of dividends and distributions.

Class I shares are sold at net asset value with no sales charge. Class I shares are sold exclusively to qualified trust, custody and/or agency account clients of FNBC, ANB or their affiliates ("Fiduciary Accounts") and to qualified benefit plans or other programs with assets in excess of $100 million ("Eligible Retirement Plans"). Class I shares are not subject to an annual service fee or distribution fee. Class I shares held by investors who after purchasing Class I shares for their Fiduciary Accounts withdraw from such Accounts will convert to Class A shares automatically upon such withdrawal, based on the relative net asset values for shares of each such Class.

Class B shares will receive lower per share dividends and at any given time the performance of Class B should be expected to be lower than for shares of each other Class because of the higher expenses borne by Class B. Similarly, Class A shares will receive lower per share dividends and the performance of

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Class A should be expected to be lower than Class I shares because of the higher expenses borne by Class A. See "Fee Table."

An investor who is not eligible to purchase Class I shares should consider whether, during the anticipated life of the investor's investment in the Fund, the accumulated distribution fee and CDSC on Class B shares prior to conversion would be less than the initial sales charge, if any, on Class A shares purchased at the same time, and to what extent, if any, such differential would be offset by the return of Class A. Additionally, investors qualifying for reduced initial sales charges who expect to maintain their investment for an extended period of time might consider purchasing Class A shares because the accumulated continuing distribution fees on Class B shares may exceed the initial sales charge on Class A shares during the life of the investment. Generally, Class A shares may be more appropriate for investors who invest $500,000 or more in Fund shares.

HOW TO BUY SHARES

INFORMATION APPLICABLE TO ALL PURCHASERS

When purchasing Fund shares, an investor must specify the Class of shares being purchased. If no Class of shares is specified, Class A shares will be purchased.

Class A and Class B shares are offered to the general public and may be purchased through a number of institutions, including FCIMCO, FNBC, ANB and their affiliates, other Service Agents, and directly through the Distributor. Class B shares of the Money Market Fund may be acquired only through the exchange of Class B shares of the other Funds.

Orders for purchases of Class I shares may be placed only for clients of FNBC, ANB or their affiliates for their Fiduciary Accounts maintained at FNBC, ANB or one of their affiliates and Eligible Retirement Plans with assets in excess of $100 million. Class I shares may be purchased for a Fiduciary Account or Eligible Retirement Plan only by a custodian, trustee, investment manager or other entity authorized to act on behalf of such Account or Plan.

Share certificates will not be issued. It is not recommended that any of the Municipal Funds be used as a vehicle for Keogh, IRA or other qualified retirement plans. The Trust reserves the right to reject any purchase order.

The minimum initial investment for each Class is $1,000. However, for IRAs and other retirement plans, the minimum initial purchase is $250. All subsequent investments must be at least $100. The initial investment must be accompanied by the Account Application. FCIMCO and Service Agents may impose initial or subsequent investment minimums which are higher or lower than those specified above and may impose different minimums for different types of accounts or purchase arrangements.

As to each Fund, net asset value per share of each Class is computed by dividing the value of the Fund's net assets represented by such Class (i.e., the value of its assets less liabilities) by the total number of shares of such Class outstanding. See "Determination of Net Asset Value" in the Trust's Statement of Additional Information.

Each Money Market Fund's net asset value per share is determined as of 12:00 Noon, New York time, on each business day (which, as used herein, shall include each day the New York Stock Exchange is open for business, except Martin Luther King, Jr. Day, Columbus Day and Veterans Day).

Shares of each Money Market Fund are sold on a continuous basis at the net asset value per share next determined after an order in proper form and Federal Funds (moneys of member banks within the Federal Reserve System which are held on deposit at a Federal Reserve Bank) are received by the Transfer Agent. If an investor does not remit Federal Funds, his payment must be converted into Federal Funds. This usually occurs within one business day of receipt of a bank wire and within two business days of receipt of a check drawn on a member bank of the Federal Reserve System. Checks drawn on banks which are not members of the Federal Reserve System may take considerably longer to convert into Federal Funds. Prior to receipt of Federal Funds, the investor's money will not be invested.

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For each Fund, other than the Money Market Funds, shares are sold on a continuous basis at the public offering price (i.e., net asset value plus the applicable sales load, if any, set forth below). Net asset value per share of these Funds is determined as of the close of trading on the floor of the New York Stock Exchange (currently 4:00 p.m., New York time), on each business day. For purposes of determining net asset value per share, options and futures contracts will be valued 15 minutes after the close of trading on the New York Stock Exchange. Each of these Funds' investments are valued each business day by one or more independent pricing services approved by the Board of Trustees and are valued at fair value as determined by the pricing service. Each pricing service's procedures are reviewed under the general supervision of the Board of Trustees.

For each Fund, other than the Money Market Funds, if an order is received by the Transfer Agent by the close of trading on the floor of the New York Stock Exchange (currently 4:00 p.m., New York time) on any business day, shares will be purchased at the public offering price determined as of the close of trading on the floor of the New York Stock Exchange on that day.

Otherwise, shares will be purchased at the public offering price determined as of the close of trading on the floor of the New York Stock Exchange on the next business day.

Federal regulations require that an investor provide a certified Taxpayer Identification Number ("TIN") upon opening or reopening an account. See "Dividends, Distributions and Taxes" and the Account Application for further information concerning this requirement. Failure to furnish a certified TIN to the Trust could subject an investor to a $50 penalty imposed by the Internal Revenue Service (the "IRS").

CLASS A SHARES

The public offering price for Class A shares of each Fund, other than the Money Market Funds, is the net asset value per share of that Class plus a sales load as shown below:

ASSET ALLOCATION, EQUITY and BOND FUNDS

AMOUNT OF TRANSACTION	Total Sales Load As a % of offering price per share	As a % of net asset value per share	Dealers' Reallowance as a % of offering price
Less than $50,000	4.50	4.70	4.00
$50,000 to less than $100,000	4.00	4.20	3.50
$100,000 to less than $250,000	3.00	3.10	2.50
$250,000 to less than $500,000	2.00	2.00	1.50
$500,000 to less than $1,000,000	1.50	1.50	1.25
$1,000,000 and above	none	none	none

INTERMEDIATE MUNICIPAL BOND FUND

AMOUNT OF TRANSACTION	Total Sales Load As a % of offering price per share	As a % of net asset value per share	Dealers' Reallowance as a % of offering price
Less than $50,000	3.00	3.10	2.75
$50,000 to less than $100,000	2.50	2.60	2.25
$100,000 to less than $250,000	2.00	2.00	1.75
$250,000 to less than $500,000	1.50	1.50	1.25

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$500,000 to less than $1,000,000	1.00	1.00	0.75
$1,000,000 and above	none	none	none

</TABLE>

There is no initial sales charge on purchases of $1,000,000 or more of Class A shares. However, if an investor purchases Class A shares without an initial sales charge as part of an investment of at least $1,000,000 and redeems those shares within a certain period after purchase, a CDSC will be imposed at the time of redemption as described below. The terms set forth under "How to Redeem Fund Shares--Contingent Deferred Sales Charge--Class B" (other than the amount of the CDSC and its time periods) are applicable to the Class A shares subject to a CDSC. Letter of Intent and Right of Accumulation apply to such purchases of Class A shares. The following table sets forth the rates of such CDSC for the indicated time periods:

<TABLE>
<CAPTION>

AMOUNT OF TRANSACTIONS AT OFFERING PRICE	CDSC as a % of Amount Invested or Redemption Proceeds	Year Since Purchase Payment Was Made
<S>	<C>	<C>
$1,000,000 to less than $2,500,000	1.00%	First or Second
$2,500,000 to less than $5,000,000	0.50%	First
$5,000,000 and above	0.25%	First

</TABLE>

The dealer reallowance may be changed from time to time but will remain the same for all dealers. With respect to purchases of $1,000,000 or more of Class A shares made through Service Agents, the Distributor may pay such Service Agents from its own funds a fee of up to .75% for Intermediate Municipal Bond Fund and 1.00% for each other Fund of the amount invested to compensate such Service Agents for their distribution assistance in connection with such purchases.

Full-time employees of NASD member firms and full time employees of other financial institutions which have entered into an agreement with the Distributor pertaining to the sale of Fund shares (or which otherwise have a brokerage-related or clearing arrangement with an NASD member firm or other financial institution with respect to sales of Fund shares), their spouses and minor children, and accounts opened by a bank, trust company or thrift institution, acting as a fiduciary or custodian, may purchase Class A shares for themselves or itself, as the case may be, at net asset value, provided that they have furnished the Distributor appropriate notification of such status at the time of the investment and such other information as it may request from time to time in order to verify eligibility for this privilege. This privilege also applies to full-time employees of financial institutions affiliated with NASD member firms whose employees are eligible to purchase Class A shares at net asset value. In addition, Class A shares may be purchased at net asset value for accounts registered under the Uniform Gifts to Minors Act or Uniform Transfers to Minors Act which are opened through FCIS and 401(k) Salary Reduction Plan accounts for which FNBC serves as administrator. Class A shares are also offered at net asset value to directors and full-time or part-time employees of First Chicago Corporation, or any of its affiliates and subsidiaries, retired employees of First Chicago Corporation, or any of its affiliates and subsidiaries, Board members of a fund advised by the Investment Adviser, including members of the Trust's Board, or the spouse or minor child of any of the foregoing.

Class A shares may be purchased at net asset value through certain broker-dealers, registered investment advisers and other financial institutions which have entered into an agreement with the Distributor, which includes a requirement that such shares be sold for the benefit of clients participating in a "wrap account" or a similar program under which such clients pay a fee to such

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broker-dealer, registered investment adviser or other financial institution.

Class A shares also may be purchased at net asset value, without a sales charge, with the proceeds from the redemption of shares of an investment company sold with a sales charge or commission and not distributed by the Distributor. This also includes shares of an investment company that were or would be subject to a contingent deferred sales charge upon redemption. The purchase must be made within 60 days of the redemption, and the Distributor must be notified in writing by the investor, or by the investor's investment professional, at the time the purchase is made.

Class A shares also will be offered at net asset value without a sales load to employees participating in qualified or nonqualified employee benefit plans or other programs where (i) the employers or affiliated employers maintaining such plans or programs have a minimum of 250 employees eligible for participation in such plans or programs or (ii) such plan's or program's aggregate investment in the Trust and certain other funds advised by the Investment Adviser exceeds one million dollars ("Eligible Benefit Plans").

CLASS B SHARES

The public offering price for Class B shares is the net asset value per share of that Class. No initial sales charge is imposed at the time of purchase. A CDSC is imposed, however, on certain redemptions of Class B shares, as described under "How to Redeem Shares." The Distributor may compensate certain Service Agents for selling Class B shares at the time of purchase from its own assets. Proceeds of the CDSC and distribution fees payable to the Distributor, in part, would be used to defray these expenses.

