

SECURITIES AND EXCHANGE COMMISSION

FORM 497

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BOSTON MA 02110
6173305590*

This prospectus sets forth concisely the information about Scudder Growth and Income Fund, a series of Scudder Investment Trust, an open-end management investment company, that a prospective investor should know before investing. Please retain it for future reference.

If you require more detailed information, a Statement of Additional Information dated May 1, 1995, as amended from time to time, may be obtained without charge by writing Scudder Investor Services, Inc., Two International Place, Boston, MA 02110-4103 or calling 1-800-225-2470. The Statement, which is incorporated by reference into this prospectus, has been filed with the Securities and Exchange Commission.

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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Scudder Growth and Income Fund

Prospectus
May 1, 1995

A pure no-load(tm) (no sales charges) mutual fund seeking long-term growth of capital, current income, and growth of income.

Expense information

How to compare a Scudder pure no-load(tm) fund

This information is designed to help you understand the various costs and expenses of investing in Scudder Growth and Income Fund (the "Fund"). By reviewing this table and those in other mutual funds' prospectuses, you can compare the Fund's fees and expenses with those of other funds. With Scudder's pure no-load(tm) funds, you pay no commissions to purchase or redeem shares, or to exchange from one fund to another. As a result, all of your investment goes to work for you.

- 1) Shareholder transaction expenses: Expenses charged directly to your individual account in the Fund for various transactions.

Sales commissions to purchase shares (sales load)	NONE
Commissions to reinvest dividends	NONE
Redemption fees	NONE*
Fees to exchange shares	NONE

- 2) Annual Fund operating expenses: Expenses paid by the Fund before it distributes its net investment income, expressed as a percentage of the Fund's average daily net assets for the year ended December 31, 1994.

Investment management fee	0.53%**
12b-1 fees	NONE
Other expenses	0.32%

Total Fund operating expenses	0.85%**
	=====

Example

Based on the level of total Fund operating expenses listed above, the total expenses relating to a \$1,000 investment, assuming a 5% annual return and redemption at the end of each period, are listed below. Investors do not pay these expenses directly; they are paid by the Fund before it distributes its net investment income to shareholders. (As noted above, the Fund has no redemption fees of any kind.)

1 Year	3 Years	5 Years	10 Years
-----	-----	-----	-----
\$9	\$27	\$47	\$105

See "Fund organization-Investment adviser" for further information about the investment management fee. This example assumes reinvestment of all dividends and distributions and that the percentage amounts listed under "Annual Fund operating expenses" remain the same each year. This example should not be considered a representation of past or future expenses or return. Actual Fund expenses and return vary from year to year and may be higher or lower than those shown.

* You may redeem by writing or calling the Fund. If you wish to receive

redemption proceeds via wire, there is a \$5 wire service fee. For additional information, please refer to "Transaction information-Redeeming shares."

** These fees reflect the fees which would have been payable for the fiscal year ended December 31, 1994 under the Investment Management Agreement dated August 9, 1994.

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Financial highlights

The following table includes selected data for a share outstanding throughout each period and other performance information derived from the audited financial statements.

If you would like more detailed information concerning the Fund's performance, a complete portfolio listing and audited financial statements are available in the Fund's Annual Report dated December 31, 1994 and may be obtained without charge by writing or calling Scudder Investor Services, Inc.

<TABLE>
<CAPTION>

	Years Ended December 31,									
	1994	1993(b)	1992	1991	1990	1989	1988	1987	1986	1985
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period ...	\$17.24	\$16.20	\$15.76	\$12.77	\$14.14	\$13.18	\$12.31	\$15.02	\$15.35	\$11.90
Income from investment operations:										
Net investment income ...	.49	.49	.57	.57	.65	.67	.60	.68	.67	.59
Net realized and unrealized gain (loss) on investment transactions	(.05)	2.01	.90	2.97	(1.01)	2.75	.86	(.07)	1.96	3.44
Total from investment operations .....	.44	2.50	1.47	3.54	(.36)	3.42	1.46	.61	2.63	4.03
Less distributions from:										
Net investment income	(.51)	(.45)	(.53)	(.55)	(.67)	(.69)	(.59)	(.68)	(.68)	(.58)
Net realized gains on investment transactions	(.91)	(1.01)	(.50)	--	(.34)	(1.77)	--	(2.64)	(2.28)	--
Total distributions	(1.42)	(1.46)	(1.03)	(.55)	(1.01)	(2.46)	(.59)	(3.32)	(2.96)	(.58)
Net asset value, end of period	\$16.26	\$17.24	\$16.20	\$15.76	\$12.77	\$14.14	\$13.18	\$12.31	\$15.02	\$15.35
TOTAL RETURN (%)	2.60	15.59	9.57	28.16	(2.33)	26.36	12.01	3.50	18.27	34.55
RATIOS AND SUPPLEMENTAL DATA										
Net assets, end of period (\$ millions)	1,992	1,624	1,166	723	491	490	402	392	385	302
Ratio of operating expenses to average net assets (%) (a) .....	.86	.86	.94	.97	.95	.87	.92	.89	.83	.84
Ratio of net investment income to average net assets (%)	2.98	2.93	3.60	4.03	5.03	4.47	4.63	4.24	4.19	4.35
Portfolio turnover rate (%)	42.3	35.5	27.5	44.7	64.7	76.6	47.6	59.5	45.3	73.3

<FN>
(a) The Adviser did not impose a portion of its management fee amounting to \$.02 per share for the year ended December 31, 1992. If all expenses, including the management fee not imposed, had been incurred by the Fund, the annualized ratio of expenses to average net assets for such year would have been 1.08% and the total return would have been lower. This ratio includes costs associated with the acquisition of certain assets of Niagara Share Corporation on July 27, 1992, exclusive of these charges the ratio would have been .92%.

(b) Effective January 1, 1993, the Fund discontinued using equalization accounting.

</FN>
</TABLE>

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A message from Scudder's chairman

Scudder, Stevens & Clark, Inc., investment adviser to the Scudder Family of Funds, was founded in 1919. We offered America's first no-load mutual fund in 1928. Today, we manage in excess of \$90 billion for many private accounts and over 50 mutual fund portfolios. We manage the mutual funds in a special program for the American Association of Retired Persons, as well as the fund options available through Scudder Horizon Plan, a tax-advantaged variable annuity. We also advise The Japan Fund and nine closed-end funds that invest in countries around the world.

The Scudder Family of Funds is designed to make investing easy and less costly. It includes money market, tax free, income and growth funds as well as IRAs, 401(k)s, Keoghs and other retirement plans.

Services available to all shareholders include toll-free access to the professional service representatives of Scudder Investor Relations, easy exchange among funds, shareholder reports, informative newsletters and the walk-in convenience of Scudder Funds Centers.

All Scudder mutual funds are pure no-load(tm). This means you pay no commissions to purchase or redeem your shares or to exchange from one fund to another. There are no "12b-1" fees either, which many other funds now charge to support their marketing efforts. All of your investment goes to work for you. We look forward to welcoming you as a shareholder.

/s/Daniel Pierce

Scudder Growth and Income Fund

Investment objective

- * long-term growth of capital, current income and growth of income

Investment characteristics

- * an actively managed portfolio consisting primarily of common stocks and securities convertible into common stocks
- * an emphasis on companies with good prospects for earnings growth over time
- * opportunity to share in the long-term growth of the U.S. stock market as well as stock market risk
- * daily liquidity at current net asset value

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Investment objective and policies

Scudder Growth and Income Fund (the "Fund"), a diversified series of Scudder Investment Trust, seeks long-term growth of capital, current income and growth of income. The Fund invests primarily in common stocks, preferred stocks, and securities convertible into common stocks of companies which offer the prospect for growth of earnings while paying current dividends. Over time, continued growth of earnings tends to lead to higher dividends and enhancement of capital value. The Fund allocates its investments among different industries and companies, and adjusts its portfolio securities for investment considerations and not for trading purposes.

Except as otherwise indicated, the Fund's investment objective and policies are not fundamental and may be changed without a vote of shareholders. Shareholders will receive written notice of any changes in the Fund's objective. If there is

a change in investment objective, shareholders should consider whether the Fund remains an appropriate investment in light of their then current financial position and needs. There can be no assurance that the Fund's objective will be met.

Investments

The Fund attempts to achieve its investment objective by investing primarily in dividend-paying common stocks, preferred stocks and securities convertible into common stocks. The Fund may also purchase such securities which do not pay current dividends but which offer prospects for growth of capital and future income. Convertible securities (which may be current coupon or zero coupon securities) are bonds, notes, debentures, preferred stocks and other securities which may be converted or exchanged at a stated or determinable exchange ratio into underlying shares of common stock. The Fund may also invest in nonconvertible preferred stocks consistent with the Fund's objective. From time to time, for temporary defensive purposes, when the Fund's investment adviser, Scudder, Stevens & Clark, Inc. (the "Adviser") feels such a position is advisable in light of economic or market conditions, the Fund may invest a portion of its assets in cash and cash equivalents. The Fund may invest in foreign securities. It may also invest in repurchase agreements and may engage in strategic transactions. More information about investment techniques is provided under "Additional information about policies and investments."

The Fund's share price fluctuates with changes in interest rates and market conditions. These fluctuations may cause the value of shares to be higher or lower than when purchased.

Why invest in the Fund?

The Fund seeks to provide participation in the long-term growth of the economy through the investment returns offered by common stocks and securities convertible into common stocks. It maintains a diversified portfolio consisting primarily of common stocks, preferred stocks and convertible securities of companies with long-standing records of earnings growth. These companies, many of which are mainstays of the domestic U.S. economy, offer prospects for future growth of earnings and profits, and therefore may offer investors attractive long-term investment opportunities. This strategy, with an emphasis on income, may be more appropriate for the conservative portions of your equity portfolio. In addition, the Fund offers all the benefits of the Scudder Family of Funds. Scudder, Stevens & Clark, Inc. manages a diverse family of pure no-load(TM) funds and provides a wide range of services to help investors meet their investment needs. Please refer to "Investment products and services" for additional information.

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Investment results

The Fund is designed for long-term investors who can accept moderate stock market risk. In return for accepting stock market risk, you may earn a greater return on your investment than from a money market or an income fund, but experience less risk than from a portfolio of more speculative equity securities.

Annual Capital Changes *

<TABLE>

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December 31 <C>	Scudder Growth and Income Fund			Capital Gains Distributions <C>	Capital Change <C>	Standard & Poor's 500 Stock Index	
	Net Asset Value/Share <C>	Dividends <C>	Price Level <C>			Capital Change <C>	
1984**	\$ 11.90					167	
1985	15.35	\$0.58	--		+29.00%	211	+26.35%
1986	15.02	0.68	\$ 2.28		+13.39	242	+14.69%
1987	12.31	0.68	2.64		-0.66	247	+2.07
1988	13.18	0.59	--		+7.07	278	+12.55
1989	14.14	0.69	1.77		+20.84	353	+26.99
1990	12.77	0.67	0.34		-7.32	330	-6.52
1991	15.76	0.55	--		+23.41	417	+26.36
1992	16.20	0.53	0.50		+6.04	436	+4.46
1993	17.24	0.45	1.01		+12.67	466	+6.88
1994	16.26	0.51	0.91		-0.43	459	-1.50

</TABLE>

Growth of a \$10,000 investment

<TABLE>
<CAPTION>

Scudder Growth and Income Fund

Standard & Poor's
500 Stock Index

Periods Ended December 31, 1994 <C>	Total Return			Total Return		
	Value of Initial \$10,000 Investment <C>	Cumulative <C>	Average Annual <C>	Value of Initial \$10,000 Investment <C>	Cumulative <C>	Average Annual <C>
One Year	\$10,260	+2.60%	+2.60%	\$10,132	+1.32%	+1.32%
Five Years	16,265	+62.65	+10.22	15,174	+51.74	+8.69
Ten Years	37,924	+279.24	+14.26	38,334	+283.34	+14.37

The Standard & Poor's 500 Stock Index is an unmanaged index of 500 industrial, transportation, utility and financial companies which is widely regarded as representative of the equity market in general. The Standard & Poor's 500 Stock Index does not take into account the brokerage and other transaction costs investors incur when investing directly in stocks on the index. The Fund's performance reflects actual investment experience, net of all operating expenses, which are paid from the Fund's gross investment income.

"Growth of a \$10,000 investment" includes reinvestment of dividends and capital gain distributions, if any.

The investment return and principal value of the Fund's shares represent past performance and will vary due to market conditions, and the shares may be worth more or less a redemption than at original purchase.

* For definition of "capital change" please see "Distribution and performance information."

** On November 13, 1984, the Fund adopted its present name and objectives. Prior to that date, the Fund was known as the Scudder Common Stock Fund, Inc. and its objective was solely long-term capital growth.

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Additional information about policies and investments

Investment restrictions

The Fund has adopted certain fundamental policies which may not be changed without a vote of shareholders and which are designed to reduce the Fund's investment risk.

The Fund may not borrow money except as a temporary measure for extraordinary or emergency purposes, and may not make loans except through the lending of portfolio securities, the purchase of debt securities or through repurchase agreements.

In addition, as a matter of nonfundamental policy, the Fund may not invest more than 10% of its net assets in securities which are not readily marketable, restricted securities and repurchase agreements maturing in more than seven days. The Fund may not invest more than 5% of its total assets in restricted securities.

A complete description of these and other policies and restrictions is contained under "Investment Restrictions" in the Fund's Statement of Additional Information.

Securities lending

The Fund may lend portfolio securities to registered broker/dealers as a means of increasing its income. These loans may not exceed 33 1/3% of the Fund's total assets taken at market value. Loans of portfolio securities will be secured continuously by collateral consisting of U.S. Government securities or fixed-income obligations that are maintained at all times in an amount at least equal to the current market value of the loaned securities. The Fund will earn any interest or dividends paid on the loaned securities and may share with the borrower some of the income received on the collateral for the loan or will be paid a premium for the loan.

Repurchase agreements

As a means of earning income for periods as short as overnight, the Fund may enter into repurchase agreements with selected banks and broker/dealers. Under a repurchase agreement, the Fund acquires securities, subject to the seller's

agreement to repurchase them at a specified time and price.

Convertible securities

The Fund may invest in convertible securities which may offer higher income than the common stocks into which they are convertible. The convertible securities in which the Fund may invest include fixed-income or zero coupon debt securities, which may be converted or exchanged at a stated or determinable exchange ratio into underlying shares of common stock. Prior to their conversion, convertible securities may have characteristics similar to both nonconvertible debt securities and equity securities.

Foreign securities

While the Fund generally emphasizes investments in companies domiciled in the U.S., it may invest in listed and unlisted foreign securities that meet the same criteria as the Fund's domestic holdings. The Fund may invest in foreign securities when the anticipated performance of the foreign securities is believed by the Adviser to offer more return potential than domestic alternatives in keeping with the investment objective of the Fund. The Fund may enter into forward foreign currency exchange contracts in connection with the purchase and sale of securities denominated in a foreign currency.

Strategic Transactions and derivatives

The Fund may, but is not required to, utilize various other investment strategies as described below to hedge various market risks (such as interest rates, currency exchange rates, and broad or specific equity or fixed-income market movements), to manage the effective maturity or duration of fixed-income securities in the Fund's portfolio or to enhance potential gain. These strategies may be executed through the use of derivative contracts. Such

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strategies are generally accepted as a part of modern portfolio management and are regularly utilized by many mutual funds and other institutional investors. Techniques and instruments may change over time as new instruments and strategies are developed or regulatory changes occur.

In the course of pursuing these investment strategies, the Fund may purchase and sell exchange-listed and over-the-counter put and call options on securities, equity and fixed-income indices and other financial instruments, purchase and sell financial futures contracts and options thereon, enter into various interest rate transactions such as swaps, caps, floors or collars, and enter into various currency transactions such as currency forward contracts, currency futures contracts, currency swaps or options on currencies or currency futures (collectively, all the above are called "Strategic Transactions").

Strategic Transactions may be used without limit to attempt to protect against possible changes in the market value of securities held in or to be purchased for the Fund's portfolio resulting from securities markets or currency exchange rate fluctuations, to protect the Fund's unrealized gains in the value of its portfolio securities, to facilitate the sale of such securities for investment purposes, to manage the effective maturity or duration of fixed-income securities in the Fund's portfolio, or to establish a position in the derivatives markets as a temporary substitute for purchasing or selling particular securities. Some Strategic Transactions may also be used to enhance potential gain although no more than 5% of the Fund's assets will be committed to Strategic Transactions entered into for non-hedging purposes. Any or all of these investment techniques may be used at any time and in any combination, and there is no particular strategy that dictates the use of one technique rather than another, as use of any Strategic Transaction is a function of numerous variables including market conditions. The ability of the Fund to utilize these Strategic Transactions successfully will depend on the Adviser's ability to predict pertinent market movements, which cannot be assured. The Fund will comply with applicable regulatory requirements when implementing these strategies, techniques and instruments. Strategic Transactions involving financial futures and options thereon will be purchased, sold or entered into only for bona fide hedging, risk management or portfolio management purposes and not for speculative purposes. Please refer to "Risk factors-Strategic Transactions and derivatives" for more information.

Risk factors

The Fund's risks are determined by the nature of the securities held and the portfolio management strategies used by the Adviser. The following are descriptions of certain risks related to the investments and techniques that the Fund may use from time to time.

Securities lending. From time to time the Fund may lend its portfolio securities to registered broker/dealers as described above. The risks of lending portfolio securities, as with other extensions of secured credit, consist of possible delays in receiving additional collateral or in the recovery of the securities

or possible loss of rights in the collateral should the borrower fail financially. Loans will be made to registered broker/dealers deemed by the Adviser to be of good standing and will not be made unless, in the judgment of the Adviser, the consideration to be earned from such loans would justify the risk.

Zero coupon securities. Zero coupon securities are subject to greater market value fluctuations from changing interest rates than debt obligations of comparable maturities that make current cash distributions of interest.

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Repurchase agreements. If the seller under a repurchase agreement becomes insolvent, the Fund's right to dispose of the securities may be restricted, or the value of the securities may decline before the Fund is able to dispose of them. In the event of the commencement of bankruptcy or insolvency proceedings with respect to the seller of the securities before repurchase of the securities under a repurchase agreement, the Fund may encounter delay and incur costs, including a decline in the value of the securities, before being able to sell the securities.

Convertible securities. While convertible securities generally offer lower yields than nonconvertible debt securities of similar quality, their prices may reflect changes in the value of the underlying common stock. Convertible securities entail less credit risk than the issuer's common stock.