CLASS I SHARES

The public offering price for Class I shares is the net asset value per share of that Class. No sales charge is imposed for Class I shares.

PURCHASING SHARES THROUGH ACCOUNTS WITH
FCIMCO, FNBC, ANB OR A SERVICE AGENT

Investors who desire to purchase shares through their accounts at FCIMCO, FNBC, ANB or their affiliates or a Service Agent should contact such entity directly for appropriate instructions, as well as for information about conditions pertaining to the account and any related fees. Service Agents, FCIMCO, FNBC and ANB may charge clients direct fees for effecting transactions in shares, as well as fees for other services provided to clients in connection with accounts through which shares are purchased. These fees, if any, would be in addition to fees received by a Service Agent under a Shareholder Services Plan or fees received by FCIMCO under the Investment Advisory Agreement or Administration Agreement. Each Service Agent has agreed to transmit to its clients a schedule of such fees. In addition, Service Agents, FCIMCO, FNBC and ANB may receive different levels of compensation for selling different Classes of shares and may impose minimum account and other conditions, including conditions which might affect the availability of certain shareholder privileges described in this Prospectus. Certain investor accounts with FNBC, ANB and their affiliates and certain Service Agents may be eligible for an automatic investment privilege, commonly called a "sweep," under which amounts in excess of a certain minimum held in these accounts will be invested automatically in shares at predetermined intervals. Each investor desiring to use this privilege should consult FNBC, ANB or his Service Agent for details. It is the responsibility of FNBC, ANB and Service Agents to transmit orders on a timely basis.

Copies of the Trust's Prospectus and Statement of Additional Information may be obtained from the Distributor, FCIMCO, certain affiliates of FCIMCO or certain Service Agents, as well as from the Trust.

RIGHT OF ACCUMULATION--CLASS A SHARES

Reduced sales loads apply to any purchase of Class A shares where the dollar amount of shares being purchased, plus the value of shares of such Fund, shares of other Funds of the Trust, and shares of certain other investment companies advised by the Investment Adviser purchased with a sales load or acquired by a previous exchange of shares purchased with a sales load (hereinafter referred to

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as "Eligible Funds") held by an investor and any related "purchaser" as defined in the Statement of Additional Information, is $50,000 or more. If, for example, an investor previously purchased and still holds Class A shares of the Equity Income Fund, or of any other Eligible Fund or combination thereof, with an aggregate current market value of $40,000 and subsequently purchases Class A shares of such Fund or an Eligible Fund having a current value of $20,000, the sales load applicable to the subsequent purchase would be reduced to 4.00% of the offering price (4.20% of the net asset value). All present holdings of Eligible Funds may be combined to determine the current offering price of the aggregate investment in ascertaining the sales load applicable to each subsequent purchase.

To qualify for reduced sales loads, at the time of a purchase an investor or his Service Agent must notify the Distributor if orders are made by wire, or the Transfer Agent if orders are made by mail. The reduced sales load is subject to confirmation of the investor's holdings through a check of appropriate records.

SHAREHOLDER SERVICES

The Exchange Privilege and Automatic Investment Plan are available to shareholders of any Class. The Letter of Intent and Reinstatement Privilege are available only for Class A and Class B shareholders, respectively. In addition, such services and privileges may not be available to clients of certain Service Agents and some Service Agents may impose certain conditions on their clients which are different from those described in this Prospectus. Each investor should consult his Service Agent in this regard.

EXCHANGE PRIVILEGE

The Exchange Privilege enables an investor to purchase, in exchange for shares of a Fund, shares of the same Class of the other Funds. This privilege may be expanded to permit exchanges between a Fund and other funds that, in the future, may be advised by the Investment Adviser.

Shares of the same Class of Funds purchased by exchange will be purchased on the basis of relative net asset value per share as follows:

A. Shares of Funds purchased with or without a sales load may be exchanged without a sales load for shares of other Funds sold without a sales load.

B. Shares of Funds purchased without a sales load may be exchanged for shares of other Funds sold with a sales load, and the applicable sales load will be deducted.

C. Shares of Funds purchased with a sales load, shares of Funds acquired by a previous exchange from shares purchased with a sales load and additional shares acquired through reinvestment of dividends or distributions of any such Funds (collectively referred to herein as "Purchased Shares") may be exchanged for shares of other Funds sold with a sales load (referred to herein as "Offered Shares"), provided that, if the sales load applicable to the Offered Shares exceeds the maximum sales load that could have been imposed in connection with the Purchased Shares (at the time the Purchased Shares were acquired), without giving effect to any reduced loads, the difference will be deducted.

D. Shares of Funds subject to a CDSC that are exchanged for shares of another Fund will be subject to the higher applicable CDSC of the two Funds, and for purposes of calculating CDSC rates and conversion periods, if any, will be deemed to have been held since the date the shares being exchanged were initially purchased.

To accomplish an exchange under item C above, shareholders must notify the Transfer Agent of their prior ownership of Fund shares and their account number.

No fees currently are charged shareholders directly in connection with

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exchanges although the Trust reserves the right, upon not less than 60 days' written notice, to charge shareholders a nominal fee in accordance with rules promulgated by the Securities and Exchange Commission. The Trust reserves the right to reject any exchange request in whole or in part. The Exchange Privilege may be modified or terminated at any time upon notice to shareholders.

The exchange of shares of one Fund for shares of another is treated for Federal income tax purposes as a sale of the shares given in exchange by the shareholder and, therefore, an exchanging shareholder may realize a taxable gain or loss.

LETTER OF INTENT--CLASS A SHARES

By signing a Letter of Intent form, available from the Distributor, FCIMCO, certain affiliates of FCIMCO, or certain Service Agents, an investor becomes eligible for the reduced sales load applicable to the total number of Eligible Fund shares purchased in a 13-month period (beginning up to 30 days before the date of execution of the Letter of Intent) pursuant to the terms and conditions set forth in the Letter of Intent. A minimum initial purchase of $5,000 is required. To compute the applicable sales load, the offering price of shares the investor holds (on the date of submission of the Letter of Intent) in any Eligible Fund that may be used toward "Right of Accumulation" benefits described above may be used as a credit toward completion of the Letter of Intent. However, the reduced sales load will be applied only to new purchases.

The Transfer Agent will hold in escrow 5% of the amount indicated in the Letter of Intent for payment of a higher sales load if the investor does not purchase the full amount indicated in the Letter of Intent. The escrow will be released when the investor fulfills the terms of the Letter of Intent by purchasing the specified amount. Assuming completion of the total minimum investment specified under a Letter of Intent, an adjustment will be made to reflect any reduced sales load applicable to shares purchased during the 30-day period before submission of the Letter of Intent. In addition, if the investor's purchases qualify for a further sales load reduction, the sales load will be adjusted to reflect the investor's total purchase at the end of 13 months. If total purchases are less than the amount specified, the investor will be requested to

remit an amount equal to the difference between the sales load actually paid and the sales load applicable to the aggregate purchases actually made. If such remittance is not received within 20 days, the Transfer Agent, as attorney-in-fact pursuant to the terms of the Letter of Intent, will redeem an appropriate number of Class A shares held in escrow to realize the difference. Signing a Letter of Intent does not bind the investor to purchase, or the Trust to sell, the full amount indicated at the sales load in effect at the time of signing, but the investor must complete the intended purchase to obtain the reduced sales load. At the time an investor purchases Class A shares, the investor must indicate his or her intention to do so under a Letter of Intent.

AUTOMATIC INVESTMENT PLAN

The Automatic Investment Plan permits an investor to purchase shares at regular intervals selected by the investor. Provided the investor's bank or other financial institution allows automatic withdrawals, shares may be purchased by transferring funds from the bank account designated by the investor. At the investor's option, the account designated will be debited in the specified amount, and shares will be purchased, once a month, on either the first or fifteenth day, or twice a month, on both days. Only an account maintained at a domestic financial institution which is an Automated Clearing House member may be so designated. To establish an Automatic Investment Plan account, the investor must check the appropriate box and supply the necessary information on the Account Application. Investors may obtain the necessary applications from the Distributor. An investor may cancel his or her participation in the Plan or change the amount of purchase at any time by mailing written notification to Primary Funds Service Corp., P.O. Box 9743, Providence, Rhode Island 02940-9743, and such notification will be effective three business days following receipt. The Trust may modify or terminate the Automatic Investment Plan at any time or charge a service fee. No such fee currently is contemplated.

REINSTATEMENT PRIVILEGE

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The Reinstatement Privilege enables investors who have redeemed Class A or Class B shares to repurchase, within 30 days of such redemption, Class A or Class B shares in an amount not to exceed the redemption proceeds received. Class A shares so reinstated will be offered at a purchase price equal to the then-current net asset value of Class A determined after a reinstatement request and payment for Class A shares are received by the Transfer Agent. With respect to Class B shares so reinstated, the CDSC applicable on redemption of the acquired Class B shares will be calculated from the date of the initial purchase of such Class B shares previously redeemed. This privilege also enables such investors to reinstate their account for the purpose of exercising the Exchange Privilege. To use the Reinstatement Privilege, an investor must submit a written reinstatement request to the Transfer Agent. The reinstatement request and payment must be received within 30 days of the trade date of the redemption. There currently are no restrictions on the number of times an investor may use this privilege.

HOW TO REDEEM SHARES

GENERAL

An investor may request redemption of his shares at any time. Redemption requests should be transmitted to the Transfer Agent as described below. An investor who has purchased shares through his Fiduciary Account or as a participant in an Eligible Retirement Plan must redeem shares by following instructions pertaining to such Account or Plan. It is the responsibility of the entity authorized to act on behalf of such Account or Plan to transmit the redemption order to the Transfer Agent and credit the investor's account with the redemption proceeds on a timely basis. When a request is received in proper form, the Trust will redeem the shares at the next determined net asset value as described below. If an investor holds Fund shares of more than one Class, any request for redemption must specify the Class of shares being redeemed. If an investor fails to specify the Class of shares to be redeemed, Class A shares will be redeemed first. If an investor owns fewer shares of the Class than specified to be redeemed, the redemption request may be delayed until the Transfer Agent receives further instructions from the investor or his Service Agent.

The Trust imposes no charges when shares are redeemed. However, the Distributor may impose a CDSC as described below. Service Agents may charge a nominal fee for effecting redemptions of Fund shares. The value of the shares redeemed may be more or less than their original cost, depending upon the Fund's then-current net asset value.