Foreign securities. Investments in foreign securities involve special considerations due to limited information, higher brokerage costs, different accounting standards, thinner trading markets as compared to domestic markets and the likely impact of foreign taxes on the yield from debt securities. They may also entail other risks, such as the possibility of one or more of the following: imposition of dividend or interest withholding or confiscatory taxes; currency blockages or transfer restrictions; expropriation, nationalization or other adverse political or economic developments; less government supervision and regulation of securities exchanges, brokers and listed companies; and the difficulty of enforcing obligations in other countries. Purchases of foreign securities are usually made in foreign currencies and, as a result, the Fund may incur currency conversion costs and may be affected favorably or unfavorably by changes in the value of foreign currencies against the U.S. dollar.

Further, it may be more difficult for the Fund's agents to keep currently informed about corporate actions which may affect the prices of portfolio securities. Communications between the U.S. and foreign countries may be less reliable than within the U.S., increasing the risk of delayed settlements of portfolio transactions or loss of certificates for portfolio securities. The Fund's ability and decisions to purchase and sell portfolio securities may be affected by laws or regulations relating to the convertibility and repatriation of assets.

Strategic Transactions and derivatives. Strategic Transactions, including derivative contracts, have risks associated with them including possible default by the other party to the transaction, illiquidity and, to the extent the Adviser's view as to certain market movements is incorrect, the risk that the use of such Strategic Transactions could result in losses greater than if they had not been used. Use of put and call options may result in losses to the Fund, force the sale or purchase of portfolio securities at inopportune times or for prices higher than (in the case of put options) or lower than (in the case of call options) current market values, limit the amount of appreciation the Fund can realize on its investments or cause the Fund to hold a security it might otherwise sell. The use of currency transactions can result in the Fund incurring losses as a result of a number of factors including the imposition of exchange controls, suspension of settlements or the inability to deliver or receive a specified currency. The use of options and futures transactions entails certain other risks. In particular, the variable degree of correlation between price movements of futures contracts and price movements in the related portfolio position of the Fund creates the possibility that losses on the hedging instrument may be greater than gains in the value of the Fund's position. In addition, futures and options markets may not be liquid in all circumstances and certain over-the-counter options may have no markets. As a result, in certain markets, the Fund might not be able to close out a

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transaction without incurring substantial losses, if at all. Although the use of futures contracts and options transactions for hedging should tend to minimize the risk of loss due to a decline in the value of the hedged position, at the same time they tend to limit any potential gain which might result from an increase in value of such position. Finally, the daily variation margin requirements for futures contracts would create a greater ongoing potential financial risk than would purchases of options, where the exposure is limited to the cost of the initial premium. Losses resulting from the use of Strategic

Transactions would reduce net asset value, and possibly income, and such losses can be greater than if the Strategic Transactions had not been utilized. The Strategic Transactions that the Fund may use and some of their risks are described more fully in the Fund's Statement of Additional Information.

Distribution and performance information

Dividends and capital gains distributions

The Fund intends to distribute dividends from its net investment income quarterly in April, July, October and December. The Fund intends to distribute net realized capital gains after utilization of capital loss carryforwards, if any, in November or December to prevent application of a federal excise tax. An additional distribution may be made within three months of the Fund's fiscal year end, if necessary. Any dividends or capital gains distributions declared in October, November or December with a record date in such a month and paid during the following January will be treated by shareholders for federal income tax purposes as if received on December 31 of the calendar year declared.

According to preference, shareholders may receive distributions in cash or have them reinvested in additional shares of the Fund. If an investment is in the form of a retirement plan, all dividends and capital gains distributions must be reinvested into the shareholder's account.

Generally, dividends from net investment income are taxable to shareholders as ordinary income. Long-term capital gains distributions, if any, are taxable as long-term capital gains regardless of the length of time shareholders have owned shares. Short-term capital gains and any other taxable income distributions are taxable as ordinary income. A portion of dividends from ordinary income may qualify for the dividends-received deduction for corporations.

The Fund sends detailed tax information to its shareholders about the amount and type of its distributions by January 31 of the following year.

Performance information

From time to time, quotations of the Fund's performance may be included in advertisements, sales literature or shareholder reports. All performance figures are historical, show the performance of a hypothetical investment and are not intended to indicate future performance. "Total return" is the change in value of an investment in the Fund for a specified period. The "average annual total return" of the Fund is the average annual compound rate of return of an investment in the Fund assuming the investment has been held for one year, five years and ten years as of a stated ending date. "Cumulative total return" represents the cumulative change in value of an investment in the Fund for various periods. Total return calculations assume that all dividends and capital gains distributions during the period were reinvested in shares of the Fund. "Capital change" measures return from capital, including reinvestment of any capital gains distributions but does not include the reinvestment of dividends. Performance will vary based upon, among other things, changes in market conditions and the level of the Fund's expenses.

Fund organization

Scudder Growth and Income Fund is a diversified series of Scudder Investment Trust (the "Trust"), an open-end management investment company registered under the Investment Company Act of 1940 (the "1940 Act"). The Trust, formerly known as Scudder Growth and Income Fund, was organized as a Massachusetts business trust in September 1984 and on December 31, 1984 assumed the business of its predecessor, which was organized as a Massachusetts corporation in May 1929. On November 13, 1984, the predecessor fund changed its name from Scudder Common Stock Fund, Inc. to Scudder Growth and Income Fund and its investment objective and policies from those of a growth fund to those stated in the section "Investment objective and policies."

The Fund's activities are supervised by the Trust's Board of Trustees. Shareholders have one vote for each share held on matters on which they are entitled to vote. The Trust is not required to hold and has no current intention of holding annual shareholder meetings, although special meetings may be called for purposes such as electing or removing Trustees, changing fundamental investment policies or approving an investment management contract. Shareholders will be assisted in communicating with other shareholders in connection with removing a Trustee as if Section 16(c) of the 1940 Act were applicable.

Investment adviser

The Fund retains the investment management firm of Scudder, Stevens & Clark, Inc., a Delaware corporation, to manage the Fund's daily investment and business

affairs subject to the policies established by the Board of Trustees. The Trustees have overall responsibility for the management of the Fund under Massachusetts law.

The Adviser receives an investment management fee for these services equal, on an annual basis, to 0.60% of the first \$500 million of average daily net assets, 0.55% of such assets in excess of \$500 million, 0.50% of such assets in excess of \$1 billion and 0.475% of such assets in excess of \$1.5 billion. The fee is graduated so that increases in the Fund's net assets may result in a lower annual fee rate and decreases in the Fund's net assets may result in a higher annual fee rate. The fee is payable monthly, provided that the Fund will make such interim payments as may be requested by the Adviser not to exceed 75% of the amount of the fee then accrued on the books of the Fund and unpaid.

Prior to August 9, 1994, the Adviser received on an annual basis, an investment management fee for its services equal to 0.65% of the first \$200 million of average daily net assets, 0.60% of such assets in excess of \$200 million, 0.55% of such assets in excess of \$400 million and 0.50% of such assets in excess of \$900 million.

For the fiscal year ended December 31, 1994, the Adviser received an investment management fee of 0.54% of the Fund's average daily net assets on an annual basis.

All of the Fund's expenses are paid out of gross investment income. Shareholders pay no direct charges or fees for investment or administrative services.

Scudder, Stevens & Clark, Inc. is located at Two International Place, Boston, Massachusetts.

Transfer agent

Scudder Service Corporation, P.O. Box 2291, Boston, Massachusetts 02107-2291, a wholly-owned subsidiary of the Adviser, is the transfer, shareholder servicing and dividend-paying agent for the Fund.

Underwriter

Scudder Investor Services, Inc., a wholly-owned subsidiary of the Adviser, is the Fund's principal underwriter. Scudder Investor Services, Inc. confirms, as agent, all purchases of shares of the Fund. Scudder Investor Relations is a telephone information service provided by Scudder Investor Services, Inc.

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Purchases

Opening an account

Minimum initial investment: \$1,000; IRAs \$500

Group retirement plans (401(k), 403(b), etc.) have similar or lower minimums. See appropriate plan literature.

Make checks payable to "The Scudder Funds."

* By Mail

Send your completed and signed application and check

by regular mail to:	or	by express, registered, or certified mail to:
The Scudder Funds P.O. Box 2291 Boston, MA 02107-2291		The Scudder Funds 1099 Hingham Street Rockland, MA 02370-1052

* By Wire

Please see Transaction information-Purchasing shares-By wire following these tables for details, including the ABA wire transfer number. Then call 1-800-225-5163 for instructions.

* In Person

Visit one of our Funds Centers to complete your application with the help of a Scudder representative. Funds Center locations are listed under Shareholder benefits.

Purchasing additional shares

Minimum additional investment: \$100; IRAs \$50

Group retirement plans (401(k), 403(b), etc.) have similar or lower minimums. See appropriate plan literature.

Make checks payable to "The Scudder Funds."

* By Mail

Send a check with a Scudder investment slip, or with a letter of instruction including your account number and the complete Fund name, to the appropriate address listed above.

* By Wire

Please see Transaction information-Purchasing shares-By wire following these tables for details, including the ABA wire transfer number.

* In Person

Visit one of our Funds Centers to make an additional investment in your Scudder fund account. Funds Center locations are listed under Shareholder benefits.

* By Telephone

You may purchase additional shares in an amount of \$10,000 or more. Please call 1-800-225-5163 for more details.

* By Automatic Investment Plan (\$50 minimum)

You may arrange to make investments on a regular basis through automatic deductions from your bank checking account. Please call 1-800-225-5163 for more information and an enrollment form.

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Exchanges and redemptions

Exchanging shares

Minimum investments: \$1,000 to establish a new account; \$100 to exchange among existing accounts

* By Telephone

To speak with a service representative, call 1-800-225-5163 from 8 a.m. to 8 p.m. eastern time or to access SAIL(tm), Scudder's Automated Information Line, call 1-800-343-2890 (24 hours a day).

* By Mail or Fax

Print or type your instructions and include:

- the name of the Fund and the account number you are exchanging from;
- your name(s) and address as they appear on your account;
- the dollar amount or number of shares you wish to exchange;
- the name of the Fund you are exchanging into; and
- your signature(s) as it appears on your account and a daytime telephone number.

Send your instructions

by regular mail to:	or	by express, registered, or or certified mail to:	by fax to:
The Scudder Funds P.O. Box 2291 Boston, MA 02107-2291		The Scudder Funds 1099 Hingham Street Rockland, MA 02370-1052	1-800-821-6234

Redeeming shares

* By Telephone

To speak with a service representative, call 1-800-225-5163 from 8 a.m. to 8 p.m. eastern time or to access SAIL(tm), Scudder's Automated Information Line, call 1-800-343-2890 (24 hours a day). You may have redemption proceeds sent to your predesignated bank account, or redemption proceeds of up to \$50,000 sent to your address of record.

* By Mail or Fax

Send your instructions for redemption to the appropriate address or fax number above and include:

- the name of the Fund and account number you are redeeming from;
- your name(s) and address as they appear on your account;
- the dollar amount or number of shares you wish to redeem; and
- your signature(s) as it appears on your account and a daytime telephone number.

A signature guarantee is required for redemptions over \$50,000. See Transaction information-Redeeming shares following these tables.

* By Automatic Withdrawal Plan

You may arrange to receive automatic cash payments periodically if the value of your account is \$10,000 or more. Call 1-800-225-5163 for more information and an enrollment form.

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Custodian

State Street Bank and Trust Company is the Fund's custodian.

Transaction information

Purchasing shares

Purchases are executed at the next calculated net asset value per share after the Fund's transfer agent in Boston receives the purchase request in good order. Purchases are made in full and fractional shares. (See "Share price.")

By check. If you purchase shares with a check that does not clear, your purchase will be canceled and you will be subject to any losses or fees incurred in the transaction. Checks must be drawn on or payable through a U.S. bank. If you purchase shares by check and redeem them within seven business days of purchase, the Fund may hold redemption proceeds until the purchase check has cleared, which may take up to seven business days. If you purchase shares by federal funds wire, you may avoid this delay. Redemption or exchange requests by telephone prior to the expiration of the seven-day period will not be accepted.

By wire. To open a new account by wire, first call Scudder at 1-800-225-5163 to obtain an account number. A representative will instruct you to send a completed, signed application to the transfer agent in Boston. Accounts cannot be opened without a completed, signed application and a Scudder fund account number. Contact your bank to arrange a wire transfer to:

The Scudder Funds
State Street Bank and Trust Company
Boston, MA 02101
ABA Number 011000028
DDA Account 9903-5552

Your wire instructions must also include:

- - the name of the fund in which the money is to be invested,
- - the account number of the fund, and
- - the name(s) of the account holder(s).

The account will be established once the application and money order are received in good order.

You may also make additional investments of \$100 or more to your existing account by wire.

By telephone order. Existing shareholders may purchase shares at a certain day's price by calling 1-800-225-5163 before the close of regular trading on the New York Stock Exchange (the "Exchange"), normally 4 p.m. eastern time, on that day. Orders must be for \$10,000 or more and cannot be for an amount greater than four times the value of your account at the time the order is placed. A confirmation with complete purchase information is sent shortly after your order is received. You must include with your payment the order number given at the time the order is placed. If payment by check or wire is not received within seven business days, the order will be canceled and the shareholder will be responsible for any loss to the Fund resulting from this cancellation. Telephone orders are not available for shares held in Scudder IRA accounts and most other Scudder retirement plan accounts.

By exchange. Your new account will have the same registration and address as your existing account.

The exchange requirements for corporations, other organizations, trusts, fiduciaries, agents, institutional investors and retirement plans may be different from those for regular accounts. Please call 1-800-225-5163 for more information, including information about the transfer of special account features.

You can also make exchanges among your Scudder fund accounts on SAIL, the Scudder Automated Information Line, by calling 1-800-343-2890.

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Redeeming shares

The Fund allows you to redeem shares (i.e., sell them back to the Fund) without redemption fees.

By telephone. This is the quickest and easiest way to sell Fund shares. If you elected telephone redemption to your bank on your application, you can call to request that federal funds be sent to your authorized bank account. If you did not elect telephone redemption to your bank on your application, call 1-800-225-5163 for more information.

Redemption proceeds will be wired to your bank unless otherwise requested. If your bank cannot receive federal reserve wires, redemption proceeds will be mailed to your bank. There will be a \$5 charge for all wire redemptions.

You can also make redemptions from your Scudder fund account on SAIL, the Scudder Automated Information Line, by calling 1-800-343-2890.

If you open an account by wire, you cannot redeem shares by telephone until the Fund's transfer agent has received your completed and signed application. Telephone redemption is not available for shares held in Scudder IRA accounts and most other Scudder retirement plan accounts.

In the event that you are unable to reach the Fund by telephone, you should write to the Fund; see "How to contact Scudder" for the address.

Signature guarantees. For your protection and to prevent fraudulent redemptions, on written redemption requests in excess of \$50,000 we require an original signature and an original signature guarantee for each person in whose name the account is registered. (The Fund reserves the right, however, to require a signature guarantee for all redemptions.) You can obtain a signature guarantee from most banks, credit unions or savings associations, or from broker/dealers, municipal securities broker/dealers, government securities broker/dealers, national securities exchanges, registered securities associations or clearing agencies deemed eligible by the Securities and Exchange Commission. Signature guarantees by notaries public are not acceptable. Redemption requirements for corporations, other organizations, trusts, fiduciaries, agents, institutional investors and retirement plans may be different from those for regular accounts. For more information, please call 1-800-225-5163.

Telephone transactions

Shareholders automatically receive the ability to exchange by telephone and the right to redeem by telephone up to \$50,000 to their address of record. Shareholders also may, by telephone, request that redemption proceeds be sent to a predesignated bank account. The Fund uses procedures designed to give reasonable assurance that telephone instructions are genuine, including recording telephone calls, testing a caller's identity and sending written confirmation of telephone transactions. If the Fund does not follow such procedures, it may be liable for losses due to unauthorized or fraudulent telephone instructions. The Fund will not be liable for acting upon instructions communicated by telephone that it reasonably believes to be genuine.

Share price

Purchases and redemptions, including exchanges, are made at net asset value. Scudder Fund Accounting Corporation, a wholly-owned subsidiary of the Adviser, determines net asset value per share as of the close of regular trading on the Exchange, normally 4 p.m. eastern time, on each day the Exchange is open for trading. Net asset value per share is calculated by dividing the value of total Fund assets, less all liabilities, by the total number of shares outstanding.

Processing time

All purchase and redemption requests received in good order by the Fund's transfer agent in Boston by the close of regular trading on the Exchange are executed at the net asset value per share calculated at the close of regular trading that day. Purchase and redemption requests received after the close of

regular trading on the Exchange will be executed the following business day. If you wish to make a purchase of \$500,000 or more, you should notify Scudder Investor Relations by calling 1-800-225-5163.

The Fund will normally send redemption proceeds within one business day following the redemption request, but may take up to seven days (or longer in the case of shares recently purchased by check).

Short-term trading

Purchases and sales should be made for long-term investment purposes only. The Fund and Scudder Investor Services, Inc. each reserves the right to restrict purchases of Fund shares (including exchanges) when a pattern of frequent purchases and sales made in response to short-term fluctuations in the Fund's share price appears evident.

Tax information

A redemption of shares, including an exchange into another Scudder fund, is a sale of shares and may result in a gain or loss for income tax purposes.

Tax identification number

Be sure to complete the Tax Identification Number section of the Fund's application when you open an account. Federal tax law requires the Fund to withhold 31% of taxable dividends, capital gains distributions and redemption and exchange proceeds from accounts (other than those of certain exempt payees) without a certified Social Security or tax identification number and certain other certified information or upon notification from the IRS or a broker that withholding is required. The Fund reserves the right to reject new account applications without a certified Social Security or tax identification number. The Fund also reserves the right, following 30 days' notice, to redeem all shares in accounts without a certified Social Security or tax identification number. A shareholder may avoid involuntary redemption by providing the Fund with a tax identification number during the 30-day notice period.

Minimum balances

Shareholders should maintain a share balance worth at least \$1,000, which amount may be changed by the Board of Trustees. Scudder retirement plans have similar or lower minimum share balance requirements. The Fund reserves the right, following 60 days' written notice to shareholders, to redeem all shares in sub-minimum accounts, including accounts of new investors, where a reduction in value has occurred due to a redemption or exchange out of the account. Reductions in value that result solely from market activity will not trigger an involuntary redemption. The Fund will mail the proceeds of the redeemed account to the shareholder. The shareholder may restore the share balance to \$1,000 or more during the 60-day notice period and must maintain it at no lower than that minimum to avoid involuntary redemption.

Third party transactions

If purchases and redemptions of Fund shares are arranged and settlement is made at an investor's election through a member of the National Association of Securities Dealers, Inc., other than Scudder Investor Services, Inc., that member may, at its discretion, charge a fee for that service.