The Trust ordinarily will make payment for all shares redeemed within seven days after receipt by the Transfer Agent of a redemption request in proper form, except as provided by the rules of the Securities and Exchange Commission. HOWEVER, IF AN INVESTOR HAS PURCHASED FUND SHARES BY CHECK OR THROUGH THE AUTOMATIC INVESTMENT PLAN AND SUBSEQUENTLY SUBMITS A WRITTEN REDEMPTION REQUEST TO THE TRANSFER AGENT, THE REDEMPTION PROCEEDS WILL BE TRANSMITTED TO THE INVESTOR PROMPTLY UPON BANK CLEARANCE OF THE INVESTOR'S PURCHASE CHECK OR AUTOMATIC INVESTMENT PLAN ORDER, WHICH MAY TAKE UP TO EIGHT BUSINESS DAYS OR MORE. IN

ADDITION, THE FUND WILL NOT HONOR REDEMPTION CHECKS FOR A PERIOD OF EIGHT BUSINESS DAYS AFTER RECEIPT BY THE TRANSFER AGENT OF THE PURCHASE CHECK OR AUTOMATIC INVESTMENT PLAN ORDER AGAINST WHICH SUCH REDEMPTION IS REQUESTED. THESE PROCEDURES WILL NOT APPLY IF THE INVESTOR OTHERWISE HAS A SUFFICIENT COLLECTED BALANCE IN HIS ACCOUNT TO COVER THE REDEMPTION REQUEST. PRIOR TO THE TIME ANY REDEMPTION IS EFFECTIVE, DIVIDENDS ON SUCH SHARES WILL ACCRUE AND BE PAYABLE, AND THE INVESTOR WILL BE ENTITLED TO EXERCISE ALL OTHER RIGHTS OF BENEFICIAL OWNERSHIP. Fund shares will not be redeemed until the Transfer Agent has received the investor's Account Application.

The Trust reserves the right to redeem an investor's account at the Trust's option upon not less than 45 days' written notice if the account's net asset value is $500 or less and remains so during the notice period.

CONTINGENT DEFERRED SALES CHARGE--CLASS B

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A CDSC payable to the Distributor may be imposed on redemptions of Class B shares depending on the number of years such shares were held by the investor. The following tables set forth the rates of the CDSC applied for the indicated Funds:

ASSET ALLOCATION, EQUITY AND BOND FUNDS

Year Since Purchase Payment Was Made	CDSC as a % of Amount Invested or Redemption Proceeds
First	5.00
Second	4.00
Third	3.00
Fourth	3.00
Fifth	2.00
Sixth	1.00
Seventh	None
Eighth	*

* Conversion to Class A shares.

INTERMEDIATE MUNICIPAL BOND FUND

Year Since Purchase Payment Was Made	CDSC as a % of Amount Invested or Redemption Proceeds
First	3.00
Second	3.00
Third	2.00
Fourth	2.00
Fifth	1.00
Sixth	None
Seventh	*

* Conversion to Class A shares.

In determining whether a CDSC is applicable to a redemption, the calculation will be made in a manner that results in the lowest possible rate. Class B shares redeemed will not be subject to a CDSC to the extent that the value of such shares represents capital appreciation or reinvestment of dividends or distributions. It will be assumed that the redemption is made first of Class B shares acquired pursuant to the reinvestment of dividends and distributions or representing any capital appreciation in the value of the Class B shares held by the investor; then of Class B shares held for the longest period of time.

WAIVER OF CDSC

The CDSC will be waived in connection with (a) redemptions made within one year after the death of the shareholder, (b) redemptions by shareholders after age

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70-1/2 for purposes of the minimum required distribution from an IRA, Keogh plan or custodial account pursuant to Section 403(b) of the Code, (c) distributions from a qualified plan upon retirement, (d) redemptions of shares acquired through a contribution in excess of permitted amounts, (e) redemptions initiated by the Trust of accounts with net assets of less than $500, and (f) redemptions by such shareholders as the Securities and Exchange Commission or its staff may permit.

CONVERSION OF CLASS B SHARES

Class B shares automatically convert to Class A shares (and thus become subject to the lower expenses borne by Class A shares) in the eighth year (seventh year in the case of the Intermediate Municipal Bond Fund) after the date of purchase, together with the pro rata portion of all Class B shares representing dividends and other distributions paid in additional Class B shares. The conversion will be effected at the relative net asset values per share of the two Classes on the first business day of the month following the seventh anniversary (sixth anniversary in the case of the Intermediate Municipal Bond Fund) of the original purchase. If any exchanges of Class B shares during the eight-year or seven-year, as the case may be, period occurred, the holding period for the shares exchanged will be counted toward the eight-year or seven-year, as the case may be, period. At the time of the conversion the net asset value per share of the Class A shares may be higher or lower than the net asset value per share of the Class B shares; as a result, depending on the relative net asset values per share, a shareholder may receive fewer or more Class A shares than the number of Class B shares converted.

The Trust reserves the right to cease offering Class B shares for sale at any time or reject any order for the purchase of Class B shares and to cease offering any services provided by Service Agent.

PROCEDURES

An investor who has purchased shares through his account at FCIMCO, FNBC or a Service Agent must redeem shares by following instructions pertaining to such account. If an investor has given his Service Agent authority to instruct the Transfer Agent to redeem shares and to credit the proceeds of such redemption to a designated account at the Service Agent, the investor may redeem shares only in this manner and in accordance with a written redemption request described below. It is the responsibility of FCIMCO, FNBC or the Service Agent, as the case may be, to transmit the redemption order and credit the investor's account with the redemption proceeds on a timely basis.

An investor may redeem or exchange shares by telephone if the investor has checked the appropriate box on the Account Application. By selecting a telephone redemption or exchange privilege, an investor authorizes the Transfer Agent to act on telephone instructions from any person representing himself or herself to be the investor, or a representative of the investor's Service Agent, and reasonably believed by the Transfer Agent to be genuine. The Trust will require the Transfer Agent to employ reasonable procedures, such as requiring a form of personal identification, to confirm that instructions are genuine and, if it does not follow such procedures, the Trust or the Transfer Agent may be liable for any losses due to unauthorized or fraudulent instructions. Neither the Trust nor the Transfer Agent will be liable for following telephone instructions reasonably believed to be genuine.

During times of drastic economic or market conditions, an investor may experience difficulty in contacting the Transfer Agent by telephone to request a redemption or exchange of Fund shares. In such cases, investors should consider using the other redemption procedures described herein. Use of these other redemption procedures may result in the investor's redemption request being processed at a later time than it would have been if telephone redemption had been used. During the delay, the Fund's net asset value may fluctuate.

WRITTEN REDEMPTION REQUESTS

Investors may redeem shares by written request mailed to Prairie Funds, P.O. Box 9743, Providence, Rhode Island 02940-9743. Redemption requests must be signed by each shareholder, including each owner of a joint account, and each

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signature must be guaranteed. The Transfer Agent has adopted standards and procedures pursuant to which signature-guarantees in proper form generally will be accepted from domestic banks, brokers, dealers, credit unions, national securities exchanges, registered securities associations, clearing agencies and savings associations, as well as from participants in the New York Stock Exchange Medallion Signature Program, the Securities Transfer Agents Medallion Program ("STAMP"), and the Stock Exchanges Medallion Program.

CHECK REDEMPTION PRIVILEGE

CLASS A OF MONEY MARKET FUNDS ONLY

A Money Market Fund shareholder may request on the Account Application or by later written request to the Trust that the Money Market Fund provide Redemption Checks drawn on the Fund's account. Redemption Checks may be made payable to the order of any person in the amount of $500 or more. Redemption Checks should not be used to close an account. Redemption Checks are free, but the Transfer Agent will impose a fee for stopping payment of a Redemption Check at the investor's request or if the Transfer Agent cannot honor the Redemption Check due to insufficient funds or other valid reason. An investor should date his Redemption Checks with the current date when the investor writes them. Please do not postdate Redemption Checks. If an investor does, the Transfer Agent will honor, upon presentment, even if presented before the date of the check, all postdated Redemption Checks which are dated within six months of presentment of payment, if they are otherwise in good order. This Privilege may be modified or terminated at any time by the Trust or the Transfer Agent upon notice to shareholders.

MANAGEMENT OF THE TRUST

INVESTMENT ADVISER AND ADMINISTRATOR

First Chicago Investment Management Company, located at Three First National Plaza, Chicago, Illinois 60670, is each Fund's investment adviser and administrator. FCIMCO is a newly-formed investment adviser and a wholly-owned subsidiary of The First National Bank of Chicago ("FNBC"), which in turn is a wholly-owned subsidiary of First Chicago Corporation, a registered bank holding company. FNBC is a commercial bank offering a wide range of banking and investment services to customers throughout the United States and around the world. As of June 30, 1994, FNBC was one of the largest commercial banks in the United States and the largest in the mid-western United States in terms of assets ($41.8 billion) and in terms of deposits ($23.8 billion). As of June 30, 1994, FNBC provided investment management services to portfolios containing approximately $9.6 billion in assets.

FCIMCO serves as investment adviser for each Fund pursuant to an Investment Advisory Agreement dated as of November 18, 1994 with the Trust. Under the Investment Advisory Agreement, FCIMCO provides the day-to-day management of each Fund's

investments, subject to the overall authority of the Trust's Board of Trustees and in conformity with Massachusetts law and the stated policies of the Trust. FCIMCO is responsible for making investment decisions for each Fund, placing purchase and sale orders (which may be allocated to various dealers based on their sales of Fund shares) and providing research, statistical analysis and continuous supervision of each Fund's investment portfolio. FCIMCO has advised the Trust that in making its investment decisions FCIMCO does not obtain or use material inside information in its or any of its affiliate's possession.

FCIMCO has engaged ANB-IMC, located at 1 North LaSalle Street, Chicago, Illinois 60690, to serve as the International Equity Fund's sub-investment adviser. ANB-IMC, a registered investment adviser formed in 1973, is a wholly-owned subsidiary of American National Bank and Trust Company, which in turn is a wholly-owned subsidiary of First Chicago Corporation. As of March 31, 1994, ANB-IMC managed approximately $17 billion in assets, including over $500 million in international equities, primarily for pension funds. ANB-IMC, subject to the supervision and approval of FCIMCO, provides investment advisory

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assistance and the day-to-day management of the International Equity Fund's investments, as well as investment research and statistical information, under a Sub-Investment Advisory Agreement with FCIMCO, subject to the overall authority of the Trust's Board in accordance with Massachusetts law.

The Trust's primary portfolio managers will be: for Managed Assets Income Fund, Arthur P. Krill, who has been employed by FNBC since June 1973, and Claude B. Erb, who has been employed by FNBC since 1993 and, prior thereto, was Deputy Chief Investment Officer and Senior Vice President for Trust Services of America and TSA Capital Management; for Managed Assets Fund, Claude B. Erb; for Equity Income Fund, Growth Fund and Special Opportunities Fund, James V. Moeller, who has been employed by FNBC since 1976; for International Equity Fund, Peter M. Jankovskis, who has been employed by ANB-IMC since 1992 and, prior thereto, was a faculty member of the University of California at Santa Barbara; for Bond Fund, Annette Marie Cole, who has been employed by FNBC since 1984, and Mark M. Quinn, who has been employed by FNBC since 1984; for International Bond Fund, Claude B. Erb; and for Intermediate Municipal Bond Fund, John Erickson, who has been employed by FNBC since 1979.

Under the terms of the Investment Advisory Agreement with the Trust, the Trust has agreed to pay FCIMCO a monthly fee at the annual rate of .65% of the value of each Asset Allocation Fund's average daily net assets; .50% of the value of the Equity Income Fund's average daily net assets; .65% of the value of the Growth Fund's average daily net assets; .70% of the value of the Special Opportunities Fund's average daily net assets; .80% of the value of the International Equity Fund's average daily net assets; .55% of the value of the Bond Fund's average daily net assets; .70% of the value of the International Bond Fund's average daily net assets; .40% of the value of the Intermediate Municipal Bond Fund's average daily net assets; and .40% of the value of each Money Market Fund's average daily net assets. Under the Sub-Investment Advisory Agreement between FCIMCO and ANB-IMC, FCIMCO has agreed to pay ANB-IMC a monthly fee at the annual rate of .40% of the value of the International Equity Fund's average daily net assets. The investment advisory fee payable by the International Equity Fund is higher than that paid by most other funds.

FCIMCO serves as the Trust's administrator pursuant to an Administration Agreement with the Trust. Under the Administration Agreement, FCIMCO generally assists in all aspects of the Trust's operations, other than providing investment advice, subject to the overall authority of the Trust's Board in accordance with Massachusetts law. Under the terms of the Administration Agreement, the Trust has agreed to pay FCIMCO a monthly fee at the annual rate of .15% of the value of each Fund's average daily net assets. FCIMCO has engaged Concord Holding Corporation, located at 125 West 55th Street, New York, New York 10019 (the "Sub-Administrator"), to assist it in providing certain administrative services for the Trust pursuant to a Master Sub-Administration Agreement between FCIMCO and the Sub-Administrator. FCIMCO, from its own funds, will pay the Sub-Administrator for the Sub-Administrator's services.

DISTRIBUTOR

Concord Financial Group, Inc., located at 125 West 55th Street, New York, New York 10019, serves as the Trust's principal underwriter and distributor of each Fund's shares. The Distributor, a wholly-owned subsidiary of the Sub-Administrator, was organized to distribute shares of mutual funds to institutional and retail investors. The Distributor distributes the shares of other investment companies with over $21 billion in assets.

TRANSFER AND DIVIDEND DISBURSING AGENT AND CUSTODIAN

Primary Funds Service Corp., P.O. Box 9743, Providence, Rhode Island 02940-9743, is the Trust's Transfer and Dividend Disbursing Agent (the "Transfer Agent"). The Transfer Agent is jointly owned by a subsidiary of the Sub-Administrator and Putnam

Investments, Inc. The Bank of New York, 110 Washington Street, New York, New York 10286, is the Trust's Custodian.

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EXPENSES

All expenses incurred in the operation of the Trust are borne by the Trust, except to the extent specifically assumed by FCIMCO. The expenses borne by the Trust include: organizational costs, taxes, interest, loan commitment fees, interest and distributions paid on securities sold short, brokerage fees and commissions, if any, fees of Board members, Securities and Exchange Commission fees, state Blue Sky qualification fees, advisory fees, charges of custodians, transfer and dividend disbursing agents' fees, certain insurance premiums, industry association fees, outside auditing and legal expenses, costs of maintaining the Trust's existence, costs of independent pricing services, costs attributable to investor services (including, without limitation, telephone and personnel expenses), costs of shareholders' reports and meetings, costs of preparing and printing prospectuses and statements of additional information for regulatory purposes and for distribution to existing shareholders, and any extraordinary expenses. In addition, Class B shares are subject to an annual distribution fee for advertising, marketing and distributing such shares and Class A and Class B shares are subject to an annual service fee for ongoing personal services relating to shareholder accounts and services related to the maintenance of shareholder accounts. See "Distribution Plan and Shareholder Services Plan." Expenses attributable to a particular Fund or Class are charged against the assets of that Fund or Class, respectively; other expenses of the Trust are allocated among the Funds on the basis determined by the Board of Trustees, including, but not limited to, proportionately in relation to the net assets of each Fund.

The imposition of the advisory fee, as well as other operating expenses, including the fees paid under any Distribution Plan and Shareholder Services Plan, will have the effect of reducing the yield to investors. From time to time, FCIMCO may waive receipt of its fees and/or voluntarily assume certain expenses of a Fund, which would have the effect of lowering that Fund's overall expense ratio and increasing yield to investors at the time such amounts are waived or assumed, as the case may be. The Trust will not pay FCIMCO at a later time for any amounts which may be waived, nor will the Trust reimburse FCIMCO for any amounts which may be assumed.

DISTRIBUTION PLAN AND
SHAREHOLDER SERVICES PLAN

Class B shares of each Fund are subject to an annual distribution fee pursuant to the Distribution Plan. Class A and Class B shares of each Fund are subject to an annual service fee pursuant to the Shareholder Services Plan.

DISTRIBUTION PLAN

(Class B only) Under the Distribution Plan, adopted pursuant to Rule 12b-1 under the 1940 Act, the Trust has agreed to pay the Distributor for advertising, marketing and distributing shares of the relevant Fund at an aggregate annual rate of .75% of the value of the average daily net assets of Class B. The Distributor may pay one or more Service Agents in respect of these services. FCIMCO, FNBC, ANB and their affiliates may act as Service Agents and receive fees under the Distribution Plan. The Distributor determines the amounts, if any, to be paid to Service Agents under the Distribution Plan and the basis on which such payments are made. The fees payable under the Distribution Plan are payable without regard to actual expenses incurred.

SHAREHOLDER SERVICES PLAN

(Class A and Class B) Under the Shareholder Services Plan, the Trust pays the Distributor for the provision of certain services to the holders of these shares a fee at an annual rate of .25% of the value of the average daily net assets of Class A or Class B. The services provided may include personal services relating to shareholder accounts, such as answering shareholder inquiries regarding the Fund and providing reports and other information, and services related to the maintenance of shareholder accounts. Under the Shareholder Services Plan, the Distributor may make payments to Service Agents in respect of these services. FCIMCO, FNBC, ANB and their affiliates may act as Service Agents and receive fees under the Shareholder Services Plan. The Distributor determines the amounts to be paid to Service Agents. Each Service Agent is required to disclose to its clients any compensation payable to it by the Trust pursuant to the Shareholder Services Plan and any other compensation payable by their clients in connection with the investment of their assets in Fund shares.

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DIVIDENDS, DISTRIBUTIONS AND TAXES

MANAGED ASSETS, GROWTH, SPECIAL OPPORTUNITIES AND INTERNATIONAL EQUITY FUNDS--Declare and pay dividends from net investment income quarterly.

MANAGED ASSETS INCOME AND EQUITY INCOME FUNDS--Declare and pay dividends from net investment income monthly, usually on the last calendar day of the month.

BOND, MUNICIPAL BOND AND MONEY MARKET FUNDS--Declare dividends from net investment income on each day the New York Stock Exchange is open for business, except on Martin Luther King, Jr. Day, Columbus Day and Veterans Day. Dividends usually are paid on the last calendar day of each month. Shares begin accruing dividends on the day the purchase order is effective. The earnings for Saturdays, Sundays and holidays are declared as dividends on the preceding business day.

APPLICABLE TO ALL FUNDS--Each Fund will make distributions from net realized securities gains, if any, once a year, but may make distributions on a more frequent basis to comply with the distribution requirements of the Code, in all events in a manner consistent with the provisions of the 1940 Act. Dividends are automatically reinvested in additional Fund shares of the same Class from which they were paid at net asset value, unless payment in cash is requested.

Dividends paid by each Fund, other than a Municipal Fund, derived from net investment income and dividends paid by a Municipal Fund derived from taxable investments, together with distributions from any net realized short-term securities gains, will be taxable to U.S. investors as ordinary income whether or not reinvested in additional Fund shares. Distributions from net realized long-term securities gains, if any, will be taxable to U.S. shareholders as long-term capital gains for Federal income tax purposes, regardless of how long investors have held shares and whether such distributions are received in cash or reinvested in additional shares.

Except for dividends from taxable investments, the Fund anticipates that substantially all dividends paid by a Municipal Fund will not be subject to Federal income tax. Dividends and distributions paid by a Municipal Fund may be subject to the alternative minimum tax and to certain state and local taxes.

Notice as to the tax status of an investor's dividends and distributions will be mailed to such investor annually. Each investor also will receive periodic summaries of such investor's account which will include information as to dividends and distributions from securities gains, if any, paid during the year. Participants in a Retirement Plan should receive periodic statements from the trustee, custodian or administrator of their Plan.

Federal regulations generally require the Trust to withhold ("backup withholding") and remit to the U.S. Treasury 31% of dividends, distributions from net realized securities gains and the proceeds of any redemption, regardless of the extent to which gain or loss may be realized, paid to a shareholder if such shareholder fails to certify either that the TIN furnished in connection with opening an account is correct or that such shareholder has not received notice from the IRS of being subject to backup withholding as a result of a failure to properly report taxable dividend or interest income on a Federal income tax return. Furthermore, the IRS may notify the Trust to institute backup withholding if the IRS determines a shareholder's TIN is incorrect or if a shareholder has failed to properly report taxable dividend and interest income on a Federal income tax return. A TIN is either the Social Security number or employer identification number of the record owner of the account.

It is expected that each Fund will qualify as a "regulated investment company" under the Code so long as such qualification is in the best interests of its shareholders. Such qualification relieves the Fund of any liability for Federal income tax to the extent its earnings are distributed in accordance with applicable provisions of the Code. In addition, each Fund is subject to a non-deductible 4% excise tax, measured with respect to certain undistributed amounts of taxable investment income and capital gains.

Each investor should consult his or her tax adviser regarding specific questions as to Federal, state or local taxes.

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PERFORMANCE INFORMATION

SPECIAL OPPORTUNITIES, GROWTH AND INTERNATIONAL EQUITY FUNDS--For purposes of advertising, performance of these Funds may be calculated on the bases of average annual total return and/or total return. Average annual total return is calculated pursuant to a standardized formula which assumes that an investment in such Fund was purchased with an initial payment of $1,000 and that the investment was redeemed at the end of a stated period of time, after giving effect to the reinvestment of dividends and distributions during the period. The return is expressed as a percentage rate which, if applied on a compounded annual basis, would result in the redeemable value of the investment at the end of the period. Advertisements of a Fund's performance will include such Fund's average annual total return for one, five and ten year periods, or for shorter time periods depending upon the length of time during which the Fund has operated. Computations of average annual total return for periods of less than one year represent an annualization of the Fund's actual total return for the applicable period.