Redemption-in-kind

The Fund reserves the right, if conditions exist which make cash payments undesirable, to honor any request for redemption or repurchase order by making payment in whole or in part in readily marketable securities chosen by the Fund and valued as they are for purposes of computing the Fund's net asset value (a redemption-in-kind). If payment is made in securities, a shareholder may incur transaction expenses in converting these securities to cash. The Trust has elected, however, to be governed by Rule 18f-1 under the 1940 Act as a result of

which the Fund is obligated to redeem shares, with respect to any one shareholder during any 90-day period, solely in cash up to the lesser of \$250,000 or 1% of the net asset value of the Fund at the beginning of the period.

Shareholder benefits

Experienced professional management

Scudder, Stevens & Clark, Inc., one of the nation's most experienced investment management firms, actively manages your Scudder fund investment. Professional management is an important advantage for investors who do not have the time or expertise to invest directly in individual securities.

A team approach to investing

Scudder Growth and Income Fund is managed by a team of Scudder investment professionals, who each play an important role in the Fund's management process. Team members work together to develop investment strategies and select securities for the Fund's portfolio. They are supported by Scudder's large staff of economists, research analysts, traders and other investment specialists who work in Scudder's offices across the United States and abroad. Scudder believes its team approach benefits Fund investors by bringing together many disciplines and leveraging Scudder's extensive resources.

Lead Portfolio Manager Robert T. Hoffman has had responsibility for setting the Fund's stock investing strategy and overseeing the Fund's day-to-day operations since 1991. Mr. Hoffman, who joined Scudder in 1990 as a portfolio manager, has 11 years of experience in the investment industry, including several years of pension fund management experience. Kathleen T. Millard, Portfolio Manager, has been involved in the investment industry since 1983 and has worked as a portfolio manager since 1986. Ms. Millard, who joined the team and Scudder in 1991, focuses on strategy and stock selection. Benjamin W. Thorndike, Portfolio Manager, is the Fund's chief analyst and strategist for convertible securities. Mr. Thorndike, who has 16 years of investment experience, joined Scudder in 1983 as a portfolio manager and the Fund in 1986.

SAIL(tm)-Scudder Automated Information Line

For touchtone access to account information, prices and yields, or to perform transactions in existing Scudder fund accounts, shareholders can call Scudder's Automated Information Line (SAIL) at 1-800-343-2890. During periods of extreme economic or market changes, or other conditions, it may be difficult for you to effect telephone transactions in your account. In such an event you should write to the Fund; please see "How to contact Scudder" for the address.

Investment flexibility

Scudder offers toll-free telephone exchange between funds at current net asset value. You can move your investments among money market, income, growth, tax-free and growth and income funds with a simple toll-free call or, if you prefer, by sending your instructions through the mail or by fax. Telephone and fax redemptions and exchanges are subject to termination and their terms are subject to change at any time by the Fund or the transfer agent. In some cases, the transfer agent or Scudder Investor Services, Inc. may impose additional conditions on telephone transactions.

Dividend reinvestment plan

You may have dividends and distributions automatically reinvested in additional Fund shares. Please call 1-800-225-5163 to request this feature.

Shareholder statements

You receive a detailed account statement every time you purchase or redeem shares. All of your statements should be retained to help you keep track of account activity and the cost of shares for tax purposes.

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Shareholder reports

In addition to account statements, you receive periodic shareholder reports highlighting relevant information, including investment results and a review of portfolio changes.

To reduce the volume of mail you receive, only one copy of most Fund reports, such as the Fund's Annual Report, may be mailed to your household (same surname, same address). Please call 1-800-225-5163 if you wish to receive additional shareholder reports.

Newsletters

Four times a year, Scudder sends you At the Helm, an informative newsletter covering economic and investment developments, service enhancements and other topics of interest to Scudder fund investors.

Scudder Funds Centers

As a convenience to shareholders who like to conduct business in person, Scudder Investor Services, Inc. maintains Funds Centers in Boca Raton, Boston, Chicago,

Cincinnati, Los Angeles, New York, Portland (OR), San Diego, San Francisco and Scottsdale.

T.D.D. service for the hearing impaired

Scudder's full range of investor information and shareholder services is available to hearing impaired investors through a toll-free T.D.D. (Telephone Device for the Deaf) service. If you have access to a T.D.D., call 1-800-543-7916 for investment information or specific account questions and transactions.

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Scudder tax-advantaged retirement plans

Scudder offers a variety of tax-advantaged retirement plans for individuals, businesses and non-profit organizations. These flexible plans are designed for use with the Scudder Family of Funds (except Scudder tax-free funds, which are inappropriate for such plans). Scudder Funds offer a broad range of investment objectives and can be used to seek almost any investment goal. Using Scudder's retirement plans can help shareholders save on current taxes while building their retirement savings.

- * Scudder No-Fee IRAs. These retirement plans allow a maximum annual contribution of \$2,000 per person for anyone with earned income. Many people can deduct all or part of their contributions from their taxable income, and all investment earnings accrue on a tax deferred basis. The Scudder No-Fee IRA charges no annual custodial fee.
- * 401(k) Plans. 401(k) plans allow employers and employees to make tax-deductible retirement contributions. Scudder offers a full service program that includes recordkeeping, prototype plan, employee communications and trustee services, as well as investment options.
- * Profit Sharing and Money Purchase Pension Plans. These plans allow corporations, partnerships and people who are self-employed to make annual, tax-deductible contributions of up to \$30,000 for each person covered by the plans. Plans may be adopted individually or paired to maximize contributions. These are sometimes known as Keogh plans.
- * 403(b) Plans. Retirement plans for tax-exempt organizations and school systems to which employers and employees may both contribute.
- * SEP-IRAs. Easily administered retirement plans for small businesses and self-employed individuals. The maximum annual contribution to SEP-IRA accounts is adjusted each year for inflation.
- * Scudder Horizon Plan. A no-load variable annuity that lets you build assets by deferring taxes on your investment earnings. You can start with \$2,500 or more.

Scudder Trust Company (an affiliate of the Adviser) is Trustee or Custodian for some of these plans and is paid an annual fee for some of the above retirement plans. For information about establishing a Scudder No-Fee IRA, SEP-IRA, Profit Sharing Plan, Money Purchase Pension Plan or a Scudder Horizon Plan, please call 1-800-225-2470. For information about 401(k)s or 403(b)s please call 1-800-323-6105. To effect transactions in existing IRA, SEP-IRA, Profit Sharing or Pension Plan accounts, call 1-800-225-5163.

The variable annuity contract is provided by Charter National Life Insurance Company (in New York State, Intramerica Life Insurance Company [S 1802]). The contract is offered by Scudder Insurance Agency, Inc. (in New York State, Nevada and Montana, Scudder Insurance Agency of New York, Inc.). CNL, Inc. is the Principal Underwriter. Scudder Horizon Plan is not available in all states.

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Trustees and Officers

Daniel Pierce*
President and Trustee

Henry P. Becton, Jr.
Trustee; President and General Manager, WGBH Educational Foundation

Dudley H. Ladd*
Trustee

George M. Lovejoy, Jr.
Trustee; Chairman Emeritus, Meredith & Grew, Incorporated

Wesley W. Marple, Jr.
Trustee; Professor of Business Administration, Northeastern University

Juris Padegs*
Trustee

Jean C. Tempel
Trustee; Director, Executive Vice President and Manager, Safeguard
Scientifics, Inc.

Bruce F. Beaty*
Vice President

Jerard K. Hartman*
Vice President

Robert T. Hoffman*
Vice President

Thomas W. Joseph*
Vice President

David S. Lee*
Vice President

Douglas M. Loudon*
Vice President

Thomas F. McDonough*
Vice President, Secretary and Assistant Treasurer

Pamela A. McGrath*
Vice President and Treasurer

Edward J. O'Connell*
Vice President and Assistant Treasurer

Coleen Downs Dinneen*
Assistant Secretary

* Scudder, Stevens & Clark, Inc.

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Investment products and services

The Scudder Family of Funds

Money market

Scudder Cash Investment Trust
Scudder U.S. Treasury Money Fund

Tax free money market+

Scudder Tax Free Money Fund
Scudder California Tax Free Money Fund*
Scudder New York Tax Free Money Fund*

Tax free+

Scudder California Tax Free Fund*
Scudder High Yield Tax Free Fund
Scudder Limited Term Tax Free Fund
Scudder Managed Municipal Bonds
Scudder Massachusetts Limited Term Tax Free Fund*
Scudder Massachusetts Tax Free Fund*
Scudder Medium Term Tax Free Fund
Scudder New York Tax Free Fund*
Scudder Ohio Tax Free Fund*
Scudder Pennsylvania Tax Free Fund*

Growth and Income

Scudder Balanced Fund
Scudder Growth and Income Fund

Income

Scudder Emerging Markets Income Fund
Scudder GNMA Fund
Scudder Income Fund
Scudder International Bond Fund
Scudder Short Term Bond Fund
Scudder Short Term Global Income Fund
Scudder Zero Coupon 2000 Fund

Growth

Scudder Capital Growth Fund
Scudder Development Fund
Scudder Global Fund
Scudder Global Small Company Fund
Scudder Gold Fund
Scudder Greater Europe Growth Fund
Scudder International Fund
Scudder Latin America Fund
Scudder Pacific Opportunities Fund
Scudder Quality Growth Fund
Scudder Value Fund
The Japan Fund

Retirement Plans and Tax-Advantaged Investments

IRAs
Keogh Plans
Scudder Horizon Plan*+++ (a variable annuity)
401(k) Plans
403(b) Plans
SEP-IRAs
Profit Sharing and Money Purchase Pension Plans

Closed-end Funds#

The Argentina Fund, Inc.
The Brazil Fund, Inc.
The First Iberian Fund, Inc.
The Korea Fund, Inc.
The Latin America Dollar Income Fund, Inc.
Montgomery Street Income Securities, Inc.
Scudder New Asia Fund, Inc.
Scudder New Europe Fund, Inc.
Scudder World Income Opportunities Fund, Inc.

Institutional Cash Management

Scudder Institutional Fund, Inc.
Scudder Fund, Inc.
Scudder Treasurers Trust(tm)++

For complete information on any of the above Scudder funds, including management fees and expenses, call or write for a free prospectus. Read it carefully before you invest or send money. +A portion of the income from the tax-free funds may be subject to federal, state and local taxes. *Not available in all states. +++A no-load variable annuity contract provided by Charter National Life Insurance Company and its affiliate, offered by Scudder's insurance agencies, 1-800-225-2470. #These funds, advised by Scudder, Stevens & Clark, Inc., are traded on various stock exchanges. ++For information on Scudder Treasurers Trust(tm), an institutional cash management service that utilizes certain portfolios of Scudder Fund, Inc. (\$100,000 minimum), call: 1-800-541-7703.

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How to contact Scudder

Account Service and Information:

For existing account service and transactions

Scudder Investor Relations
1-800-225-5163

For account updates, prices, yields, exchanges and redemptions

Scudder Automated Information Line (SAIL)
1-800-343-2890

Investment Information:

To receive information about the Scudder funds, for additional applications and prospectuses, or for investment questions

Scudder Investor Relations
1-800-225-2470

For establishing 401(k) and 403(b) plans

Scudder Defined Contribution Services
1-800-323-6105

Please address all correspondence to:

The Scudder Funds
P.O. Box 2291
Boston, Massachusetts
02107-2291

Or Stop by a Scudder Funds Center:

Many shareholders enjoy the personal, one-on-one service of the Scudder Funds Centers. Check for a Funds Center near you--they can be found in the following cities:

Boca Raton
Boston
Chicago
Cincinnati
Los Angeles
New York
Portland, OR
San Diego
San Francisco
Scottsdale

For information on Scudder Treasurers Trust(tm), an institutional cash management service for corporations, non-profit organizations and trusts which utilizes certain portfolios of Scudder Fund, Inc.* (\$100,000 minimum), call: 1-800-541-7703.

For information on Scudder Institutional Funds*, funds designed to meet the broad investment management and service needs of banks and other institutions, call: 1-800-854-8525.

Scudder Investor Relations and Scudder Funds Centers are services provided through Scudder Investor Services, Inc., Distributor.

* Contact Scudder Investor Services, Inc., Distributor, to receive a prospectus with more complete information, including management fees and expenses. Please read it carefully before you invest or send money.

SCUDDER GROWTH AND INCOME FUND

A Pure No-Load(TM) (No Sales Charges) Diversified
Mutual Fund Seeking Long-Term Growth of
Capital, Current Income and
Growth of Income

STATEMENT OF ADDITIONAL INFORMATION

May 1, 1995

This Statement of Additional Information is not a prospectus and should be read in conjunction with the prospectus of Scudder Growth and Income Fund dated May 1, 1995, as amended from time to time, a copy of which may be obtained without charge by writing to Scudder Investor Services, Inc., Two International Place, Boston, Massachusetts 02110-4103.

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THE FUND'S INVESTMENT OBJECTIVE AND POLICIES

(See "Investment objectives and policies" and "Additional information about policies and investments" in the Fund's prospectus.)

General Investment Objective and Policies

Scudder Growth and Income Fund (the "Fund"), a series of Scudder Investment Trust (the "Trust"), is a pure no-load(TM), diversified, open-end management investment company which continuously offers and redeems its shares. It is a company of the type commonly known as a mutual fund.

The Fund seeks long-term growth of capital, current income and growth of income.

The Fund invests primarily in common stocks, preferred stocks and securities convertible into common stocks of companies which offer the prospect for growth of earnings while paying current dividends. Over time, continued growth of earnings tends to lead to higher dividends and enhancement of capital value. The Fund allocates its investments among different industries and companies and adjusts portfolio securities for investment considerations and not for trading purposes.

The Fund attempts to achieve its investment objective by investing primarily in dividend-paying common stocks, preferred stocks and securities convertible into common stocks. The Fund may also purchase such securities which do not pay current dividends but which offer prospects for growth of capital and future income. From time to time, for temporary defensive purposes, the Fund may invest a portion of its assets in cash or debt securities, when the Fund's investment adviser, Scudder, Stevens & Clark, Inc. (the "Adviser"), deems such a position advisable in light of economic or market conditions.

The Adviser believes that a fund investing in these kinds of securities can perform well whether a growth or value investment style is in favor and that the Fund's dividend strategy can improve its performance in down markets. The Adviser believes these characteristics can help a shareholder feel comfortable holding on to the Fund for the long run, despite short-term changes in the investment climate.

When evaluating a security for purchase or sale, the Adviser may consider a security's dividend yield relative to the average dividend yield of the Standard & Poor's 500 Index.

The Fund cannot guarantee a gain or eliminate the risk of loss. The net asset value of the Fund's shares will increase or decrease with changes in the market prices of the Fund's investments and there is no assurance that the Fund's objective will be achieved. Except as otherwise noted, the Fund's investment objective and policies may be changed by the Trustees without a vote of the shareholders.

Convertible Securities. The Fund may invest in convertible securities; that is, bonds, notes, debentures, preferred stocks, and other securities which are convertible into common stocks. Investments in convertible securities may provide income through interest and dividend payments and/or an opportunity for capital appreciation by virtue of their conversion or exchange features.

The convertible securities in which the Fund may invest include fixed-income or zero coupon debt securities which may be converted or exchanged at a stated or determinable exchange ratio into underlying shares of common stock. The exchange ratio for any particular convertible security may be adjusted from time to time due to stock splits, dividends, spin-offs, other corporate distributions, or scheduled changes in the exchange ratio. Convertible debt securities and convertible preferred stocks, until converted, have general characteristics similar to both debt and equity securities. Although to a lesser extent than with debt 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 or exchange feature, the market value of convertible securities typically changes as the market value of the underlying common stocks changes, and, therefore, also tends to follow movements 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, although typically not as much as 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 debt securities, convertible securities are investments which provide

for a stream of income (or in the case of zero coupon securities, accretion of income) with generally higher yields than common stocks. Of course, like all debt securities, there can be no assurance of income or principal payments because the issuers of the convertible securities may default on their obligations. Convertible securities generally offer lower yields than non-convertible securities of similar quality because of their conversion or exchange features.

Convertible securities generally are subordinated to other similar but 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. However, because of the subordination feature, convertible bonds and convertible preferred stock typically have lower ratings than similar non-convertible securities.

Convertible securities may be issued as fixed income obligations that pay current income or as zero coupon notes and bonds, including Liquid Yield Option Notes (LYONS). Zero coupon securities pay no cash income and are sold at substantial discounts from their value at maturity. When held to maturity, their entire income, which consists of accretion of discount, comes from the difference between the issue price and their value at maturity. Zero coupon convertible securities offer the opportunity for capital appreciation as increases (or decreases) in market value of such securities closely follow the movements in the market value of the underlying common stock. Zero coupon convertible securities generally are expected to be less volatile than the underlying common stocks as they usually are issued with shorter maturities (15 years or less) and are issued with options and/or redemption features exercisable by the holder of the obligation entitling the holder to redeem the obligation and receive a defined cash payment.

Foreign Securities. While the Fund generally emphasizes investments in companies domiciled in the U.S., it may invest in listed and unlisted foreign securities that meet the same criteria as the Fund's domestic holdings. The Fund may invest in foreign securities when the anticipated performance of the foreign securities is believed by the Adviser to offer more potential than domestic alternatives in keeping with the investment objective of the Fund.

Investors should recognize that investing in foreign securities involves certain special considerations, including those set forth below, which are not typically associated with investing in U.S. securities and which may favorably or unfavorably affect the Fund's performance. As foreign companies are not generally subject to uniform accounting and auditing and financial reporting standards, practices and requirements comparable to those applicable to domestic companies, there may be less publicly available information about a foreign company than about a domestic company. Many foreign stock markets, while growing in volume of trading activity, have substantially less volume than the New York Stock Exchange (the "Exchange") and securities of some foreign companies are less liquid and more volatile than securities of domestic companies. Similarly, volume and liquidity in most foreign bond markets are less than the volume and liquidity in the U.S. and at times, volatility of price can be greater than in the U.S. Further, foreign markets have different clearance and settlement procedures and in certain markets there have been times when settlements have been unable to keep pace with the volume of securities transactions making it difficult to conduct such transactions. Delays in settlement could result in temporary periods when assets of the Fund are uninvested and no return is earned thereon. The inability of the Fund to make intended security purchases due to settlement problems could cause the Fund to miss attractive investment opportunities. Inability to dispose of portfolio securities due to settlement problems either could result in losses to the Fund due to subsequent declines in value of the portfolio security or, if the Fund has entered into a contract to sell the security, could result in possible liability to the purchaser. Fixed commissions on some foreign stock exchanges are generally higher than negotiated commissions on U.S. exchanges, although the Fund will endeavor to achieve the most favorable net results on its portfolio transactions. Further, the Fund may encounter difficulties or be unable to pursue legal remedies and obtain judgments in foreign courts. There is generally less government supervision and regulation of business and industry practices, stock exchanges, brokers and

listed companies than in the U.S. It may be more difficult for the Fund's agents to keep currently informed about corporate actions such as stock dividends or other matters which may affect the prices of portfolio securities. Communications between the U.S. and foreign countries may be less reliable than within the U.S., thus increasing the risk of delayed settlements of portfolio transactions or loss of certificates for portfolio securities. In addition, with respect to certain foreign countries, there is the possibility of nationalization, expropriation, the imposition of withholding or confiscatory taxes, political, social, or economic instability or diplomatic developments which could affect U.S. investments in those countries. Investments in foreign securities may also entail certain risks, such as possible currency blockages or transfer restrictions and the difficulty of enforcing rights in other countries.