Total return is computed on a per share basis and assumes the reinvestment of dividends and distributions. Total return generally is expressed as a percent-

age rate which is calculated by combining the income and principal changes for a specified period and dividing by the maximum offering price per share at the beginning of the period. Advertisements may include the percentage rate of total return or may include the value of a hypothetical investment at the end of the period which assumes the application of the percentage rate of total return. Total return also may be calculated by using the net asset value per share at the beginning of the period instead of the maximum offering price per share at the beginning of the period for Class A shares or without giving effect to any applicable CDSC at the end of the period for Class B shares. Calculations based on the net asset value per share do not reflect the deduction of the applicable sales charge which, if reflected, would reduce the performance quoted.

ASSET ALLOCATION, EQUITY INCOME, BOND AND MUNICIPAL BOND FUNDS--For purposes of advertising, performance of these Funds may be calculated on several bases, including current yield, average annual total return and/or total return. Current yield refers to the Fund's annualized net investment income per share over a 30-day period, expressed as a percentage of the net asset value per share at the end of the period. For purposes of calculating current yield, the amount of net investment income per share during that 30-day period, computed in accordance with regulatory requirements, is compounded by assuming that it is reinvested at a constant rate over a six-month period. An identical result is then assumed to have occurred during a second six-month period which, when added to the result for the first six months, provides an "annualized" yield for an entire one-year period.

The Municipal Bond Funds may advertise tax equivalent yield, which is calculated by determining the pre-tax yield which, after being taxed at a certain rate, would be equivalent to a stated current yield calculated as described above.

Average annual total return and total return will be calculated as described above.

MONEY MARKET FUNDS--From time to time, each Money Market Fund may advertise its yield and effective yield. Both yield figures are based on historical earnings and are not intended to indicate future performance. It can be expected that these yields will fluctuate substantially. The yield of the Fund refers to the income generated by an investment in the Fund over a seven-day period (which period will be stated in the advertisement). This income is then annualized. That is, the amount of income generated by the investment during that week is assumed to be generated each week over a 52-week period and is shown as a percentage of the investment. The effective yield is calculated similarly but, when annualized, the income earned by an investment in the Fund is assumed to be reinvested. The effective yield will be slightly higher than the yield because of the compounding effect of this assumed reinvestment.

The Municipal Money Market Fund also may advertise tax equivalent yield, which would be calculated as described above.

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APPLICABLE TO ALL FUNDS--Performance will vary from time to time and past results are not necessarily representative of future results. Investors should remember that performance is a function of the type and quality of portfolio securities held by the Fund and is affected by operating expenses. Yield and performance information, such as that described above, may not provide a basis for comparison with other investments or other investment companies using a different method of calculating performance. Performance for each Class will be calculated separately.

Comparative performance information may be used from time to time in advertising or marketing a Fund's shares, including data from Lipper Analytical Services, Inc., Bank Rate Monitor, N. Palm Beach, Fla. 33408, Bond 20-Bond Index, Moody's Bond Survey Bond Index, Lehman Corporate Bond Index, IBC/Donoghue's Money Fund Report, S&P 500 Index, Lehman Brothers Government/Corporate Bond Index, the Dow Jones Industrial Average, CDA/Wiesenberger Investment Companies Service, Mutual Fund Values; Mutual Fund Forecaster, Schabacker Investment Management, Inc., Morningstar, Inc. and other industry publications.

GENERAL INFORMATION

The Trust was organized as an unincorporated business trust under the laws of the Commonwealth of Massachusetts pursuant to an Agreement and Declaration of Trust (the "Trust Agreement") dated October 19, 1994, and has not engaged in active business to the date of this Prospectus. The Trust intends to commence operations when the Investment Adviser's registration with the Securities and Exchange Commission is effective, which is anticipated to occur in January 1995. The Trust is authorized to issue an unlimited number of shares of beneficial interest, par value $.001 per share. The Trust's shares are classified into three classes. Each share has one vote and shareholders will vote in the aggregate and not by class except as otherwise required by law or with respect to any matter which affects only one class.

To date, the Board of Trustees has authorized the creation of 12 separate portfolios of shares. All consideration received by the Trust for shares of one of the portfolios and all assets in which such consideration is invested will belong to that portfolio (subject only to the rights of creditors of the Trust) and will be subject

to the liabilities related thereto. The income attributable to, and the expenses of, one portfolio (and as to classes within a portfolio) are treated separately from those of the other portfolios (and classes). The Trust has the ability to create, from time to time, new portfolios without shareholder approval.

Under Massachusetts law, shareholders could, under certain circumstances, be held personally liable for the obligations of the Trust. However, the Trust Agreement disclaims shareholder liability for acts or obligations of the Trust and requires that notice of such disclaimer be given in each agreement, obligation or instrument entered into or executed by the Trust or a Trustee. The Trust Agreement provides for indemnification from the Trust's property for all losses and expenses of any shareholder held personally liable for the obligations of the Trust. Thus, the risk of a shareholder incurring financial loss on account of shareholder liability is limited to circumstances in which the Trust itself would be unable to meet its obligations, a possibility which management believes is remote. Upon payment of any liability incurred by the Trust, the shareholder paying such liability will be entitled to reimbursement from the general assets of the Trust. The Trustees intend to conduct the operations of the Trust in such a way so as to avoid, as far as possible, ultimate liability of the shareholders for liabilities of the Trust. As described under "Management of the Trust" in the Statement of Additional Information, the Trust ordinarily will not hold shareholder meetings; however, shareholders under certain circumstances have the right to call a meeting of shareholders for the purpose of voting to remove Trustees.

The Transfer Agent maintains a record of each investor's ownership and sends confirmations and statements of account.

Investor inquiries may be made by writing to the Trust at the address shown on page one or by calling the appropriate telephone number.

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NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS AND IN THE TRUST'S OFFICIAL SALES LITERATURE IN CONNECTION WITH THE OFFER OF THE FUNDS' SHARES, AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE TRUST. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER IN ANY STATE IN WHICH, OR TO ANY PERSON TO WHOM, SUCH OFFERING MAY NOT LAWFULLY BE MADE.

APPENDIX

CERTAIN PORTFOLIO SECURITIES

EQUITY SECURITIES

American, European and Continental Depositary Receipts--(Asset Allocation, Equity Income, Growth, International and Special Opportunities Funds only) Securities of foreign issuers may be sold in the form of American Depositary Receipts ("ADRs") and European Depositary Receipts ("EDRs"). These securities may not necessarily be denominated in the same currency as the securities into which they may be converted. ADRs are receipts typically issued by a United States bank or trust company which evidence ownership of underlying securities issued by a foreign corporation. EDRs, which are sometimes referred to as Continental Depositary Receipts ("CDRs"), are receipts issued in Europe typically by non-United States banks and trust companies that evidence ownership of either foreign or domestic securities. Generally, ADRs in registered form are designed for use in the United States securities markets and EDRs and CDRs in bearer form are designed for use in Europe.

Warrants--(Asset Allocation and Equity Funds only) A warrant is an instrument issued by a corporation which gives the holder the right to subscribe to a specified amount of the corporation's capital stock at a set price for a specified period of time. Each of these Funds may invest up to 5% of its net assets in warrants, except that this limitation does not apply to warrants acquired in units or attached to securities.

FIXED-INCOME SECURITIES

Convertible Securities--(Asset Allocation, Equity and Bond Funds only) Convertible securities are fixed-income securities that may be converted at either a stated price or stated rate into underlying shares of common stock. Convertible securities have general characteristics similar to both fixed-income and equity securities. Although to a lesser extent than with fixed-income securities generally, the market value of convertible securities tends to decline as interest rates increase and, conversely, tends to increase as interest rates decline. In addition, because of the conversion feature, the market value of convertible securities tends to vary with fluctuations in the market value of the underlying common stock, and, therefore, also will react to variations in the general market for equity securities. A unique feature of convertible securities is that as the market price of the underlying common stock declines, convertible securities tend to trade increasingly on a yield basis, and so may not experience market value declines to the same extent as the underlying common stock. When the market price of the underlying common stock increases, the prices of the convertible securities tend to rise as a reflection of the value of the underlying common stock. While no securities investments are without risk, investments in convertible securities generally entail less risk than investments in common stock of the same issuer.

As fixed-income securities, convertible securities are investments that provide for a stable stream of income with generally higher yields than common stocks. Of course, like all fixed-income securities, there can be no assurance of current income because the issuers of the convertible securities may default on their obligations. Convertible securities, however, generally offer lower interest or dividend yields than non- convertible securities of similar quality because of the potential for capital appreciation. A convertible security, in addition to providing fixed income, offers the potential for capital appreciation through the conversion feature, which enables the holder to benefit from increases in the market price of the underlying common stock. There can be no assurance of capital appreciation, however, because securities prices fluctuate.

Convertible securities generally are subordinated to other similar but

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non-convertible securities of the same issuer, although convertible bonds, as corporate debt obligations, enjoy seniority in right of payment to all equity securities, and convertible preferred stock is senior to common stock, of the same issuer. Because of the subordination feature, however, convertible securities typically have lower ratings than similar non-convertible securities.

U.S. Government Securities--These securities are described under "Taxable Money Market Instruments--U.S. Government Securities" below and may be purchased without regard to maturity.

Zero Coupon and Stripped Securities--(Asset Allocation, Equity, Bond and Municipal Bond Funds only) Zero coupon U.S. Treasury securities are Treasury Notes and Bonds that have been stripped of their unmatured interest coupons, the coupons themselves and receipts or certificates representing interests in such stripped debt obligations and coupons. Zero coupon securities also are issued by corporations and financial institutions which constitute a proportionate ownership of the issuer's pool of underlying U.S. Treasury securities. A zero coupon security pays no interest to its holder during its life and is sold at a discount to its face value at maturity. The amount of the discount fluctuates with the market price of the security. The market prices of zero coupon securities generally are more volatile than the market prices of securities that pay interest periodically and are likely to respond to a greater degree to changes in interest rates than non-zero coupon securities having similar maturities and credit qualities.

Participation Interests--(Asset Allocation, Equity, Bond and Money Market Funds only) A participation interest gives the purchaser an undivided interest in a security in the proportion that such purchaser's participation interest bears to the total principal amount of the security. These instruments may have fixed, floating or variable rates of interest, with, in the case of the Money Market Fund, remaining maturities of 13 months or less. If the participation interest is unrated, or has been given a rating below that which is permissible for purchase by a Fund, the participation interest will be backed by an irrevocable letter of credit or guarantee of a bank, or the payment obligation otherwise will be collateralized by U.S. Government securities, or, in the case of unrated participation interests, the Investment Adviser must have determined that the instrument is of comparable quality to those instruments in which such Fund may invest.