Moreover, individual foreign economies may differ favorably or unfavorably from the U.S. economy in such respects as growth of gross national product, rate of inflation, capital reinvestment, resource self-sufficiency and balance of payments position.

These considerations generally are more of a concern in developing countries. For example, the possibility of revolution and the dependence on foreign economic assistance may be greater in these countries than in developed countries. The management of the Fund seeks to mitigate the risks associated with these considerations through diversification and active professional management. Although investments in companies domiciled in developing countries may be subject to potentially greater risks than investments in developed countries, the Fund will not invest in any securities of issuers located in developing countries if the securities, in the judgment of the Adviser, are speculative.

Investments in foreign securities usually will involve currencies of foreign countries. Moreover, the Fund may temporarily hold funds in bank deposits in foreign currencies during the completion of investment programs and the value of these assets for the Fund as measured in U.S. dollars may be affected favorably or unfavorably by changes in foreign currency exchange rates and exchange control regulations and the Fund may incur costs in connection with conversions between various currencies. Although the Fund values its assets daily in terms of U.S. dollars, it does not intend to convert its holdings of foreign currencies, if any, into U.S. dollars on a daily basis. It may do so from time to time and investors should be aware of the costs of currency conversion. Although foreign exchange dealers do not charge a fee for conversion, they do realize a profit based on the difference (the "spread") between the prices at which they are buying and selling various currencies. Thus, a dealer may offer to sell a foreign currency to the Fund at one rate while offering a lesser rate of exchange should the Fund desire to resell that currency to the dealer. The Fund will conduct its foreign currency exchange transactions, if any, either on a spot (i.e., cash) basis at the spot rate prevailing in the foreign currency exchange market or through forward foreign currency exchange contracts. (See "Currency Transactions" for more information.)

To the extent that the Fund invests in foreign securities, the Fund's share price could reflect the movements of both the different stock and bond markets in which it is invested and the currencies in which the investments are denominated; the strength or weakness of the U.S. dollar against foreign currencies could account for part of that Fund's investment performance.

Lending of Portfolio Securities. The Fund may seek to increase its income by lending portfolio securities. Such loans may be made to registered broker/dealers and are required to be secured continuously by collateral in cash, U.S. Government Securities and high grade debt obligations maintained on a current basis at an amount at least equal to the market value and accrued interest of the securities loaned. The Fund has the right to call a loan and obtain the securities loaned on no more than five days' notice. During the existence of a loan, the Fund will continue to receive the equivalent of any distributions paid by the issuer on the securities loaned and will also receive compensation based on investment of the collateral. As with other extensions of credit there are risks of delay in recovery or even loss of rights in the collateral should the borrower of the securities fail financially. However, the loans will be made only to firms deemed by the Adviser to be of good standing. The value of the securities loaned will not exceed 33(1)/(3)% of the value of the Fund's total assets at the time any loan is made.

Repurchase Agreements. The Fund may enter into repurchase agreements with any member bank of the Federal Reserve System and any broker/dealer which is recognized as a reporting government securities dealer if the creditworthiness of the bank or broker/dealer has been determined by the Adviser to be at least as high as that of other obligations the Fund may purchase or to be at least equal to that of issuers of commercial paper rated within the two highest grades assigned by Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's ("S&P").

A repurchase agreement provides a means for the Fund to earn income on funds for periods as short as overnight. It is an arrangement under which the Fund acquires a security ("Obligation") and the seller agrees, at the time of sale, to repurchase the Obligation at a specified time and price. Obligations subject to a repurchase agreement are held in a segregated account and the value of such obligations kept at least equal to the repurchase price on a daily basis. The repurchase price may be higher than the purchase price, the difference being income to the Fund, or the purchase and repurchase prices may be the same, with interest at a stated rate due to the Fund together with the repurchase price on repurchase. In either case, the income to the Fund is unrelated to the interest rate on the Obligation itself. Obligations will be held by the Fund's custodian or in the Federal Reserve Book Entry System.

For purposes of the Investment Company Act of 1940, as amended (the "1940

Act"), a repurchase agreement is deemed to be a loan from the Fund to the seller of the Obligation subject to the repurchase agreement and is therefore subject to the Fund's investment restriction applicable to loans. It is not clear whether a court would consider the Obligation purchased by the Fund subject to a repurchase agreement as being owned by the Fund or as being collateral for a loan by the Fund to the seller. In the event of the commencement of bankruptcy or insolvency proceedings with respect to the seller of the Obligation before repurchase of the Obligation under a repurchase agreement, the Fund may encounter delay and incur costs before being able to sell the security. Delays may result in loss of interest or decline in price of the Obligation. If the court characterizes the transaction as a loan and the Fund has not perfected a security interest in the Obligation, the Fund may be required to return the Obligation to the seller's estate and be treated as an unsecured creditor of the seller. As an unsecured creditor, the Fund would be at the risk of losing some or all of the principal and income involved in the transaction. As with any unsecured debt instrument purchased for the Fund, the Adviser seeks to minimize the risk of loss through repurchase agreements by analyzing the creditworthiness of the obligor, in this case the seller of the Obligation. Apart from the risk of bankruptcy or insolvency proceedings, there is also the risk that the seller may fail to repurchase the Obligation, in which case the Fund may incur a loss if the proceeds to the Fund of its sale of the securities underlying the repurchase agreement to a third party are less than the repurchase price. To protect against such potential loss, if the market value (including interest) of the Obligation subject to the repurchase agreement becomes less than the repurchase price (including interest), the Fund will direct the seller of the Obligation to deliver additional securities so that the market value (including interest) of all securities subject to the repurchase agreement will equal or exceed the repurchase price. It is possible that the Fund will be unsuccessful in seeking to enforce the seller's contractual obligation to deliver additional securities.

Strategic Transactions and Derivatives. The Fund may, but is not required to, utilize various other investment strategies as described below to hedge various market risks (such as interest rates, currency exchange rates, and broad or specific equity or fixed-income market movements), to manage the effective maturity or duration of the Fund's portfolio, or to enhance potential gain. These strategies may be executed through the use of derivative contracts. Such strategies are generally accepted as a part of modern portfolio management and are regularly utilized by many mutual funds and other institutional investors. Techniques and instruments may change over time as new instruments and strategies are developed or regulatory changes occur.

In the course of pursuing these investment strategies, the Fund may purchase and sell exchange-listed and over-the-counter put and call options on securities, equity and fixed-income indices and other financial instruments, purchase and sell financial futures contracts and options thereon, enter into various interest rate transactions such as swaps, caps, floors or collars, and enter into various currency transactions such as currency forward contracts, currency futures contracts, currency swaps or options on currencies or currency futures (collectively, all the above are called "Strategic Transactions"). Strategic Transactions may be used without limit to attempt to protect against possible changes in the market value of securities held in or to be purchased for the Fund's portfolio resulting from securities markets or currency exchange rate fluctuations, to protect the Fund's unrealized gains in the value of its portfolio securities, to facilitate the sale of such securities for investment purposes, to manage the effective maturity or duration of fixed-income securities in the Fund's portfolio, or to establish a position in the derivatives markets as a temporary substitute for purchasing or selling particular securities. Some Strategic Transactions may also be used to enhance potential gain although no more than 5% of the Fund's assets will be committed to Strategic Transactions entered into for non-hedging purposes. Any or all of these investment techniques may be used at any time and in any combination, and there is no particular strategy that dictates the use of one technique rather than another, as use of any Strategic Transaction is a function of numerous variables including market conditions. The ability of the Fund to utilize these

Strategic Transactions successfully will depend on the Adviser's ability to predict pertinent market movements, which cannot be assured. The Fund will comply with applicable regulatory requirements when implementing these strategies, techniques and instruments. Strategic Transactions involving financial futures and options thereon will be purchased, sold or entered into only for bona fide hedging, risk management or portfolio management purposes and not for speculative purposes.

Strategic Transactions, including derivative contracts, have risks associated with them including possible default by the other party to the transaction, illiquidity and, to the extent the Adviser's view as to certain market movements is incorrect, the risk that the use of such Strategic Transactions could result in losses greater than if they had not been used. Use of put and call options may result in losses to the Fund, force the sale or purchase of portfolio securities at inopportune times or for prices higher than

(in the case of put options) or lower than (in the case of call options) current market values, limit the amount of appreciation the Fund can realize on its investments or cause the Fund to hold a security it might otherwise sell. The use of currency transactions can result in the Fund incurring losses as a result of a number of factors including the imposition of exchange controls, suspension of settlements, or the inability to deliver or receive a specified currency. The use of options and futures transactions entails certain other risks. In particular, the variable degree of correlation between price movements of futures contracts and price movements in the related portfolio position of the Fund creates the possibility that losses on the hedging instrument may be greater than gains in the value of the Fund's position. In addition, futures and options markets may not be liquid in all circumstances and certain over-the-counter options may have no markets. As a result, in certain markets, the Fund might not be able to close out a transaction without incurring substantial losses, if at all. Although the use of futures and options transactions for hedging should tend to minimize the risk of loss due to a decline in the value of the hedged position, at the same time they tend to limit any potential gain which might result from an increase in value of such position. Finally, the daily variation margin requirements for futures contracts would create a greater ongoing potential financial risk than would purchases of options, where the exposure is limited to the cost of the initial premium. Losses resulting from the use of Strategic Transactions would reduce net asset value, and possibly income, and such losses can be greater than if the Strategic Transactions had not been utilized.

General Characteristics of Options. Put options and call options typically have similar structural characteristics and operational mechanics regardless of the underlying instrument on which they are purchased or sold. Thus, the following general discussion relates to each of the particular types of options discussed in greater detail below. In addition, many Strategic Transactions involving options require segregation of Fund assets in special accounts, as described below under "Use of Segregated and Other Special Accounts."

A put option gives the purchaser of the option, upon payment of a premium, the right to sell, and the writer the obligation to buy, the underlying security, commodity, index, currency or other instrument at the exercise price. For instance, the Fund's purchase of a put option on a security might be designed to protect its holdings in the underlying instrument (or, in some cases, a similar instrument) against a substantial decline in the market value by giving the Fund the right to sell such instrument at the option exercise price. A call option, upon payment of a premium, gives the purchaser of the option the right to buy, and the seller the obligation to sell, the underlying instrument at the exercise price. The Fund's purchase of a call option on a security, financial future, index, currency or other instrument might be intended to protect the Fund against an increase in the price of the underlying instrument that it intends to purchase in the future by fixing the price at which it may purchase such instrument. An American style put or call option may be exercised at any time during the option period while a European style put or call option may be exercised only upon expiration or during a fixed period prior thereto. The Fund is authorized to purchase and sell exchange listed options and over-the-counter options ("OTC options"). Exchange listed options are issued by a regulated intermediary such as the Options Clearing Corporation ("OCC"), which guarantees the performance of the obligations of the parties to such options. The discussion below uses the OCC as an example, but is also applicable to other financial intermediaries.

With certain exceptions, OCC issued and exchange listed options generally settle by physical delivery of the underlying security or currency, although in the future cash settlement may become available. Index options and Eurodollar instruments are cash settled for the net amount, if any, by which the option is "in-the-money" (i.e., where the value of the underlying instrument exceeds, in the case of a call option, or is less than, in the case of a put option, the exercise price of the option) at the time the option is exercised. Frequently, rather than taking or making delivery of the underlying instrument through the

process of exercising the option, listed options are closed by entering into offsetting purchase or sale transactions that do not result in ownership of the new option.

The Fund's ability to close out its position as a purchaser or seller of an OCC or exchange listed put or call option is dependent, in part, upon the liquidity of the option market. Among the possible reasons for the absence of a liquid option market on an exchange are: (i) insufficient trading interest in certain options; (ii) restrictions on transactions imposed by an exchange; (iii) trading halts, suspensions or other restrictions imposed with respect to particular classes or series of options or underlying securities including reaching daily price limits; (iv) interruption of the normal operations of the OCC or an exchange; (v) inadequacy of the facilities of an exchange or OCC to handle current trading volume; or (vi) a decision by one or more exchanges to discontinue the trading of options (or a particular class or series of options), in which event the relevant market for that option on that exchange would cease

to exist, although outstanding options on that exchange would generally continue to be exercisable in accordance with their terms.

The hours of trading for listed options may not coincide with the hours during which the underlying financial instruments are traded. To the extent that the option markets close before the markets for the underlying financial instruments, significant price and rate movements can take place in the underlying markets that cannot be reflected in the option markets.

OTC options are purchased from or sold to securities dealers, financial institutions or other parties ("Counterparties") through direct bilateral agreement with the Counterparty. In contrast to exchange listed options, which generally have standardized terms and performance mechanics, all the terms of an OTC option, including such terms as method of settlement, term, exercise price, premium, guarantees and security, are set by negotiation of the parties. The Fund will only sell OTC options (other than OTC currency options) that are subject to a buy-back provision permitting the Fund to require the Counterparty to sell the option back to the Fund at a formula price within seven days. The Fund expects generally to enter into OTC options that have cash settlement provisions, although it is not required to do so.

Unless the parties provide for it, there is no central clearing or guaranty function in an OTC option. As a result, if the Counterparty fails to make or take delivery of the security, currency or other instrument underlying an OTC option it has entered into with the Fund or fails to make a cash settlement payment due in accordance with the terms of that option, the Fund will lose any premium it paid for the option as well as any anticipated benefit of the transaction. Accordingly, the Adviser must assess the creditworthiness of each such Counterparty or any guarantor or credit enhancement of the Counterparty's credit to determine the likelihood that the terms of the OTC option will be satisfied. The Fund will engage in OTC option transactions only with U.S. government securities dealers recognized by the Federal Reserve Bank of New York as "primary dealers" or broker/dealers, domestic or foreign banks or other financial institutions which have received (or the guarantors of the obligation of which have received) a short-term credit rating of A-1 from S&P or P-1 from Moody's or an equivalent rating from any nationally recognized statistical rating organization ("NRSRO") or, in the case of OTC currency transactions, are determined to be of equivalent credit quality by the Adviser. The staff of the SEC currently takes the position that OTC options purchased by the Fund, and portfolio securities "covering" the amount of the Fund's obligation pursuant to an OTC option sold by it (the cost of the sell-back plus the in-the-money amount, if any) are illiquid, and are subject to the Fund's limitation on investing no more than 10% of its assets in illiquid securities.

If the Fund sells a call option, the premium that it receives may serve as a partial hedge, to the extent of the option premium, against a decrease in the value of the underlying securities or instruments in its portfolio or will increase the Fund's income. The sale of put options can also provide income.

The Fund may purchase and sell call options on securities including U.S. Treasury and agency securities, mortgage-backed securities, corporate debt securities, equity securities (including convertible securities) and Eurodollar instruments that are traded on U.S. and foreign securities exchanges and in the over-the-counter markets, and on securities indices, currencies and futures contracts. All calls sold by the Fund must be "covered" (i.e., the Fund must own the securities or futures contract subject to the call) or must meet the asset segregation requirements described below as long as the call is outstanding. Even though the Fund will receive the option premium to help protect it against loss, a call sold by the Fund exposes the Fund during the term of the option to possible loss of opportunity to realize appreciation in the market price of the

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underlying security or instrument and may require the Fund to hold a security or instrument which it might otherwise have sold.

The Fund may purchase and sell put options on securities including U.S. Treasury and agency securities, mortgage-backed securities, corporate debt securities, equity securities (including convertible securities) and Eurodollar instruments (whether or not it holds the above securities in its portfolio), and on securities, indices, currencies and futures contracts other than futures on individual corporate debt and individual equity securities. The Fund will not sell put options if, as a result, more than 50% of the Fund's assets would be required to be segregated to cover its potential obligations under such put options other than those with respect to futures and options thereon. In selling put options, there is a risk that the Fund may be required to buy the underlying security at a disadvantageous price above the market price.

General Characteristics of Futures. The Fund may enter into financial futures contracts or purchase or sell put and call options on such futures as a hedge against anticipated interest rate, currency or equity market changes, for duration management and for risk management purposes. Futures are generally bought and sold on the commodities exchanges where they are listed with payment

of initial and variation margin as described below. The sale of a futures contract creates a firm obligation by the Fund, as seller, to deliver to the buyer the specific type of financial instrument called for in the contract at a specific future time for a specified price (or, with respect to index futures and Eurodollar instruments, the net cash amount). Options on futures contracts are similar to options on securities except that an option on a futures contract gives the purchaser the right in return for the premium paid to assume a position in a futures contract and obligates the seller to deliver such position.

The Fund's use of financial futures and options thereon will in all cases be consistent with applicable regulatory requirements and in particular the rules and regulations of the Commodity Futures Trading Commission and will be entered into only for bona fide hedging, risk management (including duration management) or other portfolio management purposes. Typically, maintaining a futures contract or selling an option thereon requires the Fund to deposit with a financial intermediary as security for its obligations an amount of cash or other specified assets (initial margin) which initially is typically 1% to 10% of the face amount of the contract (but may be higher in some circumstances). Additional cash or assets (variation margin) may be required to be deposited thereafter on a daily basis as the mark to market value of the contract fluctuates. The purchase of an option on financial futures involves payment of a premium for the option without any further obligation on the part of the Fund. If the Fund exercises an option on a futures contract it will be obligated to post initial margin (and potential subsequent variation margin) for the resulting futures position just as it would for any position. Futures contracts and options thereon are generally settled by entering into an offsetting transaction but there can be no assurance that the position can be offset prior to settlement at an advantageous price, nor that delivery will occur.

The Fund will not enter into a futures contract or related option (except for closing transactions) if, immediately thereafter, the sum of the amount of its initial margin and premiums on open futures contracts and options thereon would exceed 5% of the Fund's total assets (taken at current value); however, in the case of an option that is in-the-money at the time of the purchase, the in-the-money amount may be excluded in calculating the 5% limitation. The segregation requirements with respect to futures contracts and options thereon are described below.

Options on Securities Indices and Other Financial Indices. The Fund also may purchase and sell call and put options on securities indices and other financial indices and in so doing can achieve many of the same objectives it would achieve through the sale or purchase of options on individual securities or other instruments. Options on securities indices and other financial indices are similar to options on a security or other instrument except that, rather than settling by physical delivery of the underlying instrument, they settle by cash settlement, i.e., an option on an index gives the holder the right to receive, upon exercise of the option, an amount of cash if the closing level of the index upon which the option is based exceeds, in the case of a call, or is less than, in the case of a put, the exercise price of the option (except if, in the case of an OTC option, physical delivery is specified). This amount of cash is equal to the excess of the closing price of the index over the exercise price of the option, which also may be multiplied by a formula value. The seller of the option is obligated, in return for the premium received, to make delivery of this amount. The gain or loss on an option on an index depends on price movements in the instruments making up the market, market segment, industry or

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other composite on which the underlying index is based, rather than price movements in individual securities, as is the case with respect to options on securities.