Mortgage-Related Securities--(Asset Allocation, Equity and Bond Funds only) Mortgage-related securities are securities collateralized by pools of mortgage loans assembled for sale to investors by various governmental agencies, such as the Government National Mortgage Association and government-related organizations such as the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation, as well as by private issuers such as commercial banks, savings and loan institutions, mortgage banks and private mortgage insurance companies, and similar foreign entities. Mortgage-related securities are a form of derivative security. The mortgage-related securities which may be purchased include those with fixed, floating and variable interest rates, those with interest rates that change based on multiples of changes in interest rates and those with interest rates that change inversely to changes in interest rates, as well as stripped mortgage-backed securities. Stripped mortgage-backed securities usually are structured with two classes that receive different proportions of interest and principal distributions on a pool of mortgage-backed securities or whole loans. A common type of stripped mortgage-backed security will have one class receiving some of the interest and most of the principal from the mortgage collateral, while the other class will receive most of the interest and the remainder of the principal. In the most extreme case, one class will receive all of the interest (the interest-only or "IO" class), while the other class will receive all of the principal (the principal-only or "PO" class). Although certain mortgage-related securities are guaranteed by a third party or otherwise similarly secured, the market value of the security, which may fluctuate, is not so secured. If a mortgage-related security is purchased at a premium, all or part of the premium may be lost if there is a decline in the market value of the security, whether resulting from changes in interest rates or prepayments in the underlying mortgage collateral. As with other interest-bearing securities, the prices of certain of these securities are inversely affected by changes in interest rates. However, though the value of a mortgage-related security may decline when interest rates rise, the converse is not necessarily true, since in periods of declining interest rates the mortgages underlying the security are more likely to prepay. For this and other reasons, a mortgage-related security's stated maturity may be shortened by unscheduled

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prepayments on the underlying mortgages, and, therefore, it is not possible to predict accurately the security's return to a Fund. Moreover, with respect to stripped mortgage-backed securities, if the underlying mortgage securities experience greater than anticipated prepayments of principal, the Fund may fail to fully recoup its initial investment in these securities even if the securities are rated in the highest rating category by a nationally recognized statistical rating organization. In addition, regular payments received in respect of mortgage-related securities include both interest and principal. No assurance can be given as to the return the Fund will receive when these amounts are reinvested. For further discussion concerning the investment considerations involved, see "Description of the Funds--Risk Factors--Fixed-Income Securities" and "Illiquid Securities" below and "Investment Objectives and Management Policies--Portfolio Securities--Mortgage-Related Securities" in the Statement of Additional Information.

Asset-Backed Securities--(Asset Allocation, Equity and Bond Funds only) The securitization techniques used for asset-backed securities are similar to those used for mortgage-related securities. Asset-backed securities are a form of derivative security. These securities include debt securities and securities with debt-like characteristics. The collateral for these securities has included home equity loans, automobile and credit card receivables, boat loans, computer leases, airplane leases, mobile home loans, recreational vehicle loans and hospital account receivables. These Funds may invest in these and other types of asset-backed securities that may be developed in the future.

Asset-backed securities present certain risks that are not presented by mortgage-backed securities. Primarily, these securities do not have the benefit of the same security interest in the related collateral. Credit card receivables generally are unsecured and the debtors are entitled to the protection of a number of state and Federal consumer credit laws, many of which give such debtors the right to set off certain amounts owed on the credit cards, thereby reducing the balance due. Most issuers of asset-backed securities backed by automobile receivables permit the servicers of such receivables to retain possession of the underlying obligations. If the servicer were to sell these

obligations to another party, there is a risk that the purchaser would acquire an interest superior to that of the holders of the related asset-backed securities. In addition, because of the large number of vehicles involved in a typical issuance and technical requirements under state laws, the trustee for the holders of asset-backed securities backed by automobile receivables may not have a proper security interest in all of the obligations backing such receivables. Therefore, there is the possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities.

Municipal Obligations--(Asset Allocation, Equity, Bond and Municipal Funds only) Municipal Obligations generally include debt obligations issued to obtain funds for various public purposes as well as certain industrial development bonds issued by or on behalf of public authorities. While in general, Municipal Obligations are tax exempt securities having relatively low yields as compared to taxable, non-municipal obligations of similar quality, certain issues of Municipal Obligations, both taxable and non-taxable, offer yields comparable and in some cases greater than the yields available on other permissible investments. Dividends received by shareholders of a Fund, other than a Municipal Fund, which are attributable to interest income received by it from Municipal Obligations generally will be subject to Federal income tax. Municipal Obligations bear fixed, floating or variable rates of interest, which are determined in some instances by formulas under which the Municipal Obligation's interest rate will change directly or inversely to changes in interest rates or an index, or multiples thereof, in many cases subject to a maximum and minimum. Each of these Funds, other than the Municipal Funds, currently intends to invest no more than 25% of its respective assets in Municipal Obligations. However, this percentage may be varied from time to time without shareholder approval. Unregistered Notes--(Asset Allocation, Equity, Bond and Money Market Funds only) Each of these Funds may purchase unsecured promissory notes ("Notes") which are not readily marketable and have not been registered under the Securities Act of 1933, as amended, provided such investments are consistent with such Fund's goal.

Foreign Government Obligations; Securities of Supranational Entities--(Asset Allocation, International Equity, Growth, Special

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Opportunities, Bond and Money Market Funds only) Each of these Funds may invest in obligations issued or guaranteed by one or more foreign governments or any of their political subdivisions, agencies or instrumentalities that are determined by the Investment Adviser to be of comparable quality to the other obligations in which such Fund may invest. Such securities also include debt obligations of supranational entities. Supranational entities include international organizations designated or supported by governmental entities to promote economic reconstruction or development and international banking institutions and related government agencies. Examples include the International Bank for Reconstruction and Development (the World Bank), the European Coal and Steel Community, the Asian Development Bank and the InterAmerican Development Bank. The percentage of a Fund's assets invested in securities issued by foreign governments will vary depending on the relative yields of such securities, the economic and financial markets of the countries in which the investments are made and the interest rate climate of such countries.

Ratings--The ratings of Moody's, S&P, Fitch and Duff represent their opinions as to the quality of the obligations which they undertake to rate. It should be emphasized, however, that ratings are relative and subjective and, although ratings may be useful in evaluating the safety of interest and principal payments, they do not evaluate the market value risk of such obligations. Therefore, although these ratings may be an initial criterion for selection of portfolio investments, the Investment Adviser also will evaluate such obligations and the ability of their issuers to pay interest and principal. Each Fund will rely on the Investment Adviser's judgment, analysis and experience in evaluating the creditworthiness of an issuer. In this evaluation, the Investment Adviser will take into consideration, among other things, the issuer's financial resources, its sensitivity to economic conditions and trends, the quality of the issuer's management and regulatory matters. It also is possible that a rating agency might not timely change the rating on a particular issue to reflect subsequent events. Once the rating of a security held by a Fund has been changed, the Investment Adviser will consider all circumstances deemed relevant in determining whether such Fund should continue to hold the security.

TAXABLE MONEY MARKET INSTRUMENTS

Each Fund may invest, in the circumstances described under "Description of the Funds--Management Policies," in the following types of Money Market Instruments, each of which at the time of purchase must have or be deemed to have under the rules of the Securities and Exchange Commission remaining maturities of 13 months or less.

U.S. Government Securities--Securities issued or guaranteed by the U.S. Government or its agencies or instrumentalities include U.S. Treasury securities that differ in their interest rates, maturities and times of issuance. Treasury Bills have initial maturities of one year or less; Treasury Notes have initial maturities of

one to ten years; and Treasury Bonds generally have initial maturities of greater than ten years. Some obligations issued or guaranteed by U.S. Government agencies and instrumentalities, for example, Government National Mortgage Association pass-through certificates, are supported by the full faith and credit of the U.S. Treasury; others, such as those of the Federal Home Loan Banks, by the right of the issuer to borrow from the U.S. Treasury; others, such as those issued by the Federal National Mortgage Association, by discretionary authority of the U.S. Government to purchase certain obligations of the agency or instrumentality; and others, such as those issued by the Student Loan Marketing Association, only by the credit of the agency or instrumentality. These securities bear fixed, floating or variable rates of interest. Principal and interest may fluctuate based on generally recognized reference rates or the relationship of rates. While the U.S. Government provides financial support to such U.S. Government-sponsored agencies or instrumentalities, no assurance can be given that it will always do so, because it is not so obligated by law.

Bank Obligations--(each Fund, except U.S. Government Money Market Fund) Bank obligations include certificates of deposit, time deposits, bankers' acceptances and other short-term obligations of domestic banks, foreign subsidiaries of domestic banks, foreign branches of domestic banks, and domestic and foreign branches of foreign banks, domestic savings and loan associations and other banking institutions. With respect to such securities issued by foreign branches of domestic banks, foreign subsidiaries of domestic banks, and domestic and foreign branches of foreign banks, a Fund may be subject to

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additional investment risks that are different in some respects from those incurred by a fund which invests only in debt obligations of U.S. domestic issuers. Such risks include possible future political and economic developments, the possible imposition of foreign withholding taxes on interest income payable on the securities, the possible establishment of exchange controls or the adoption of other foreign governmental restrictions which might adversely affect the payment of principal and interest on these securities and the possible seizure or nationalization of foreign deposits.

Certificates of deposit are negotiable certificates evidencing the obligation of a bank to repay funds deposited with it for a specified period of time.

Time deposits are non-negotiable deposits maintained in a banking institution for a specified period of time at a stated interest rate. Time deposits which may be held by each Fund will not benefit from insurance from the Bank Insurance Fund or the Savings Association Insurance Fund administered by the FDIC.

Bankers' acceptances are credit instruments evidencing the obligation of a bank to pay a draft drawn on it by a customer. These instruments reflect the obligation both of the bank and of the drawer to pay the face amount of the instrument upon maturity. The other short-term obligations may include uninsured, direct obligations bearing fixed, floating or variable interest rates.

Repurchase Agreements--Repurchase agreements involve the acquisition by a Fund of an underlying debt instrument, subject to an obligation of the seller to repurchase, and such Fund to resell, the instrument at a fixed price usually not more than one week after its purchase. Certain costs may be incurred by a Fund in connection with the sale of the securities if the seller does not repurchase them in accordance with the repurchase agreement. In addition, if bankruptcy proceedings are commenced with respect to the seller of the securities, realization on the securities by a Fund may be delayed or limited. Pursuant to an order obtained from the Securities and Exchange Commission, each Fund also is permitted to enter into overnight repurchase agreements with FNBC or an affiliate of FNBC subject to the terms and conditions of such order.