Currency Transactions. The Fund may engage in currency transactions with counterparties in order to hedge the value of portfolio holdings denominated in particular currencies against fluctuations in relative value. Currency transactions include forward currency contracts, exchange listed currency futures, exchange listed and OTC options on currencies, and currency swaps. A forward currency contract involves a privately negotiated obligation to purchase or sell (with delivery generally required) a specific currency at a future date, which may be any fixed number of days from the date of the contract agreed upon by the parties, at a price set at the time of the contract. A currency swap is an agreement to exchange cash flows based on the notional difference among two or more currencies and operates similarly to an interest rate swap, which is described below. The Fund may enter into currency transactions with counterparties which have received (or the guarantors of the obligations which have received) a credit rating of A-1 or P-1 by S&P or Moody's, respectively, or that have an equivalent rating from a NRSRO or are determined to be of equivalent credit quality by the Adviser.

The Fund's dealings in forward currency contracts and other currency transactions such as futures, options, options on futures and swaps will be limited to hedging involving either specific transactions or portfolio

positions. Transaction hedging is entering into a currency transaction with respect to specific assets or liabilities of the Fund, which will generally arise in connection with the purchase or sale of its portfolio securities or the receipt of income therefrom. Position hedging is entering into a currency transaction with respect to portfolio security positions denominated or generally quoted in that currency.

The Fund will not enter into a transaction to hedge currency exposure to an extent greater, after netting all transactions intended wholly or partially to offset other transactions, than the aggregate market value (at the time of entering into the transaction) of the securities held in its portfolio that are denominated or generally quoted in or currently convertible into such currency, other than with respect to proxy hedging or cross hedging as described below.

The Fund may also cross-hedge currencies by entering into transactions to purchase or sell one or more currencies that are expected to decline in value relative to other currencies to which the Fund has or in which the Fund expects to have portfolio exposure.

To reduce the effect of currency fluctuations on the value of existing or anticipated holdings of portfolio securities, the Fund may also engage in proxy hedging. Proxy hedging is often used when the currency to which the Fund's portfolio is exposed is difficult to hedge or to hedge against the dollar. Proxy hedging entails entering into a commitment or option to sell a currency whose changes in value are generally considered to be correlated to a currency or currencies in which some or all of the Fund's portfolio securities are or are expected to be denominated, in exchange for U.S. dollars. The amount of the commitment or option would not exceed the value of the Fund's securities denominated in correlated currencies. For example, if the Adviser considers that the Austrian schilling is correlated to the German deutschemark (the "D-mark"), the Fund holds securities denominated in schillings and the Adviser believes that the value of schillings will decline against the U.S. dollar, the Adviser may enter into a commitment or option to sell D-marks and buy dollars. Currency hedging involves some of the same risks and considerations as other transactions with similar instruments. Currency transactions can result in losses to the Fund if the currency being hedged fluctuates in value to a degree or in a direction that is not anticipated. Further, there is the risk that the perceived correlation between various currencies may not be present or may not be present during the particular time that the Fund is engaging in proxy hedging. If the Fund enters into a currency hedging transaction, the Fund will comply with the asset segregation requirements described below.

Risks of Currency Transactions. Currency transactions are subject to risks different from those of other portfolio transactions. Because currency control is of great importance to the issuing governments and influences economic planning and policy, purchases and sales of currency and related instruments can be negatively affected by government exchange controls, blockages, and manipulations or exchange restrictions imposed by governments. These can result in losses to the Fund if it is unable to deliver or receive currency or funds in settlement of obligations and could also cause hedges it has entered into to be rendered useless, resulting in full currency exposure as well as incurring transaction costs. Buyers and sellers of currency futures are subject to the same risks that apply to the use of futures generally. Further, settlement of a

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currency futures contract for the purchase of most currencies must occur at a bank based in the issuing nation. Trading options on currency futures is relatively new, and the ability to establish and close out positions on such options is subject to the maintenance of a liquid market which may not always be available. Currency exchange rates may fluctuate based on factors extrinsic to that country's economy.

Combined Transactions. The Fund may enter into multiple transactions, including multiple options transactions, multiple futures transactions, multiple currency transactions (including forward currency contracts) and multiple interest rate transactions and any combination of futures, options, currency and interest rate transactions ("component" transactions), instead of a single Strategic Transaction, as part of a single or combined strategy when, in the opinion of the Adviser, it is in the best interests of the Fund to do so. A combined transaction will usually contain elements of risk that are present in each of its component transactions. Although combined transactions are normally entered into based on the Adviser's judgment that the combined strategies will reduce risk or otherwise more effectively achieve the desired portfolio management goal, it is possible that the combination will instead increase such risks or hinder achievement of the portfolio management objective.

Swaps, Caps, Floors and Collars. Among the Strategic Transactions into which the Fund may enter are interest rate, currency and index swaps and the purchase or sale of related caps, floors and collars. The Fund expects to enter into these transactions primarily to preserve a return or spread on a particular investment or portion of its portfolio, to protect against currency fluctuations, as a duration management technique or to protect against any increase in the price of

securities the Fund anticipates purchasing at a later date. The Fund intends to use these transactions as hedges and not as speculative investments and will not sell interest rate caps or floors where it does not own securities or other instruments providing the income stream the Fund may be obligated to pay. Interest rate swaps involve the exchange by the Fund with another party of their respective commitments to pay or receive interest, e.g., an exchange of floating rate payments for fixed rate payments with respect to a notional amount of principal. A currency swap is an agreement to exchange cash flows on a notional amount of two or more currencies based on the relative value differential among them and an index swap is an agreement to swap cash flows on a notional amount based on changes in the values of the reference indices. The purchase of a cap entitles the purchaser to receive payments on a notional principal amount from the party selling such cap to the extent that a specified index exceeds a predetermined interest rate or amount. The purchase of a floor entitles the purchaser to receive payments on a notional principal amount from the party selling such floor to the extent that a specified index falls below a predetermined interest rate or amount. A collar is a combination of a cap and a floor that preserves a certain return within a predetermined range of interest rates or values.

The Fund will usually enter into swaps on a net basis, i.e., the two payment streams are netted out in a cash settlement on the payment date or dates specified in the instrument, with the Fund receiving or paying, as the case may be, only the net amount of the two payments. Inasmuch as these swaps, caps, floors and collars are entered into for good faith hedging purposes, the Adviser and the Fund believe such obligations do not constitute senior securities under the 1940 Act and, accordingly, will not treat them as being subject to its borrowing restrictions. The Fund will not enter into any swap, cap, floor or collar transaction unless, at the time of entering into such transaction, the unsecured long-term debt of the Counterparty, combined with any credit enhancements, is rated at least A by S&P or Moody's or has an equivalent rating from a NRSRO or is determined to be of equivalent credit quality by the Adviser. If there is a default by the Counterparty, the Fund may have contractual remedies pursuant to the agreements related to the transaction. The swap market has grown substantially in recent years with a large number of banks and investment banking firms acting both as principals and as agents utilizing standardized swap documentation. As a result, the swap market has become relatively liquid. Caps, floors and collars are more recent innovations for which standardized documentation has not yet been fully developed and, accordingly, they are less liquid than swaps.

Eurodollar Instruments. The Fund may make investments in Eurodollar instruments. Eurodollar instruments are U.S. dollar-denominated futures contracts or options thereon which are linked to the London Interbank Offered Rate ("LIBOR"), although foreign currency-denominated instruments are available from time to time. Eurodollar futures contracts enable purchasers to obtain a fixed rate for the lending of funds and sellers to obtain a fixed rate for borrowings. The Fund might use Eurodollar futures contracts and options thereon to hedge against changes in LIBOR, to which many interest rate swaps and fixed income instruments are linked.

Risks of Strategic Transactions Outside the U.S. When conducted outside the U.S., Strategic Transactions may not be regulated as rigorously as in the U.S., may not involve a clearing mechanism and related guarantees, and are subject to the risk of governmental actions affecting trading in, or the prices of, foreign securities, currencies and other instruments. The value of such positions also could be adversely affected by: (i) other complex foreign political, legal and economic factors, (ii) lesser availability than in the U.S. of data on which to make trading decisions, (iii) delays in the Fund's ability to act upon economic events occurring in foreign markets during non-business hours in the U.S., (iv) the imposition of different exercise and settlement terms and procedures and margin requirements than in the U.S., and (v) lower trading volume and liquidity.

Use of Segregated and Other Special Accounts. Many Strategic Transactions, in addition to other requirements, require that the Fund segregate liquid, high grade assets with its custodian to the extent Fund obligations are not otherwise "covered" through ownership of the underlying security, financial instrument or currency. In general, either the full amount of any obligation by the Fund to pay or deliver securities or assets must be covered at all times by the securities, instruments or currency required to be delivered, or, subject to any regulatory restrictions, an amount of cash or liquid, high grade securities at least equal to the current amount of the obligation must be segregated with the custodian. The segregated assets cannot be sold or transferred unless equivalent assets are substituted in their place or it is no longer necessary to segregate them. For example, a call option written by the Fund will require the Fund to hold the securities subject to the call (or securities convertible into the needed securities without additional consideration) or to segregate liquid, high grade securities sufficient to purchase and deliver the securities if the call is exercised. A call option sold by the Fund on an index will require the Fund to own portfolio securities which correlate with the index or to segregate

liquid, high grade assets equal to the excess of the index value over the exercise price on a current basis. A put option written by the Fund requires the Fund to segregate liquid, high grade assets equal to the exercise price.

Except when the Fund enters into a forward contract for the purchase or sale of a security denominated in a particular currency, which requires no segregation, a currency contract which obligates the Fund to buy or sell currency will generally require the Fund to hold an amount of that currency or liquid securities denominated in that currency equal to the Fund's obligations or to segregate liquid, high grade assets equal to the amount of the Fund's obligation.

OTC options entered into by the Fund, including those on securities, currency, financial instruments or indices and OCC issued and exchange listed index options, will generally provide for cash settlement. As a result, when the Fund sells these instruments it will only segregate an amount of assets equal to its accrued net obligations, as there is no requirement for payment or delivery of amounts in excess of the net amount. These amounts will equal 100% of the exercise price in the case of a non cash-settled put, the same as an OCC guaranteed listed option sold by the Fund, or the in-the-money amount plus any sell-back formula amount in the case of a cash-settled put or call. In addition, when the Fund sells a call option on an index at a time when the in-the-money amount exceeds the exercise price, the Fund will segregate, until the option expires or is closed out, cash or cash equivalents equal in value to such excess. OCC issued and exchange listed options sold by the Fund other than those above generally settle with physical delivery, or with an election of either physical delivery or cash settlement and the Fund will segregate an amount of assets equal to the full value of the option. OTC options settling with physical delivery, or with an election of either physical delivery or cash settlement will be treated the same as other options settling with physical delivery.

In the case of a futures contract or an option thereon, the Fund must deposit initial margin and possible daily variation margin in addition to segregating assets sufficient to meet its obligation to purchase or provide securities or currencies, or to pay the amount owed at the expiration of an index-based futures contract. Such assets may consist of cash, cash equivalents, liquid debt or equity securities or other acceptable assets.

With respect to swaps, the Fund will accrue the net amount of the excess, if any, of its obligations over its entitlements with respect to each swap on a daily basis and will segregate an amount of cash or liquid, high grade securities having a value equal to the accrued excess. Caps, floors and collars require segregation of assets with a value equal to the Fund's net obligation, if any.

Strategic Transactions may be covered by other means when consistent with applicable regulatory policies. The Fund may also enter into offsetting transactions so that its combined position, coupled with any segregated assets,

equals its net outstanding obligation in related options and Strategic Transactions. For example, the Fund could purchase a put option if the strike price of that option is the same or higher than the strike price of a put option sold by the Fund. Moreover, instead of segregating assets if the Fund held a futures or forward contract, it could purchase a put option on the same futures or forward contract with a strike price as high or higher than the price of the contract held. Other Strategic Transactions may also be offset in combinations. If the offsetting transaction terminates at the time of or after the primary transaction no segregation is required, but if it terminates prior to such time, assets equal to any remaining obligation would need to be segregated.

The Fund's activities involving Strategic Transactions may be limited by the requirements of Subchapter M of the Internal Revenue Code for qualification as a regulated investment company. (See "TAXES.")

Investment Restrictions

Unless specified to the contrary, the following restrictions may not be changed without the approval of a majority of the outstanding voting securities of the Fund involved which, under the 1940 Act and the rules thereunder and as used in this Statement of Additional Information, means the lesser of (1) 67% or more of the voting securities present at a meeting, if the holders of more than 50% of the outstanding voting securities of the Fund are present or represented by proxy; or (2) more than 50% of the outstanding voting securities of the Fund.

Any investment restrictions herein which involve a maximum percentage of securities or assets shall not be considered to be violated unless an excess over the percentage occurs immediately after, and is caused by, an acquisition or encumbrance of securities or assets of, or borrowings by, a Fund. The Fund is under no restriction as to the amount of portfolio securities which may be bought or sold.

As a matter of fundamental policy, the Fund may not:

1. with respect to 75% of its total assets taken at market value purchase more than 10% of the voting securities of any one issuer; or invest more than 5% of the value of its total assets in the securities of any one issuer, except obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities and except securities of other investment companies;
2. borrow money except as a temporary measure for extraordinary or emergency purposes or except in connection with reverse repurchase agreements provided that the Fund maintains asset coverage of 300% for all borrowings;
3. purchase or sell real estate (except that the Fund may invest in (i) securities of companies which deal in real estate or mortgages, and (ii) securities secured by real estate or interests therein, and that the Fund reserves freedom of action to hold and to sell real estate acquired as a result of the Fund's ownership of securities); or purchase or sell physical commodities or contracts relating to physical commodities;
4. act as underwriter of securities issued by others, except to the extent that it may be deemed an underwriter in connection with the disposition of portfolio securities of the Fund;
5. make loans to other persons, except (a) loans of portfolio securities, and (b) to the extent the entry into repurchase agreements and the purchase of debt securities in accordance with its investment objective and investment policies may be deemed to be loans;
6. issue senior securities, except as appropriate to evidence indebtedness which it is permitted to incur and except for shares of the separate classes or series of the Trust, provided that collateral arrangements with respect to currency-related contracts, futures contracts, options or other permitted investments, including deposits of initial and variation margin, are not considered to be the issuance of senior securities for purposes of this restriction; and

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7. purchase any securities which would cause more than 25% of the market value of its total assets at the time of such purchase to be invested in the securities of one or more issuers having their principal business activities in the same industry, provided that there is no limitation in respect to investments in obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities (for the purposes of this restriction, telephone companies are considered to be in a separate industry from gas and electric public utilities, and wholly-owned finance companies are considered to be in the industry of their parents if their activities are primarily related to financing the activities of their parents).

The Fund has undertaken that if the Fund obtains an exemptive order of the SEC which would permit the taking of action in contravention of any policy which may not be changed without a shareholder vote, the Fund will not take such action unless either (i) the applicable exemptive order permits the taking of such action without a shareholder vote or (ii) the staff of the SEC has issued to the Fund a "no action" or interpretive letter to the effect that the Fund may proceed without a shareholder vote.

As a matter of nonfundamental policy, the Fund may not:

- (a) purchase or retain securities of any open-end investment company or securities of closed-end investment companies except by purchase in the open market where no commission or profit to a sponsor or dealer results from such purchases, or except when such purchase, though not made in the open market, is part of a plan of merger, consolidation, reorganization or acquisition of assets; in any event the Fund may not purchase more than 3% of the outstanding voting securities of another investment company, may not invest more than 5% of its assets in another investment company, and may not invest more than 10% of its assets in other investment companies;
- (b) pledge, mortgage or hypothecate its assets in excess, together with permitted borrowings, of 1/3 of its total assets;

- (c) purchase or retain securities of an issuer any of whose officers, directors, trustees or security holders is an officer, director or trustee of the Fund or a member, officer, director or trustee of the investment adviser of the Fund if one or more of such individuals owns beneficially more than one-half of one percent (1/2%) of the outstanding shares or securities or both (taken at market value) of such issuer and such individuals owning more than one-half of one percent (1/2%) of such shares or securities together own beneficially more than 5% of such shares or securities or both;
- (d) purchase securities on margin or make short sales unless, by virtue of its ownership of other securities, it has the right to obtain securities equivalent in kind and amount to the securities sold and, if the right is conditional, the sale is made upon the same conditions, except in connection with arbitrage transactions and except that the Fund may obtain such short-term credits as may be necessary for the clearance of purchases and sales of securities;
- (e) invest more than 10% of its net assets in securities which are not readily marketable, the disposition of which is restricted under Federal securities laws, or in repurchase agreements not terminable within 7 days, and the Fund will not invest more than 5% of its total assets in restricted securities;
- (f) purchase securities of any issuer with a record of less than three years continuous operations, including predecessors, except U.S. Government securities, securities of such issuers which are rated by at least one nationally recognized statistical rating organization, municipal obligations and obligations issued or guaranteed by any foreign government or its agencies or instrumentalities, if such purchase would cause the investments of the Fund in all such issuers to exceed 5% of the total assets of the Fund taken at market value;
- (g) purchase more than 10% of the voting securities of any one issuer, except securities issued by the U.S. Government, its agencies or instrumentalities;

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- (h) buy options on securities or financial instruments, unless the aggregate premiums paid on all such options held by the Fund at any time do not exceed 20% of its net assets; or sell put options on securities if, as a result, the aggregate value of the obligations underlying such put options would exceed 50% of the Fund's net assets;
- (i) enter into futures contracts or purchase options thereon unless immediately after the purchase, the value of the aggregate initial margin with respect to all futures contracts entered into on behalf of the Fund and the premiums paid for options on futures contracts does not exceed 5% of the fair market value of the Fund's total assets; provided 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 computing the 5% limit;
- (j) invest in oil, gas or other mineral leases, or exploration or development programs (although it may invest in issuers which own or invest in such interests);
- (k) borrow money including reverse repurchase agreements, in excess of 5% of its total assets (taken at market value) except for temporary or emergency purposes, or borrow other than from banks;
- (l) purchase warrants if as a result warrants taken at the lower of cost or market value would represent more than 5% of the value of the Fund's total net assets or more than 2% of its net assets in warrants that are not listed on the New York or American Stock Exchanges or on an exchange with comparable listing requirements (for this purpose, warrants attached to securities will be deemed to have no value);
- (m) make securities loans if the value of such securities loaned exceeds 33(1)/(3)% of the value of the Fund's total assets at the time any loan is made; all loans of portfolio securities will be fully collateralized and marked to market daily; and
- (n) purchase or sell real estate limited partnership interests.

PURCHASES

(See "Purchases" and "Transaction information" in the Fund's prospectus.)

Additional Information About Opening An Account

Clients having a regular investment counsel account with the Adviser or its affiliates and members of their immediate families, officers and employees of the Adviser or of any affiliated organization and their immediate families, members of the National Association of Securities Dealers, Inc. ("NASD") and banks may, if they prefer, subscribe initially for at least \$1,000 of Fund shares through Scudder Investor Services, Inc. (the "Distributor") by letter, fax, TWX or telephone.

Shareholders of other Scudder funds who have submitted an account application and have a certified taxpayer identification number, clients having a regular investment counsel account with the Adviser or its affiliates and members of their immediate families, officers and employees of the Adviser or of any affiliated organization and their immediate families, members of the NASD and banks may open an account by wire. These investors must call 1-800-225-5163 to get an account number. During the call the investor will be asked to indicate the Fund name, amount to be wired (\$1,000 minimum), name of bank or trust company from which the wire will be sent, the exact registration of the new account, the taxpayer identification or Social Security number, address and telephone number. The investor must then call the bank to arrange a wire transfer to The Scudder Funds, State Street Bank and Trust Company, Boston, MA 02101, ABA Number 011000028, DDA Account Number 9903-5552. The investor must give the Scudder fund name, account name and new account number. Finally, the investor must send the completed and signed application to the Fund promptly.

The minimum initial purchase amount is less than \$1,000 under certain special plan accounts.

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Additional Information About Making Subsequent Investments

Subsequent purchase orders for \$10,000 or more, and for an amount not greater than four times the value of the shareholder's account, may be placed by telephone, fax, etc. by members of the NASD, by banks, and by established shareholders [except by Scudder Individual Retirement Account (IRA), Scudder Profit Sharing and Money Purchase Pension Plans, and Scudder 401(k) and Scudder 403(b) Plan holders]. Orders placed in this manner may be directed to any office of the Distributor listed in the Fund's prospectus. A two-part invoice of the purchase will be mailed out promptly following receipt of a request to buy. Payment should be attached to a copy of the invoice for proper identification. Federal regulations require that payment be received within seven business days. If payment is not received within that time, the shares may be canceled. In the event of such cancellation or cancellation at the purchaser's request, the purchaser will be responsible for any loss incurred by the Fund or the principal underwriter by reason of such cancellation. If the purchaser is a shareholder, the Fund shall have the authority, as agent of the shareholder, to redeem shares in the account in order to reimburse the Fund or the principal underwriter for the loss incurred. Net losses on such transactions which are not recovered from the purchaser will be absorbed by the principal underwriter. Any net profit on the liquidation of unpaid shares will accrue to the Fund.

Checks

A certified check is not necessary but checks are only accepted subject to collection at full face value in U.S. funds and must be drawn on, or payable through, a U.S. bank.

If shares of the Fund are purchased by a check which proves to be uncollectible, the Trust reserves the right to cancel the purchase immediately and the purchaser will be responsible for any loss incurred by the Trust or the principal underwriter by reason of such cancellation. If the purchaser is a shareholder, the Trust will have the authority, as agent of the shareholder, to redeem shares in the account in order to reimburse the Fund or the principal underwriter for the loss incurred. Investors whose orders have been canceled may be prohibited from, or restricted in, placing future orders in any of the Scudder funds.

Wire Transfer of Federal Funds

To obtain the net asset value determined as of the close of regular trading on the Exchange on a selected day, your bank must forward federal funds by wire transfer and provide the required account information so as to be available to the Fund prior to the close of regular trading on the Exchange (normally 4 p.m., eastern time).

The bank sending an investor's federal funds by bank wire may charge for

the service. Presently the Distributor pays a fee for receipt by State Street Bank and Trust Company (the "Custodian") of "wired funds," but the right to charge investors for this service is reserved.

Boston banks are closed on certain holidays although the Exchange may be open. These holidays include Martin Luther King, Jr. Day (the 3rd Monday in January), Columbus Day (the 2nd Monday in October) and Veterans' Day (November 11). Investors are not able to purchase shares by wiring federal funds on such holidays because the Custodian is not open to receive such federal funds on behalf of the Fund.

Share Price

Purchases will be filled without sales charge at the net asset value next computed after receipt of the application in good order. Net asset value normally will be computed as of the close of regular trading on the Exchange on each day during which the Exchange is open for trading. Orders received after the close of regular trading on the Exchange will receive the next day's net asset value. If the order has been placed by a member of the NASD, other than the Distributor, it is the responsibility of that member broker, rather than the Fund, to forward the purchase order to the Fund's transfer agent in Boston by the close of regular trading on the Exchange.

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Share Certificates

Due to the desire of the Trust's management to afford ease of redemption, certificates will not be issued to indicate ownership in the Fund. Share certificates now in a shareholder's possession may be sent to Scudder Service Corporation (the "Transfer Agent") for cancellation and credit to such shareholder's account. Shareholders who prefer may hold the certificates in their possession until they wish to exchange or redeem such shares. (See "Redeeming shares" in the Fund's prospectus.)

Other Information

If purchases or redemptions of Fund shares are arranged and settlement is made at the investor's election through a member of the NASD other than the Distributor, that member may, at its discretion, charge a fee for that service.

The Board of Trustees and the Distributor, the Trust's principal underwriter, each has the right to limit the amount of purchases by, and to refuse to sell to, any person. The Trustees and the Distributor may suspend or terminate the offering of shares of the Fund at any time.

The Tax Identification Number section of the application must be completed when opening an account. Applications and purchase orders without a certified tax identification number and certain other certified information (e.g., from exempt organizations, certification of exempt status) will be returned to the investor.

The Trust may issue shares of the Fund at net asset value in connection with any merger or consolidation with, or acquisition of the assets of, any investment company (or series thereof) or personal holding company, subject to the requirements of the 1940 Act.

EXCHANGES AND REDEMPTIONS

(See "Exchanges and redemptions" and "Transaction information" in the Fund's prospectus.)

Exchanges

Exchanges are comprised of a redemption from one Scudder fund and a purchase into another Scudder fund. The purchase side of the exchange may be either an additional investment into an existing account or may involve opening a new account in another fund. When an exchange involves a new account, the new account will be established with the same registration, tax identification number, address, telephone redemption option, "Scudder Automated Information Line" (SAIL) and dividend option as the existing account. Other features will not carry over automatically to the new account. Exchanges into a new fund account must be for a minimum of \$1,000. When an exchange represents an additional investment into an existing account, the account receiving the exchange proceeds must have identical registration, tax identification number, address, and account options/features as the account of origin. Exchanges into an existing account must be for \$100 or more. If the account receiving the exchange proceeds is different in any respect, the exchange request must be in writing and must contain an original signature guarantee as described under "Transaction information--Redeeming shares--Signature guarantee" in the Fund's prospectus.

Exchange orders received before the close of regular trading on the

Exchange on any business day ordinarily will be executed at the respective net asset value determined on that day. Exchange orders received after the close of regular trading on the Exchange will be executed on the following business day.

Investors may also request, at no extra charge, to have exchanges automatically executed on a predetermined schedule from one Scudder fund to an existing account in another Scudder fund through Scudder's Automatic Exchange Program. Exchanges must be for a minimum of \$50. Shareholders may add this free feature over the phone or in writing. Automatic Exchanges will continue until the shareholder requests by phone or in writing to have the feature removed, or until the originating account is depleted. The Trust and the Transfer Agent each reserves the right to suspend or terminate the privilege of the Automatic Exchange Program at any time.

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There is no charge to the shareholder for any exchange described above. An exchange into another Scudder fund is a redemption of shares, and therefore may result in tax consequences (gain or loss) to the shareholder and the proceeds of such exchange may be subject to backup withholding. (See "TAXES.")

Investors currently receive the exchange privilege, including exchange by telephone, automatically without having to elect it. The Trust employs procedures, including recording telephone calls, testing a caller's identity, and sending written confirmation of telephone transactions, designed to give reasonable assurance that instructions communicated by telephone are genuine, and to discourage fraud. To the extent that the Trust does not follow such procedures, it may be liable for losses due to unauthorized or fraudulent telephone instructions. The Trust will not be liable for acting upon instructions communicated by telephone that it reasonably believes to be genuine. The Trust and the Transfer Agent each reserves the right to suspend or terminate the privilege of exchanging by telephone or fax at any time.

The Scudder funds into which investors may make an exchange are listed under "THE SCUDDER FAMILY OF FUNDS" herein. Before making an exchange, shareholders should obtain a prospectus of the Scudder fund into which the exchange is being contemplated from the Distributor.

Scudder retirement plans may have different exchange requirements. Please refer to appropriate plan literature.

Redemption by Telephone

Shareholders currently receive the right, automatically without having to elect it, to redeem by telephone up to \$50,000 to their address of record. Shareholders may also request by telephone to have the proceeds mailed or wired to their pre-designated bank account. In order to request wire redemptions by telephone, shareholders must have completed and returned to the Transfer Agent the application, including the designation of a bank account to which the redemption proceeds are to be sent.

- (a) NEW INVESTORS wishing to establish telephone redemption to a predesignated bank account must complete the appropriate section on the application.
- (b) EXISTING SHAREHOLDERS (except those who are Scudder IRA, Scudder Pension and Profit Sharing, Scudder 401(k) and Scudder 403(b) plan holders) who wish to establish telephone redemption to a predesignated bank account or who want to change the bank account previously designated to receive redemption proceeds should either return a Telephone Redemption Option Form (available upon request) or send a letter identifying the account and specifying the exact information to be changed. The letter must be signed exactly as the shareholder's name(s) appears on the account. An original signature and an original signature guarantee are required for each person in whose name the account is registered.

Telephone redemption is not available with respect to shares represented by share certificates or shares held in retirement accounts.

If a request for redemption to a shareholder's bank account is made by telephone or fax, payment will be made by Federal Reserve Bank wire to the bank account designated on the application unless a request is made that the redemption check be mailed to the designated bank account. There will be a \$5.00 charge for all wire redemptions.

Note: Investors designating that a savings bank receive their telephone redemption proceeds are advised that if the savings bank is not a participant in the Federal Reserve System, redemption proceeds must be wired through a

commercial bank which is a correspondent of the savings bank. As this may delay receipt by the shareholder's account, it is suggested that investors wishing to use a savings bank discuss wire procedures with their banks and submit any special wire transfer information with the telephone redemption authorization. If appropriate wire information is not supplied, redemption proceeds will be mailed to the designated bank.

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The Trust employs procedures, including recording telephone calls, testing a caller's identity, and sending written confirmation of telephone transactions, designed to give reasonable assurance that instructions communicated by telephone are genuine, and to discourage fraud. To the extent that the Trust does not follow such procedures, it may be liable for losses due to unauthorized or fraudulent telephone instructions. The Trust will not be liable for acting upon instructions communicated by telephone that it reasonably believes to be genuine.

Redemption requests by telephone (technically a repurchase by agreement between the Trust and the shareholder) of shares purchased by check will not be accepted until the purchase check has cleared, which may take up to seven business days.

Redemption by Mail or Fax

Any existing share certificates representing shares being redeemed must accompany a request for redemption and be duly endorsed or accompanied by a proper stock assignment form with signature(s) guaranteed as explained in the Fund's prospectus.

In order to ensure proper authorization before redeeming shares, the Transfer Agent may request additional documents such as, but not restricted to, stock powers, trust instruments, certificates of death, appointments as executor, certificates of corporate authority and waivers of tax (required in some states when settling estates).

It is suggested that shareholders holding share certificates or shares registered in other than individual names contact the Transfer Agent prior to redemptions to ensure that all necessary documents accompany the request. When shares are held in the name of a corporation, trust, fiduciary agent, attorney or partnership, the Transfer Agent requires, in addition to the stock power, certified evidence of authority to sign. These procedures are for the protection of shareholders and should be followed to ensure prompt payment. Redemption requests must not be conditional as to date or price of the redemption. Proceeds of a redemption will be sent within five business days after receipt by the Transfer Agent of a request for redemption that complies with the above requirements. Delays in payment of more than seven days for shares tendered for repurchase or redemption may result but only until the purchase check has cleared.

The requirements for IRA redemptions are different from those for regular accounts. For more information please call 1-800-225-5163.

Redemption-In-Kind

The Trust reserves the right, if conditions exist which make cash payments undesirable, to honor any request for redemption or repurchase order by making payment in whole or in part in readily marketable securities chosen by the Trust and valued as they are for purposes of computing the Fund's net asset value (a redemption-in-kind). If payment is made in securities, a shareholder may incur transaction expenses in converting these securities into cash. The Fund has elected, however, to be governed by Rule 18f-1 under the 1940 Act as a result of which the Trust is obligated to redeem shares, with respect to any one shareholder during any 90 day period, solely in cash up to the lesser of \$250,000 or 1% of the net asset value of the Fund at the beginning of the period.

Other Information

Clients, officers or employees of the Adviser or of an affiliated organization and members of such clients', officers' or employees' immediate families, banks and members of the NASD may direct repurchase requests to the Trust through the Distributor at Two International Place, Boston, Massachusetts 02110-4103 by letter, fax or telephone. A two-part confirmation will be mailed out promptly after receipt of the redemption request. A written request in good order as described above and any certificates with a proper signature guarantee(s), as described in the Fund's prospectus under "Transaction information--Redeeming shares--Signature guarantee", should be sent with a copy of the invoice to Scudder Service Corporation, Confirmed Processing Department, Two International Place, Boston, Massachusetts 02110-4103. Failure to deliver shares or required documents (see above) by the settlement date may result in cancellation of the trade and the shareholder will be responsible for any loss incurred by the Fund or the principal underwriter by reason of such

redeem shares in the account in order to reimburse the Fund or the principal underwriter for the loss incurred. Net losses on such transactions which are not recovered from the shareholder will be absorbed by the principal underwriter. Any net gains so resulting will accrue to the Fund. For this group, repurchases will be carried out at the net asset value next computed after such repurchase requests have been received. The arrangements described in this paragraph for repurchasing shares are discretionary and may be discontinued at any time.

If a shareholder redeems all shares in the account after the record date of a dividend, the shareholder will receive in addition to the net asset value thereof, all declared but unpaid dividends thereon. The value of shares redeemed or repurchased may be more or less than the shareholder's cost depending on the net asset value at the time of redemption or repurchase. The Trust does not impose a redemption or repurchase charge although a wire charge may be applicable for redemption proceeds wired to an investor's bank account. Redemption of shares, including an exchange into another Scudder fund, may result in tax consequences (gain or loss) to the shareholder and the proceeds of such redemptions may be subject to backup withholding. (See "TAXES.")

Shareholders who wish to redeem shares from Special Plan Accounts should contact the employer, trustee or custodian of the Plan for the requirements.

The determination of net asset value may be suspended at times and a shareholder's right to redeem shares and to receive payment may be suspended at times during which (a) the Exchange is closed, other than customary weekend and holiday closings, (b) trading on the Exchange is restricted, (c) an emergency exists as a result of which disposal by the Trust of securities owned by it is not reasonably practicable or it is not reasonably practicable for the Fund fairly to determine the value of its net assets or (d) a governmental body having jurisdiction over the Fund may by order permit such a suspension for the protection of the Trust's shareholders; provided that applicable rules and regulations of the SEC (or any succeeding governmental authority) will govern as to whether the conditions prescribed in (b), (c) or (d) exist.

If transactions at any time reduce a shareholder's account balance in the Fund to below \$1,000 in value, the Trust may notify the shareholder that, unless the account balance is brought up to at least \$1,000, the Trust will redeem all shares and close the account by making payment to the shareholder. The shareholder has sixty days to bring the account balance up to \$1,000 before any action will be taken by the Fund. No transfer from an existing account to a new fund account may be for less than \$1,000 or the new account will be redeemed as described above. (This policy applies to accounts of new shareholders, but does not apply to certain Special Plan Accounts.) The Trustees have the authority to change the minimum account size.

FEATURES AND SERVICES OFFERED BY THE FUND

(See "Shareholder benefits" in the Fund's prospectus.)

The Pure No-Load(TM) Concept

Investors are encouraged to be aware of the full ramifications of mutual fund fee structures, and of how Scudder distinguishes its funds from the vast majority of mutual funds available today. The primary distinction is between load and no-load funds.

Load funds generally are defined as mutual funds that charge a fee for the sale and distribution of fund shares. There are three types of loads: front-end loads, back-end loads, and asset-based 12b-1 fees. 12b-1 fees are distribution-related fees charged against fund assets and are distinct from service fees, which are charged for personal services and/or maintenance of shareholder accounts. Asset-based sales charges and service fees are typically paid pursuant to distribution plans adopted under 12b-1 under the 1940 Act.

A front-end load is a sales charge, which can be as high as 8.50% of the amount invested. A back-end load is a contingent deferred sales charge, which can be as high as 8.50% of either the amount invested or redeemed. The maximum front-end or back-end load varies, and depends upon whether or not a fund also charges a 12b-1 fee and/or a service fee or offers investors various sales-related services such as dividend reinvestment. The maximum charge for a

12b-1 fee is 0.75% of a fund's average annual net assets, and the maximum charge for a service fee is 0.25% of a fund's average annual net assets.

A no-load fund does not charge a front-end or back-end load, but can charge

a small 12b-1 fee and/or service fee against fund assets. Under the National Association of Securities Dealers Rules of Fair Practice, a mutual fund can call itself a "no-load" fund only if the 12b-1 fee and/or service fee does not exceed 0.25% of a fund's average annual net assets.

Because Scudder funds do not pay any asset-based sales charges or service fees, Scudder developed and trademarked the phrase pure no-load(TM) to distinguish Scudder funds from other no-load mutual funds. Scudder pioneered the no-load concept when it created the nation's first no-load fund in 1928, and later developed the nation's first family of no-load mutual funds.

The following chart shows the potential long-term advantage of investing \$10,000 in a Scudder pure no-load fund over investing the same amount in a load fund that collects an 8.50% front-end load, a load fund that collects only a 0.75% 12b-1 and/or service fee, and a no-load fund charging only a 0.25% 12b-1 and/or service fee. The hypothetical figures in the chart show the value of an account assuming a constant 10% rate of return over the time periods indicated and reinvestment of dividends and distributions.

<TABLE>
<CAPTION>

YEARS	Scudder Pure No-Load[tm] Fund	8.50% Load Fund	Load Fund with 0.75% 12b-1 Fee	No-Load Fund with 0.25% 12b-1 Fee
<S>	<C>	<C>	<C>	<C>
10	\$25,937	\$ 23,733	\$ 24,222	\$ 25,354
15	41,772	38,222	37,698	40,371
20	67,275	61,557	58,672	64,282

</TABLE>

Investors are encouraged to review the fee tables on page 2 of the Fund's prospectus for more specific information about the rates at which management fees and other expenses are assessed.