Certain Corporate Obligations--(each Fund, except U.S. Government Money Market Fund) Commercial paper consists of short-term, unsecured promissory notes issued by domestic or foreign entities to finance short-term credit needs. Floating and variable rate demand notes and bonds are obligations ordinarily having stated maturities in excess of one year, but which permit the holder to demand payment of principal at any time or at specified intervals. Variable rate demand notes include variable amount master demand notes, which are obligations that permit a Fund to invest fluctuating amounts at varying rates of interest pursuant to direct arrangements between the Fund, as lender, and the borrower. These notes permit daily changes in the amounts borrowed. As mutually agreed between the parties, the Fund may increase the amount under the notes at any time up to the full amount provided by the note agreement, or decrease the amount, and the borrower may repay up to the full amount of the note without penalty. Because these obligations are direct lending arrangements between the lender and borrower, it is not contemplated that such instruments generally will be traded, and there generally is no established secondary market for these obligations, although they are redeemable at face value, plus accrued interest, at any time. Accordingly, where these obligations are not secured by letters of credit or other credit support arrangements, a Fund's right to redeem is dependent on the ability of the borrower to pay principal and interest on demand.

TAX EXEMPT MONEY MARKET INSTRUMENTS

Tax Exempt Participation Interests--(Municipal Funds only) A participation interest in Municipal Obligations (such as industrial development bonds and municipal lease/purchase agreements) gives the purchaser an undivided interest in the Municipal Obligation in the proportion that such purchaser's participation interest bears to the total principal amount of the Municipal

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Obligation. These instruments may have fixed, floating or variable rates of interest, with remaining maturities of 13 months or less. If the participation interest is unrated, or has been given a rating below that which otherwise is permissible for purchase by a Fund, the participation interest will be backed by an irrevocable letter of credit or guarantee of a bank that the Board of Trustees has determined meets the prescribed quality standards for banks set forth above, or the payment obligation otherwise will be collateralized by U.S. Government securities. For certain participation interests, a Fund will have the right to demand payment, on not more than seven days' notice, for all or any part of such Fund's participation interest in the Municipal Obligation, plus accrued interest. As to these instruments, each Fund intends to exercise its right to demand payment only upon a default under the terms of the Municipal Obligation, as needed to provide liquidity to meet redemptions, or to maintain or improve the quality of its investment portfolio. No Fund will invest more than 15% (10% in the case of the Municipal Money Market Fund) of the value of its net assets in participation interests that do not have this demand feature, and in other illiquid securities.

Tender Option Bonds--(Municipal Funds only) A tender option bond is a Municipal Obligation (generally held pursuant to a custodial arrangement) having a relatively long maturity and bearing interest at a fixed rate substantially higher than prevailing short-term tax exempt rates, that has been coupled with the agreement of a third party, such as a bank, broker- dealer or other financial institution, pursuant to which such institution grants the security holders the option, at periodic intervals, to tender their securities to the institution and receive the face value thereof. As consideration for providing the option, the financial institution receives periodic fees equal to the difference between the Municipal Obligation's fixed coupon rate and the rate, as determined by a remarketing or similar agent at or near the commencement of such period, that would cause the securities, coupled with the tender option, to trade at par on the date of such determination. Thus, after payment of this fee, the security holder effectively holds a demand obligation that bears interest at the prevailing short-term tax exempt rate. The Investment Adviser, on behalf of a Fund, will consider on an ongoing basis the creditwor thiness of the issuer of the underlying Municipal Obligation, of any custodian and of the third party provider of the tender option. In certain instances and for certain tender option bonds, the option may be terminable in the event of a default in payment of principal or interest on the underlying Municipal Obligations and for other reasons. No Fund will invest more than 15% (10% in the case of the Money Market Funds) of the value of its net assets in securities that are illiquid, which would include tender option bonds as to which it cannot exercise the tender feature on not more than seven days' notice if there is no secondary market available for these obligations.

Stand-By Commitments--(Municipal Funds only) Each Municipal Fund may acquire "stand-by commitments" with respect to Municipal Obligations held in its portfolio. Under a stand-by commitment, the Fund obligates a broker, dealer or bank to repurchase, at the Fund's option, specified securities at a specified price and, in this respect, stand-by commitments are comparable to put options. The exercise of a stand-by commitment therefore is subject to the ability of the seller to make payment on demand. Each Municipal Fund will acquire stand-by commitments solely to facilitate portfolio liquidity and does not intend to exercise its rights thereunder for trading purposes. Each Municipal Fund may pay for stand-by commitments if such action is deemed necessary, thus increasing to a degree the cost of the underlying Municipal Obligation and similarly decreasing such security's yield to investors.

ILLIQUID SECURITIES

Each Fund may invest up to 15% (10% in the case of the Money Market Funds) of the value of its net assets in securities as to which a liquid trading market does not exist, provided such investments are consistent with the Fund's investment objective. Such securities may include securities that are not readily marketable, such as certain securities that are subject to legal or contractual restrictions on resale, repurchase agreements providing for settlement in more than seven days after notice, and certain options traded in the over-the-counter market and securities used to cover such options. As to these securities, a Fund is subject to a risk that should such Fund desire to sell them when a ready buyer is not available at a price the Fund deems representative of their value, the value of such Fund's net assets could be adversely affected.

INVESTMENT TECHNIQUES

Leverage Through Borrowing--(Asset Allocation, Equity, Bond and, to a limited extent, Money Market Funds only) Borrowing for investment purposes is known as

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leveraging and generally will be unsecured, except to the extent a Fund enters into reverse repur-

chase agreements described below. The Money Market Fund may borrow for investment purposes only through entering into reverse repurchase agreements. The 1940 Act requires each Fund that engages in such borrowing to maintain continuous asset coverage (that is, total assets including borrowings, less liabilities exclusive of borrowings) of 300% of the amount borrowed. If the 300% asset coverage should decline as a result of market fluctuations or other reasons, the Fund may be required to sell some of its portfolio holdings within three days to reduce the debt and restore the 300% asset coverage, even though it may be disadvantageous from an investment standpoint to sell securities at that time. Leveraging may exaggerate the effect on net asset value of any increase or decrease in the market value of the Fund's portfolio. Money borrowed for leveraging will be subject to interest costs that may or may not be recovered by appreciation of the securities purchased; in certain cases, interest costs may exceed the return received on the securities purchased. The Fund also may be required to maintain minimum average balances in connection with such borrowing or to pay a commitment or other fee to maintain a line of credit; either of these requirements would increase the cost of borrowing over the stated interest rate.

Among the forms of borrowing in which a Fund may engage is the entry into reverse repurchase agreements with banks, brokers or dealers. These transactions involve the transfer by the Fund of an underlying debt instrument in return for cash proceeds based on a percentage of the value of the security. The Fund retains the right to receive interest and principal payments on the security. At an agreed upon future date, the Fund repurchases the security at principal, plus accrued interest. In certain types of agreements, there is no agreed upon repurchase date and interest payments are calculated daily, often based on the prevailing overnight repurchase rate. The Fund will maintain in a segregated custodial account cash or U.S. Government securities or other high quality liquid debt securities at least equal to the aggregate amount of its reverse repurchase obligations, plus accrued interest, in certain cases, in accordance with releases promulgated by the Securities and Exchange Commission. The Securities and Exchange Commission views reverse repurchase transactions as collateralized borrowings by the Fund. These agreements, which are treated as if reestablished each day, are expected to provide the Fund with a flexible borrowing tool.

Short-Selling--(Asset Allocation, Equity and Bond Funds only) Each of these Funds may make short sales, which are transactions in which the Fund sells a security it does not own in anticipation of a decline in the market value of that security. To complete such a transaction, the Fund must borrow the security to make delivery to the buyer. The Fund then is obligated to replace the security borrowed by purchasing it at the market price at the time of replacement. The price at such time may be more or less than the price at which the security was sold by the Fund. Until the security is replaced, the Fund is required to pay to the lender amounts equal to any dividends or interest which accrue during the period of the loan. To borrow the security, the Fund also may be required to pay a premium, which would increase the cost of the security sold. The proceeds of the short sale will be retained by the broker, to the extent necessary to meet margin requirements, until the short position is closed out.

Until a Fund closes its short position or replaces the borrowed security, the Fund will: (a) maintain a segregated account, containing cash or U.S. Government securities, at such a level that (i) the amount deposited in the account plus the amount deposited with the broker as collateral will equal the current value of the security sold short and (ii) the amount deposited in the segregated account plus the amount deposited with the broker as collateral will not be less than the market value of the security at the time it was sold short; or (b) otherwise cover its short position.

The Fund will incur a loss as a result of the short sale if the price of the security increases between the date of the short sale and the date on which the Fund replaces the borrowed security. The Fund will realize a gain if the security declines in price between those dates. This result is the opposite of what one would expect from a cash purchase of a long position in a security. The amount of any gain will be decreased, and the amount of any loss increased, by the amount of any premium or amounts in lieu of dividends or interest a Fund may be required to pay in connection with a short sale.

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Each Fund may purchase call options to provide a hedge against an increase in the price of a security sold short by such Fund. When a Fund purchases a call option it has to pay a premium to the person writing the option and a commission to the broker selling the option. If the option is exercised by the Fund, the premium and the commission paid may be more than the amount of the brokerage commission charged if the security were to be purchased directly. See "Options Transactions" below.

It is expected that the frequency of short sales on behalf of each Fund will vary substantially under different market conditions, and it is not intended that any specified portion of a Fund's assets, as a matter of practice, will be invested in short sales. However, no securities will be sold short if, after effect is given to any such short sale, the total market value of all securi-

ties sold short would exceed 25% of the value of the Fund's net assets. A Fund will not sell short the securities of any single issuer listed on a national securities exchange to the extent of more than 5% of the value of such Fund's net assets and will not sell short the securities of any class of an issuer to the extent, at the time of transaction, of more than 5% of the outstanding securities of that class.

In addition to the short sales discussed above, each Fund may make short sales "against the box," a transaction in which a Fund enters into a short sale of a security which such Fund owns. The proceeds of the short sale will be held by a broker until the settlement date at which time the Fund delivers the security to close the short position. The Fund receives the net proceeds from the short sale. At no time will a Fund have more than 15% of the value of its net assets in deposits on short sales against the box.

Options Transactions--(Asset Allocation, Equity and Bond Funds only) Each of these Funds is permitted to invest up to 5% of its assets, represented by the premium paid, in the purchase of call and put options.

Each of these Funds is permitted to purchase call and put options in respect of specific securities (or groups or "baskets" of specific securities) in which the Fund may invest. Each Fund may write and sell covered call option contracts on securities owned by the Fund not exceeding 20% of the market value of its net assets at the time such option contracts are written. Each Fund also may purchase call options to enter into closing purchase transactions. Each Fund also may write covered put option contracts to the extent of 20% of the value of its net assets at the time such option contracts are written. A call option gives the purchaser of the option the right to buy, and obligates the writer to sell, the underlying security at the exercise price at any time during the option period. Conversely, a put option gives the purchaser of the option the right to sell, and obligates the writer to buy, the underlying security at the exercise price at any time during the option period. A covered put option sold by a Fund exposes the Fund during the term of the option to a decline in price of the underlying security or securities. A put option sold by a Fund is covered when, among other things, cash or liquid securities are placed in a segregated account with the Trust's custodian to fulfill the obligation undertaken.