Distribution Plans

Investors have freedom to choose whether to receive cash or to reinvest any dividends from net investment income or distributions from realized capital gains in additional shares of the Fund. A change of instructions for the method of payment must be received by the Transfer Agent at least five days prior to a dividend record date. Shareholders may change their dividend option either by calling 1-800-225-5163 or by sending written instructions to the Transfer Agent. Please include your account number with your written request. See "How to contact Scudder" in the prospectus for the address.

Reinvestment is usually made at the closing net asset value determined on the day following the record date. Investors may leave standing instructions with the Transfer Agent designating their option for either reinvestment or cash distribution of any income dividends or capital gains distributions. If no election is made, dividends and distributions will be invested in additional shares of the Fund.

Investors may also have dividends and distributions automatically deposited to their predesignated bank account through Scudder's DistributionsDirect Program. Shareholders who elect to participate in the DistributionsDirect

Program, and whose predesignated checking account of record is with a member bank of the Automated Clearing House Network (ACH) can have income and capital gain distributions automatically deposited to their personal bank account usually within three business days after the Fund pays its distribution. A DistributionsDirect request form can be obtained by calling 1-800-225-5163.

Investors choosing to participate in Scudder's Automatic Investment Withdrawal Plan must reinvest any dividends or capital gains. For most retirement plan accounts, the reinvestment of dividends and capital gains is also required.

Diversification

Your investment represents an interest in a large, diversified portfolio of carefully selected securities. Diversification may protect you against the possible risks associated with concentrating in fewer securities or in a specific market sector.

Scudder Funds Centers

Investors may visit any of the Fund Centers maintained by Scudder Investor

Services, Inc. The Centers are designed to provide individuals with services during any business day. Investors may pick up literature or find assistance with opening an account, adding monies or special options to existing accounts, making exchanges within the Scudder Family of Funds, redeeming shares, or opening retirement plans. Checks should not be mailed to the Centers but to "The Scudder Funds" at the address listed under "How to Contact Scudder" in the Prospectus.

Reports to Shareholders

The Trust issues shareholders financial statements examined by independent accountants on a semi-annual basis and audited annually. These include a list of investments held and statements of assets and liabilities, operations, changes in net assets and supplementary information. The Fund presently intends to distribute to shareholders informal quarterly reports during the intervening quarters, containing a summary of the Fund's performance and portfolio holdings.

Transaction Summaries

Annual summaries of all transactions in each Fund account are available to shareholders. The summaries may be obtained by calling 1-800-225-5163.

THE SCUDDER FAMILY OF FUNDS

(See "Investment products and services" in the Fund's prospectus.)

The Scudder Family of Funds is America's first family of mutual funds and the nation's oldest family of no-load mutual funds. To assist investors in choosing a Scudder fund, descriptions of the Scudder funds' objectives follow. Initial purchases in each Scudder fund must be at least \$1,000 or \$500 in the case of IRAs. Subsequent purchases must be for \$100 or more. Minimum investments for special plan accounts may be lower.

MONEY MARKET

Scudder Cash Investment Trust ("SCIT") seeks to maintain the stability of capital, and consistent therewith, to maintain the liquidity of capital and to provide current income through investment in a supervised portfolio of short-term debt securities. SCIT intends to seek to maintain a constant net asset value of \$1.00 per share, although in certain circumstances this may not be possible.

Scudder U.S. Treasury Money Fund seeks to provide safety, liquidity and stability of capital and consistent therewith to provide current income

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through investment in a supervised portfolio of U.S. Government and U.S. Government guaranteed obligations with maturities of not more than 762 calendar days. The Fund intends to seek to maintain a constant net asset value of \$1.00 per share, although in certain circumstances this may not be possible.

INCOME

Scudder Emerging Markets Income Fund seeks to provide high current income and, secondarily, long-term capital appreciation through investments primarily in high-yielding debt securities issued in emerging markets.

Scudder GNMA Fund seeks to provide investors with high current income from a portfolio of high-quality GNMA securities.

Scudder Income Fund seeks to earn a high level of income consistent with the prudent investment of capital through a flexible investment program emphasizing high-grade bonds.

Scudder International Bond Fund seeks to provide income from a portfolio of high-grade bonds denominated in foreign currencies. As a secondary objective, the Fund seeks protection and possible enhancement of principal value by actively managing currency, bond market and maturity exposure and by security selection.

Scudder Short Term Bond Fund seeks to provide a higher and more stable level of income than is normally provided by money market investments, and more price stability than investments in intermediate-and long-term bonds.

Scudder Short Term Global Income Fund seeks to provide high current income from a portfolio of high-grade money market instruments and short-term bonds denominated in foreign currencies and the U.S. dollar.

Scudder Zero Coupon 2000 Fund seeks to provide as high an investment

return over a selected period as is consistent with the minimization of reinvestment risks through investments primarily in zero coupon securities.

TAX FREE MONEY MARKET

Scudder Tax Free Money Fund ("STFMF") is designed to provide investors with income exempt from regular federal income tax while seeking stability of principal. STFMF seeks to maintain a constant net asset value of \$1.00 per share, although in certain circumstances this may not be possible.

Scudder California Tax Free Money Fund* is designed to provide California taxpayers income exempt from California state and regular federal income taxes, and seeks stability of capital and the maintenance of a constant net asset value of \$1.00 per share, although in certain circumstances this may not be possible.

Scudder New York Tax Free Money Fund* is designed to provide New York taxpayers income exempt from New York state, New York City and regular federal income taxes, and seeks stability of capital and the maintenance of a constant net asset value of \$1.00 per share, although in certain circumstances this may not be possible.

* These funds are not available for sale in all states. For information, contact Scudder Investor Services, Inc.

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TAX FREE

Scudder High Yield Tax Free Fund seeks to provide high income which is exempt from regular federal income tax by investing in investment-grade municipal securities.

Scudder Limited Term Tax Free Fund seeks to provide as high a level of income exempt from regular federal income tax as is consistent with a high degree of principal stability.

Scudder Managed Municipal Bonds seeks to provide income which is exempt from regular federal income tax primarily through investments in long-term municipal securities with an emphasis on high quality.

Scudder Medium Term Tax Free Fund seeks to provide a high level of income free from regular federal income taxes and to limit principal fluctuation by investing in high-grade municipal securities of intermediate maturities.

Scudder California Tax Free Fund* seeks to provide income exempt from both California and regular federal income taxes through the professional and efficient management of a portfolio consisting of California state, municipal and local government obligations.

Scudder Massachusetts Limited Term Tax Free Fund* seeks to provide as high a level of income exempt from Massachusetts personal and regular federal income tax as is consistent with a high degree of principal stability.

Scudder Massachusetts Tax Free Fund* seeks to provide income exempt from both Massachusetts and regular federal income taxes through the professional and efficient management of a portfolio consisting of Massachusetts state, municipal and local government obligations.

Scudder New York Tax Free Fund* seeks to provide income exempt from New York state, New York City and regular federal income taxes through the professional and efficient management of a portfolio consisting of investments in New York state, municipal and local government obligations.

Scudder Ohio Tax Free Fund* seeks to provide income exempt from both Ohio and regular federal income taxes through the professional and efficient management of a portfolio consisting of Ohio state, municipal and local government obligations.

Scudder Pennsylvania Tax Free Fund* seeks to provide income exempt from both Pennsylvania and regular federal income taxes through a portfolio consisting of Pennsylvania state, municipal and local government obligations.

GROWTH AND INCOME

Scudder Balanced Fund seeks to provide a balance of growth and income,

as well as long-term preservation of capital, from a diversified portfolio of equity and fixed income securities.

Scudder Growth and Income Fund seeks to provide long-term growth of capital, current income, and growth of income through a portfolio invested primarily in common stocks and convertible securities by companies which offer the prospect of growth of earnings while paying current dividends.

* These funds are not available for sale in all states. For information, contact Scudder Investor Services, Inc.

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GROWTH

Scudder Capital Growth Fund seeks to maximize long-term growth of capital through a broad and flexible investment program emphasizing common stocks.

Scudder Development Fund seeks to achieve long-term growth of capital primarily through investments in marketable securities, principally common stocks, of relatively small or little-known companies which in the opinion of management have promise of expanding their size and profitability or of gaining increased market recognition for their securities, or both.

Scudder Global Fund seeks long-term growth of capital primarily through a diversified portfolio of marketable equity securities selected on a worldwide basis. It may also invest in debt securities of U.S. and foreign issuers. Income is an incidental consideration.

Scudder Global Small Company Fund seeks above-average capital appreciation over the long term by investing primarily in the equity securities of small companies located throughout the world.

Scudder Gold Fund seeks maximum return (principal change and income) consistent with investing in a portfolio of gold-related equity securities and gold.

Scudder Greater Europe Growth Fund seeks long-term growth of capital through investments primarily in the equity securities of European companies.

Scudder International Fund seeks long-term growth of capital through investment principally in a diversified portfolio of marketable equity securities selected primarily to permit participation in non-U.S. companies and economies with prospects for growth. It also invests in fixed-income securities of foreign governments and companies, with a view toward total investment return.

Scudder Latin America Fund seeks to provide long-term capital appreciation through investment primarily in the securities of Latin American issuers.

Scudder Pacific Opportunities Fund seeks long-term growth of capital through investment primarily in the equity securities of Pacific Basin companies, excluding Japan.

Scudder Quality Growth Fund seeks to provide long-term growth of capital through investment primarily in the equity securities of seasoned, financially strong U.S. growth companies.

Scudder Value Fund seeks long-term growth of capital through investment in undervalued equity securities.

The Japan Fund, Inc. seeks capital appreciation through investment in Japanese securities, primarily in common stocks of Japanese companies.

The net asset values of most Scudder Funds can be found daily in the "Mutual Funds" section of The Wall Street Journal under "Scudder Funds," and in other leading newspapers throughout the country. Investors will notice the net asset value and offering price are the same, reflecting the fact that no sales commission or "load" is charged on the sale of shares of the Scudder Funds. The latest seven-day yields for the money-market funds can be found every Monday and Thursday in the "Money-Market Funds" section of The Wall Street Journal. This information also may be obtained by calling the Scudder Automated Information Line (SAIL) at 1-800-343-2890.

The Scudder Family of Funds offers many conveniences and services, including: active professional investment management; broad and diversified

investment portfolios; pure no-load funds with no commissions to purchase or redeem shares or Rule 12b-1 distribution fees; individual attention from a Scudder Service Representative; easy telephone exchanges into Scudder money

market, tax free, income, and growth funds; shares redeemable at net asset value at any time.

SPECIAL PLAN ACCOUNTS

(See "Scudder tax-advantaged retirement plans," "Purchases--By Automatic Investment Plan" and "Exchanges and redemptions--By Automatic Withdrawal Plan" in the Fund's prospectus.)

Detailed information on any Scudder investment plan, including the applicable charges, minimum investment requirements and disclosures made pursuant to Internal Revenue Service (the "IRS") requirements, may be obtained by contacting Scudder Investor Services, Inc., Two International Place, Boston, Massachusetts 02110-4103 or by calling toll free, 1-800-225-2470. It is advisable for an investor considering the funding of the investment plans described below to consult with an attorney or other investment or tax adviser with respect to the suitability requirements and tax aspects thereof.

Shares of the Fund may also be a permitted investment under profit sharing and pension plans and IRA's other than those offered by the Fund's distributor depending on the provisions of the relevant plan or IRA.

None of the plans assures a profit or guarantees protection against depreciation, especially in declining markets.

Scudder Retirement Plans: Profit-Sharing and Money Purchase Pension Plans for Corporations and Self-Employed Individuals

Shares of the Fund may be purchased as the investment medium under a plan in the form of a Scudder Profit-Sharing Plan (including a version of the Plan which includes a cash-or-deferred feature) or a Scudder Money Purchase Pension Plan (jointly referred to as the Scudder Retirement Plans) adopted by a corporation, a self-employed individual or a group of self-employed individuals (including sole proprietorships and partnerships), or other qualifying organization. Each of these forms was approved by the IRS as a prototype. The IRS's approval of an employer's plan under Section 401(a) of the Internal Revenue Code will be greatly facilitated if it is in such approved form. Under certain circumstances, the IRS will assume that a plan, adopted in this form, after special notice to any employees, meets the requirements of Section 401(a) of the Internal Revenue Code.

Scudder 401(k): Cash or Deferred Profit-Sharing Plan for Corporations and Self-Employed Individuals

Shares of the Fund may be purchased as the investment medium under a plan in the form of a Scudder 401(k) Plan adopted by a corporation, a self-employed individual or a group of self-employed individuals (including sole proprietors and partnerships), or other qualifying organization. This plan has been approved as a prototype by the IRS.

Scudder IRA: Individual Retirement Account

Shares of the Fund may be purchased as the underlying investment for an Individual Retirement Account which meets the requirements of Section 408(a) of the Internal Revenue Code.

A single individual who is not an active participant in an employer-maintained retirement plan, a simplified employee pension plan, or a tax-deferred annuity program (a "qualified plan"), and a married individual who is not an active participant in a qualified plan and whose spouse is also not an active participant in a qualified plan, are eligible to make tax deductible contributions of up to \$2,000 to an IRA prior to the year such individual attains age 70 1/2. In addition, certain individuals who are active participants in qualified plans (or who have spouses who are active participants) are also eligible to make tax-deductible contributions to an IRA; the annual amount, if any, of the contribution which such an individual will be eligible to deduct will be determined by the amount of his, her, or their adjusted gross income for the year. Whenever the adjusted gross income limitation prohibits an individual from contributing what would otherwise be the maximum tax-deductible contribution he or she could make, the individual will be eligible to contribute the difference to an IRA in the form of nondeductible contributions.

An eligible individual may contribute as much as \$2,000 of qualified income

(earned income or, under certain circumstances, alimony) to an IRA each year (up to \$2,250 for married couples if one spouse has earned income of no more than \$250). All income and capital gains derived from IRA investments are reinvested and compound tax-deferred until distributed. Such tax-deferred compounding can lead to substantial retirement savings.

The table below shows how much individuals would accumulate in a fully tax-deductible IRA by age 65 (before any distributions) if they contribute \$2,000 at the beginning of each year, assuming average annual returns of 5, 10, and 15%. (At withdrawal, accumulations in this table will be taxable.)

Value of IRA at Age 65
Assuming \$2,000 Deductible Annual Contribution

<TABLE>
<CAPTION>

Starting Age of Contributions	Annual Rate of Return		
	5%	10%	15%
<S>	<C>	<C>	<C>
25	\$253,680	\$973,704	\$4,091,908
35	139,522	361,887	999,914
45	69,439	126,005	235,620
55	26,414	35,062	46,699

</TABLE>

This next table shows how much individuals would accumulate in non-IRA accounts by age 65 if they start with \$2,000 in pretax earned income at the beginning of each year (which is \$1,380 after taxes are paid), assuming average annual returns of 5, 10 and 15%. (At withdrawal, a portion of the accumulation in this table will be taxable.)

Value of a Non-IRA Account at
Age 65 Assuming \$1,380 Annual Contributions
(post tax, \$2,000 pretax) and a 31% Tax Bracket

<TABLE>
<CAPTION>

Starting Age of Contributions	Annual Rate of Return		
	5%	10%	15%
<S>	<C>	<C>	<C>
25	\$119,318	\$287,021	\$741,431
35	73,094	136,868	267,697
45	40,166	59,821	90,764
55	16,709	20,286	24,681

</TABLE>

Scudder 403(b) Plan

Shares of the Fund may also be purchased as the underlying investment for tax sheltered annuity plans under the provisions of Section 403(b)(7) of the Internal Revenue Code. In general, employees of tax-exempt organizations described in Section 501(c)(3) of the Internal Revenue Code (such as hospitals, churches, religious, scientific, or literary organizations and educational institutions) or a public school system are eligible to participate in a 403(b) plan.

Automatic Withdrawal Plan

Non-retirement plan shareholders who currently own or purchase \$10,000 or more of shares of the Fund may establish an Automatic Withdrawal Plan. The investor can then receive monthly, quarterly or periodic redemptions from his or her account for any designated amount of \$50 or more. Payments are mailed at the end of each month. The check amounts may be based on the redemption of a fixed dollar amount, fixed share amount, percent of account value or declining balance. The Plan provides for income dividends and capital gains distributions, if any, to be reinvested in additional shares. Shares are then liquidated as necessary to provide for withdrawal payments. Since the withdrawals are in amounts selected by the investor and have no relationship to yield or income, payments received cannot be considered as yield or income on the investment and the resulting liquidations may deplete or possibly extinguish the initial

investment. Requests for increases in withdrawal amounts or to change payee must be submitted in writing, signed exactly as the account is registered and contain signature guarantee(s) as described under "Transaction information--Redeeming shares--Signature guarantees" in the Fund's prospectus. Any such requests must be received by the Fund's transfer agent by the 15th of the month in which such change is to take effect. An Automatic Withdrawal Plan may be terminated at any time by the shareholder, the Trust or its agent on written notice, and will be

terminated when all shares of the Fund under the Plan have been liquidated or upon receipt by the Trust of notice of death of the shareholder.

An Automatic Withdrawal Plan request form can be obtained by calling 1-800-225-5163.

Group or Salary Deduction Plan

An investor may join a Group or Salary Deduction Plan where satisfactory arrangements have been made with Scudder Investor Services, Inc. for forwarding regular investments through a single source. The minimum annual investment is \$240 per investor which may be made in monthly, quarterly, semiannual or annual payments. The minimum monthly deposit per investor is \$20. Except for trustees or custodian fees for certain retirement plans, at present there is no separate charge for maintaining group or salary deduction plans; however, the Trust and its agents reserve the right to establish a maintenance charge in the future depending on the services required by the investor.

The Trust reserves the right, after notice has been given to the shareholder, to redeem and close a shareholder's account in the event that the shareholder ceases participating in the group plan prior to investment of \$1,000 per individual or in the event of a redemption which occurs prior to the accumulation of that amount or which reduces the account value to less than \$1,000 and the account value is not increased to \$1,000 within a reasonable time after notification. An investor in a plan who has not purchased shares for six months shall be presumed to have stopped making payments under the plan.

Automatic Investment Plan

Shareholders may arrange to make periodic investments through automatic deductions from checking accounts by completing the appropriate form and providing the necessary documentation to establish this service. The minimum investment is \$50.

The Automatic Investment Plan involves an investment strategy called dollar cost averaging. Dollar cost averaging is a method of investing whereby a specific dollar amount is invested at regular intervals. By investing the same dollar amount each period, when shares are priced low the investor will purchase more shares than when the share price is higher. Over a period of time this investment approach may allow the investor to reduce the average price of the shares purchased. However, this investment approach does not assure a profit or protect against loss. This type of regular investment program may be suitable for various investment goals such as, but not limited to, college planning or saving for a home.