Each of these Funds also may purchase and sell call and put options on foreign currency for the purpose of hedging against changes in future currency exchange rates. Call options convey the right to buy the underlying currency at a price which is expected to be lower than the spot price of the currency at the time the option expires. Put options convey the right to sell the underlying currency at a price which is anticipated to be higher than the spot price of the currency at the time the option expires.

Each of these Funds also may purchase cash-settled options on interest rate swaps, interest rate swaps denominated in foreign currency and equity index swaps. See "--Interest Rate and Equity Index Swaps" below. A cash-settled option on a swap gives the purchaser the right, but not the obligation, in return for the premium paid, to receive an amount of cash equal to the value of the underlying swap as of the exercise date. These options typically are purchased in privately negotiated transactions from financial institutions, including securities brokerage firms.

Each of these Funds may purchase and sell call and put options on stock

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indexes listed on U.S. securities exchanges or traded in the over-the-counter market. A stock index fluctuates with changes in the market values of the stocks included in the index. Because the value of an index option depends upon movements in the level of the index rather than the price of a particular stock, whether a Fund will realize a gain or loss from the purchase or writing of options on an index depends upon movements in the level of stock prices in the stock market generally or, in the case of certain indexes, in an industry or market segment, rather than movements in the price of a particular stock.

Successful use by a Fund of options will be subject to the Investment Adviser's ability to predict correctly movements in the direction of individual stocks, the stock market generally, foreign currencies or interest rates. To the extent the Investment Adviser's predictions are incorrect, the Fund may incur losses which could adversely affect the value of a shareholder's investment.

Futures Contracts and Options on Futures Contracts--(Asset Allocation, Equity, Bond and Municipal Bond Funds only) Each of these Funds may enter into stock index futures contracts, interest rate futures contracts and currency futures contracts, and options with respect thereto. See "--Options Transactions" above. These transactions will be entered into as a substitute for comparable market positions in the underlying securities or for hedging purposes. Although none of these Funds would be a commodity pool, each would be subject to rules of the CFTC limiting the extent to which it could engage in these transactions.

Each of these Funds' commodities transactions must constitute bona fide hedging or other permissible transactions pursuant to regulations promulgated by the CFTC. In addition, a Fund may not engage in such transactions if the sum of the amount of initial margin deposits and premiums paid for unexpired commodity options, other than for bona fide hedging transactions, would exceed 5% of the liquidation value of the Fund's assets, after taking into account unrealized profits and unrealized losses on such contracts it has entered into; provided, however, that in the case of

an option that is in-the-money at the time of purchase, the in-the-money amount may be excluded in calculating the 5%. To the extent a Fund engages in the use of futures and options on futures for other than bona fide hedging purposes, the Fund may be subject to additional risk.

Engaging in these transactions involves risk of loss to a Fund which could adversely affect the value of a shareholder's investment. Although each of these Funds intends to purchase or sell futures contracts only if there is an active market for such contracts, no assurance can be given that a liquid market will exist for any particular contract at any particular time. Many futures exchanges and boards of trade limit the amount of fluctuation permitted in futures contract prices during a single trading day. Once the daily limit has been reached in a particular contract, no trades may be made that day at a price beyond that limit or trading may be suspended for specified periods during the trading day. Futures contract prices could move to the limit for several consecutive trading days with little or no trading, thereby preventing prompt liquidation of futures positions and potentially subjecting the Fund to substantial losses. In addition, engaging in futures transactions in foreign markets may involve greater risks than trading in domestic exchanges.

Successful use of futures by a Fund also is subject to the Investment Adviser's ability to predict correctly movements in the direction of the market, interest rates or foreign currencies and, to the extent the transaction is entered into for hedging purposes, to ascertain the appropriate correlation between the transaction being hedged and the price movements of the futures contract. For example, if a Fund has hedged against the possibility of a decline in the market adversely affecting the value of securities held in its portfolio and prices increase instead, the Fund will lose part or all of the benefit of the increased value of securities which it has hedged because it will have offsetting losses in its futures positions. In addition, in such situations, if the Fund has insufficient cash, it may have to sell securities to meet daily variation margin requirements. Such sales of securities may, but will not necessarily, be at increased prices which reflect the rising market. A Fund may have to sell securities at a time when it may be disadvantageous to do so.

Pursuant to regulations and/or published positions of the Securities and Exchange Commission, each of these Funds may be required to segregate cash or high quality money market instruments in connection with its commodities transactions in an amount generally equal to the value of the underlying

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commodity. The segregation of such assets will have the effect of limiting the Fund's ability otherwise to invest those assets.

Interest Rate and Equity Index Swaps--(Asset Allocation, Equity and Bond Funds only) Each of these Funds may enter into interest rate swaps and equity index swaps, to the extent described under "Description of the Funds--Management Policies," in pursuit of their respective investment objectives. Interest rate swaps involve the exchange by a Fund with another party of their respective commitments to pay or receive interest (for example, an exchange of floating-rate payments for fixed-rate payments). Equity index swaps involve the exchange by a Fund with another party of cash flows based upon the performance of an index or a portion of an index which usually includes dividends. In each case, the exchange commitments can involve payments to be made in the same currency or in different currencies.

Each of these Funds usually will enter into swaps on a net basis. In so doing, the two payment streams are netted out, with the Fund receiving or paying, as the case may be, only the net amount of the two payments. If a Fund enters into a swap, it would maintain a segregated account in the full amount accrued on a daily basis of the Fund's obligations with respect to the swap. Each of these Funds will enter into swap transactions with counterparties only if: (i) for transactions with maturities under one year, such counterparty has outstanding short-term paper rated at least A-1 by S&P, Prime-1 by Moody's, F-1 by Fitch or Duff-1 by Duff, or (ii) for transactions with maturities greater than one year, the counterparty has outstanding debt securities rated at least Aa by Moody's or AA by S&P, Fitch or Duff. If there is a default by the other party to such a transaction, the Fund will have contractual remedies pursuant to the agreements related to the transaction.

The use of swaps is a highly specialized activity which involves investment techniques and risks different from those associated with ordinary portfolio security transactions. There is no limit on the amount of swap transactions that may be entered into by a Fund. These transactions do not involve the delivery of securities or other underlying assets or principal. Accordingly, the risk of loss with respect to swaps is limited to the net amount of payments that a Fund is contractually obligated to make. If the other party to a swap defaults, the relevant Fund's risk of loss consists of the net amount of payments that such Fund contractually is entitled to receive.

Foreign Currency Transactions--(Asset Allocation, Growth, International Equity, Special Opportunities and International Bond Funds only) Each of these Funds may engage in currency exchange transactions either on a spot (i.e., cash) basis at the rate prevailing in the currency exchange market, or through entering into forward contracts to purchase or sell currencies. A forward currency exchange contract involves an oblig-

ation to purchase or sell a specific currency at a future date, which must be more than two days from the date of the contract, at a price set at the time of the contract. These contracts are entered into in the interbank market conducted directly between currency traders (typically commercial banks or other financial institutions) and their customers.

Each of these Funds also may combine forward currency exchange contracts with investments in securities denominated in other currencies.

Each of these Funds also may maintain short positions in forward currency exchange transactions, which would involve it agreeing to exchange an amount of a currency it did not currently own for another currency at a future date in anticipation of a decline in the value of the currency sold relative to the currency such Fund contracted to receive in the exchange.

Future Developments--(Asset Allocation, Equity, Bond and Municipal Bond Funds only) Each of these Funds may take advantage of opportunities in the area of options and futures contracts, options on futures contracts and any other derivative investments which are not presently contemplated for use by a Fund or which are not currently available but which may be developed, to the extent such opportunities are both consistent with a Fund's investment objective and legally permissible for such Fund. Before entering into such transactions or making any such investment, the Trust will provide appropriate disclosure in its prospectus.

Lending Portfolio Securities--From time to time, each Fund may lend

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securities from its portfolio to brokers, dealers and other financial institutions needing to borrow securities to complete certain transactions. Such loans may not exceed 33-1/3% of the value of a Fund's total assets. In connection with such loans, a Fund will receive collateral consisting of cash, U.S. Government securities or, except in the case of the U.S. Government Money Market Fund, irrevocable letters of credit which will be maintained at all times in an amount equal to at least 100% of the current market value of the loaned securities. Each Fund can increase its income through the investment of such collateral. A Fund continues to be entitled to payments in amounts equal to the interest, dividends and other distributions payable on the loaned security and receives interest on the amount of the loan. Such loans will be terminable at any time upon specified notice. A Fund might experience risk of loss if the institution with which it has engaged in a portfolio loan transaction breaches its agreement with such Fund.

Forward Commitments--Each Fund may purchase securities on a when-issued or forward commitment basis, which means that the price is fixed at the time of commitment, but delivery and payment ordinarily take place a number of days after the date of the commitment to purchase. A Fund will make commitments to purchase such securities only with the intention of actually acquiring the securities, but the Fund may sell these securities before the settlement date if it is deemed advisable. The Fund will not accrue income in respect of a security purchased on a forward commitment basis prior to its stated delivery date.

Securities purchased on a when-issued or forward commitment basis and certain other securities held in a Fund's portfolio are subject to changes in value (both generally changing in the same way, i.e., appreciating when interest rates decline and depreciating when interest rates rise) based upon the public's perception of the creditworthiness of the issuer and changes, real or anticipated, in the level of interest rates. Securities purchased on a when-issued or forward commitment basis may expose a Fund to risk because they may experience such fluctuations prior to their actual delivery. Purchasing securities on a when-issued or forward commitment basis can involve the additional risk that the yield available in the market when the delivery takes place actually may be higher than that obtained in the transaction itself. A segregated account of each Fund consisting of cash or U.S. Government securities or other high quality liquid debt securities of the type in which the Fund invests at least equal at all times to the amount of the when-issued or forward commitments will be established and maintained at the Trust's custodian bank. Purchasing securities on a forward commitment basis when a Fund is fully or almost fully invested may result in greater potential fluctuation in the value of such Fund's net assets and its net asset value per share.

Borrowing Money--As a fundamental policy, each Fund is permitted to borrow to the extent permitted under the 1940 Act. However, each of the Intermediate Municipal Bond Fund, Municipal Money Market Fund and U.S. Government Money Market Fund currently intends to borrow money only for temporary or emergency (not leveraging) purposes, in an amount up to 15% of the value of its total assets (including the amount borrowed) valued at the lesser of cost or market, less liabilities (not including the amount borrowed) at the time the borrowing is made. While borrowings exceed 5% of such Fund's total assets, the Fund will not make any additional investments.

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