Uniform Transfers/Gifts to Minors Act

Grandparents, parents or other donors may set up custodian accounts for minors. The minimum initial investment is \$1,000 unless the donor agrees to continue to make regular share purchases for the account through Scudder's Automatic Investment Plan (AIP). In this case, the minimum initial investment is \$500.

The Trust reserves the right, after notice has been given to the shareholder and custodian, to redeem and close a shareholder's account in the event that regular investments to the account cease before the \$1,000 minimum is reached.

Scudder Trust Company

Annual service fees are paid by the Fund to Scudder Trust Company, an affiliate of the Adviser, for certain retirement plan accounts and are included in the fees paid to the Transfer Agent.

DIVIDENDS AND CAPITAL GAINS DISTRIBUTIONS

(See Distribution and performance information--Dividends and capital gains distributions" in the Fund's prospectus.)

The Fund intends to follow the practice of distributing substantially all of its investment company taxable income which includes any excess of net realized short-term capital gains over net realized long-term capital losses. The Fund may follow the practice of distributing the entire excess of net realized long-term capital gains over net realized short-term capital losses. However, the Fund may retain all or part of such gain for reinvestment, after paying the related federal taxes for which shareholders may then be able to claim a credit against their federal tax liability. If the Fund does not distribute the amount of capital gain and/or net investment income required to be distributed by an excise tax provision of the Internal Revenue Code, the Fund may be subject to that excise tax. In certain circumstances, the Fund may

determine that it is in the interest of shareholders to distribute less than the required amount. (See "TAXES.")

The Fund intends to distribute investment company taxable income, exclusive of net short-term capital gains in excess of net long-term capital losses, in April, July, October and December each year. Distributions of net capital gains realized during each fiscal year will be made annually before the end of the Fund's fiscal year on December 31. Additional distributions, including distributions of net short-term capital gains in excess of net long-term capital losses, may be made within three months of the Fund's fiscal year end, if necessary.

Both types of distributions will be made in shares of the Fund and confirmations will be mailed to each shareholder unless a shareholder has elected to receive cash, in which case a check will be sent.

PERFORMANCE INFORMATION

(See "Distribution and performance information--Performance information" in the Fund's prospectus.)

From time to time, quotations of the Fund's performance may be included in advertisements, sales literature or reports to shareholders or prospective investors. These performance figures are calculated in the following manners:

Average Annual Total Return

Average annual total return is the average annual compound rate of return for periods of one year, five years and ten years (or such shorter periods as may be applicable dating from the commencement of the Fund's operations under its current investment objective), all ended on the last day of a recent calendar quarter. Average annual total return quotations reflect changes in the price of the Fund's shares and assume that all dividends and capital gains distributions during the respective periods were reinvested in Fund shares. Average annual total return is calculated by finding the average annual compound rates of return of a hypothetical investment, over such periods, according to the following formula (average annual total return is then expressed as a percentage):

$$T = (ERV/P)^{(1/n)} - 1$$

Where:

T = Average Annual Total Return.
P = a hypothetical initial investment of \$1,000.
n = number of years.
ERV = ending redeemable value: ERV is the value, at the end of the applicable period, of a hypothetical \$1,000 investment made at the beginning of the applicable period.

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Average Annual Total Return for periods ended December 31, 1994

One Year	Five Years	Ten Years
2.60%	10.22%	14.26%

As described above, average annual total return is based on historical earnings and is not intended to indicate future performance. Average annual total return for the Fund will vary based on changes in market conditions and the level of the Fund's expenses.

In connection with communicating its average annual total return to current or prospective shareholders, the Fund also may compare these figures to the performance of other mutual funds tracked by mutual fund rating services or to unmanaged indices which may assume reinvestment of dividends but generally do not reflect deductions for administrative and management costs.

Cumulative Total Return

Cumulative total return is the cumulative rate of return on a hypothetical initial investment of \$1,000 for a specified period. Cumulative total return quotations reflect changes in the price of a Fund's shares and assume that all dividends and capital gains distributions during the period were reinvested in Fund shares. Cumulative total return is calculated by finding the cumulative rates of a return of a hypothetical investment over such periods, according to the following formula (cumulative total return is then expressed as a percentage):

$$C = (ERV/P) - 1$$

Where:

C = Cumulative Total Return.
P = a hypothetical initial investment of \$1,000.
ERV = ending redeemable value: ERV is the value, at the end of the applicable period, of a hypothetical \$1,000 investment made at the beginning of the applicable period.

Cumulative Total Return for periods ended December 31, 1994

One Year	Five Years	Ten Years
2.60%	62.65%	279.24%

Total Return

Total return is the rate of return on an investment for a specified period of time calculated in the same manner as cumulative total return.

Capital Change

Capital change measures the return from invested capital including reinvested capital gains distributions. Capital change does not include the reinvestment of income dividends.

Quotations of the Fund's performance are based on historical earnings, show the performance of a hypothetical investment and are not intended to indicate future performance of the Fund. An investor's shares when redeemed may be worth more or less than their original cost. Performance of the Fund will vary based on changes in market conditions and the level of the Fund's expenses.

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Because some of the Fund's investments are denominated in foreign currencies, the strength or weakness of the U.S. dollar against these currencies may account for part of the Fund's investment performance. Historical information on the value of the dollar versus foreign currencies may be used from time to time in advertisements concerning the Fund. Such historical information is not indicative of future performance.

Comparison of Fund Performance

A comparison of the quoted non-standard performance offered for various investments is valid only if performance is calculated in the same manner. Since there are different methods of calculating performance, investors should consider the effects of the methods used to calculate performance when comparing performance of the Fund with performance quoted with respect to other investment companies or types of investments.

In connection with communicating its performance to current or prospective shareholders, the Fund also may compare these figures to the performance of unmanaged indices which may assume reinvestment of dividends or interest but generally do not reflect deductions for administrative and management costs. Examples include, but are not limited to the Dow Jones Industrial Average, the Consumer Price Index, Standard & Poor's 500 Composite Stock Price Index (S&P 500), the NASDAQ OTC Composite Index, the NASDAQ Industrials Index, the Russell 2000 Index, and statistics published by the Small Business Administration.

From time to time, in advertising and marketing literature, this Fund's performance may be compared to the performance of broad groups of mutual funds with similar investment goals, as tracked by independent organizations such as, Investment Company Data, Inc. ("ICD"), Lipper Analytical Services, Inc. ("Lipper"), CDA Investment Technologies, Inc. ("CDA"), Morningstar, Inc., Value Line Mutual Fund Survey and other independent organizations. When these organizations' tracking results are used, the Fund will be compared to the appropriate fund category, that is, by fund objective and portfolio holdings, or to the appropriate volatility grouping, where volatility is a measure of a fund's risk. For instance, a Scudder growth fund will be compared to funds in the growth fund category; a Scudder income fund will be compared to funds in the income fund category; and so on. Scudder funds (except for money market funds) may also be compared to funds with similar volatility, as measured statistically by independent organizations.

From time to time, in marketing and other Fund literature, Trustees and officers of the Fund, the Fund's portfolio manager, or members of the portfolio management team may be depicted and quoted to give prospective and current shareholders a better sense of the outlook and approach of those who manage the Fund. In addition, the amount of assets that the Adviser has under management in various geographical areas may be quoted in advertising and marketing materials.

The Fund may be advertised as an investment choice in Scudder's college planning program. The description may contain illustrations of projected future college costs based on assumed rates of inflation and examples of hypothetical fund performance, calculated as described above.

Statistical and other information, as provided by the Social Security Administration, may be used in marketing materials pertaining to retirement planning in order to estimate future payouts of social security benefits. Estimates may be used on demographic and economic data.

Marketing and other Fund literature may include a description of the potential risks and rewards associated with an investment in the Fund. The description may include a "risk/return spectrum" which compares the Fund to other Scudder funds or broad categories of funds, such as money market, bond or equity funds, in terms of potential risks and returns. Money market funds are designed to maintain a constant \$1.00 share price and have a fluctuating yield. Share price, yield and total return of a bond fund will fluctuate. The share price and return of an equity fund also will fluctuate. The description may also compare the Fund to bank products, such as certificates of deposit. Unlike mutual funds, certificates of deposit are insured up to \$100,000 by the U.S. government and offer a fixed rate of return.

Because bank products guarantee the principal value of an investment and money market funds seek stability of principal, these investments are considered to be less risky than investments in either bond or equity funds, which may involve the loss of principal. However, all long-term investments, including

investments in bank products, may be subject to inflation risk, which is the risk of erosion of the value of an investment as prices increase over a long time period. The risks/returns associated with an investment in bond or equity funds depend upon many factors. For bond funds these factors include, but are not limited to, a fund's overall investment objective, the average portfolio maturity, credit quality of the securities held, and interest rate movements. For equity funds, factors include a fund's overall investment objective, the types of equity securities held and the financial position of the issuers of the securities. The risks/returns associated with an investment in international bond or equity funds also will depend upon currency exchange rate fluctuation.

A risk/return spectrum generally will position the various investment categories in the following order: bank products, money market funds, bond funds and equity funds. Shorter-term bond funds generally are considered less risky and offer the potential for less return than longer-term bond funds. The same is true of domestic bond funds relative to international bond funds, and bond funds that purchase higher quality securities relative to bond funds that purchase lower quality securities. Growth and income equity funds are generally considered to be less risky and offer the potential for less return than growth funds. In addition, international equity funds usually are considered more risky than domestic equity funds but generally offer the potential for greater return.

Risk/return spectrums also may depict funds that invest in both domestic and foreign securities or a combination of bond and equity securities.

Evaluation of Fund performance or other relevant statistical information made by independent sources may also be used in advertisements concerning the Fund, including reprints of, or selections from, editorials or articles about this Fund. Sources for Fund performance information and articles about the Fund may include the following:

American Association of Individual Investors' Journal, a monthly publication of the AAI that includes articles on investment analysis techniques.

Asian Wall Street Journal, a weekly Asian newspaper that often reviews U.S. mutual funds investing internationally.

Banxquote, an on-line source of national averages for leading money market and bank CD interest rates, published on a weekly basis by Masterfund, Inc. of Wilmington, Delaware.

Barron's, a Dow Jones and Company, Inc. business and financial weekly that periodically reviews mutual fund performance data.

Business Week, a national business weekly that periodically reports the performance rankings and ratings of a variety of mutual funds investing abroad.

CDA Investment Technologies, Inc., an organization which provides performance and ranking information through examining the dollar results of hypothetical mutual fund investments and comparing these results against appropriate market indices.

Consumer Digest, a monthly business/financial magazine that includes a "Money Watch" section featuring financial news.

Financial Times, Europe's business newspaper, which features from time to time articles on international or country-specific funds.

Financial World, a general business/financial magazine that includes a "Market Watch" department reporting on activities in the mutual fund industry.

Forbes, a national business publication that from time to time reports the performance of specific investment companies in the mutual fund industry.

Fortune, a national business publication that periodically rates the performance of a variety of mutual funds.

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The Frank Russell Company, a West-Coast investment management firm that periodically evaluates international stock markets and compares foreign equity market performance to U.S. stock market performance.

Global Investor, a European publication that periodically reviews the performance of U.S. mutual funds investing internationally.

IBC/Donoghue's Money Fund Report, a weekly publication of the Donoghue Organization, Inc., of Holliston, Massachusetts, reporting on the performance of the nation's money market funds, summarizing money market fund activity and including certain averages as performance benchmarks, specifically "Donoghue's Money Fund Average," and "Donoghue's Government Money Fund Average."

Ibbotson Associates, Inc., a company specializing in investment research and data.

Investment Company Data, Inc., an independent organization which provides performance ranking information for broad classes of mutual funds.

Investor's Daily, a daily newspaper that features financial, economic, and business news.

Kiplinger's Personal Finance Magazine, a monthly investment advisory publication that periodically features the performance of a variety of securities.

Lipper Analytical Services, Inc.'s Mutual Fund Performance Analysis, a weekly publication of industry-wide mutual fund averages by type of fund.

Money, a monthly magazine that from time to time features both specific funds and the mutual fund industry as a whole.

Morgan Stanley International, an integrated investment banking firm that compiles statistical information.

Mutual Fund Values, a biweekly Morningstar, Inc. publication that provides ratings of mutual funds based on fund performance, risk and portfolio characteristics.

Ned Davis Research, an independent research and brokerage firm that specializes in quantitative research and publishes quarterly statistics pertaining to the investment industry.

The New York Times, a nationally distributed newspaper which regularly covers financial news.

The No-Load Fund Investor, a monthly newsletter, published by Sheldon Jacobs, that includes mutual fund performance data and recommendations for the mutual fund investor.

No-Load Fund*X, a monthly newsletter, published by DAL Investment Company, Inc., that reports on mutual fund performance, rates funds and discusses investment strategies for the mutual fund investor.

Personal Investing News, a monthly news publication that often reports on investment opportunities and market conditions.

Personal Investor, a monthly investment advisory publication that includes a "Mutual Funds Outlook" section reporting on mutual fund performance measures, yields, indices and portfolio holdings.

Smart Money, a national personal finance magazine published monthly by Dow Jones and Company, Inc. and The Hearst Corporation. Focus is placed on ideas for investing, spending and saving.

Success, a monthly magazine targeted to the world of entrepreneurs and growing business, often featuring mutual fund performance data.

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United Mutual Fund Selector, a semi-monthly investment newsletter, published by

Babson United Investment Advisors, that includes mutual fund performance data and reviews of mutual fund portfolios and investment strategies.

USA Today, a leading national daily newspaper.

U.S. News and World Report, a national business weekly that periodically reports mutual fund performance data.

Wall Street Journal, a Dow Jones and Company, Inc. newspaper which regularly covers financial news.

Wiesenberger Investment Companies Services, an annual compendium of information about mutual funds and other investment companies, including comparative data on funds' backgrounds, management policies, salient features, management results, income and dividend records and price ranges.

Working Woman, a monthly publication that features a "Financial Workshop" section reporting on the mutual fund/financial industry.

Worth, a national publication put out 10 times per year by Capital Publishing Company, a subsidiary of Fidelity Investments. Focus is placed on personal financial journalism.

FUND ORGANIZATION

(See "Fund organization" in the Fund's prospectus.)

The Fund is a series of Scudder Investment Trust, a Massachusetts business trust established under a Declaration of Trust dated September 20, 1984, as amended. The name of the Trust was changed on May 15, 1991 from Scudder Growth and Income Fund. The other series of the Trust is Scudder Quality Growth Fund.

On November 4, 1987, the par value of the shares of beneficial interest of the Trust was changed from no par value to \$0.01 par value per share. The Trust's authorized capital consists of an unlimited number of shares of beneficial interest of \$0.01 par value, all of which are of one class and have equal rights as to voting, dividends and liquidation. The Trustees have the authority to issue two or more series of shares and to designate the relative rights and preferences as between the different series. All shares issued and outstanding will be fully paid and non-assessable by the Trust and redeemable as described in this Statement of Additional Information and in the Fund's prospectus.

The assets of the Trust received for the issue or sale of the shares of each series and all income, earnings, profits and proceeds thereof, subject only to the rights of creditors, are specifically allocated to such series and constitute the underlying assets of such series. The underlying assets of each series are segregated on the books of account and are to be charged with the liabilities in respect to such series and with a proportionate share of the general liabilities of the Trust. If a series were unable to meet its obligations, the assets of all other series may in some circumstances be available to creditors for that purpose, in which case the assets of such other series could be used to meet liabilities which are not otherwise properly chargeable to them. Expenses with respect to any two or more series are to be allocated in proportion to the asset value of the respective series except where allocations of direct expenses can otherwise be fairly made. The officers of the Trust, subject to the general supervision of the Trustees, have the power to determine which liabilities are allocable to a given series, or which are general or allocable to two or more series. In the event of the dissolution or liquidation of the Trust or any series, the holders of the shares of any series are entitled to receive as a class the underlying assets of such shares available for distribution to shareholders.

Shares of the Trust entitle their holders to one vote per share; however, separate votes are taken by each series on matters affecting an individual series. For example, a change in investment policy for a series would be voted upon only by shareholders of the series involved. Additionally, approval of the investment advisory agreement is a matter to be determined separately by each series. Approval by the shareholders of one series is effective as to that series whether or not enough votes are received from the shareholders of the other series to approve such agreement as to other series.

The Trustees, in their discretion, may authorize the division of shares of the Fund (or shares of a series) into different classes, permitting shares of different classes to be distributed by different methods. Although shareholders

of different classes of a series would have an interest in the same portfolio of assets, shareholders of different classes may bear different expenses in connection with different methods of distribution. The Trustees have no present intention of taking the action necessary to effect the division of shares into separate classes (which under present regulations would require the Fund first

to obtain an exemptive order of the SEC), nor of changing the method of distribution of shares of the Fund.

The Declaration of Trust provides that obligations of the Trust are not binding upon the Trustees individually but only upon the property of the Trust, that the Trustees and officers will not be liable for errors of judgment or mistakes of fact or law and that the Trust will indemnify its Trustees and officers against liabilities and expenses incurred in connection with litigation in which they may be involved because of their offices with the Trust except if it is determined in the manner provided in the Declaration of Trust that they have not acted in good faith in the reasonable belief that their actions were in the best interests of the Trust. However, nothing in the Declaration of Trust protects or indemnifies a Trustee or officer against any liability to which he would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office.

INVESTMENT ADVISER

(See "Fund organization--Investment adviser" in the Fund's prospectus.)

Scudder, Stevens & Clark, Inc., an investment counsel firm, acts as investment adviser to the Fund. This organization is one of the most experienced investment management firms in the United States. It was established in 1919 and pioneered the practice of providing investment counsel to individual clients on a fee basis. In 1928 it introduced the first no-load mutual fund to the public. In 1953 Scudder introduced Scudder International Fund, Inc., the first mutual fund available in the U.S. investing internationally in securities of issuers in several foreign countries. The firm reorganized from a partnership to a corporation on June 28, 1985.

The principal source of the Adviser's income is professional fees received from providing continuous investment advice, and the firm derives no income from brokerage or underwriting of securities. Today, it provides investment counsel for many individuals and institutions, including insurance companies, colleges, industrial corporations, and financial and banking organizations. In addition, it manages Montgomery Street Income Securities, Inc., Scudder California Tax Free Trust, Scudder Cash Investment Trust, Scudder Development Fund, Scudder Equity Trust, Scudder Fund, Inc., Scudder Funds Trust, Scudder Global Fund, Inc., Scudder GNMA Fund, Scudder Portfolio Trust, Scudder Institutional Fund, Inc., Scudder International Fund, Inc., Scudder Investment Trust, Scudder Municipal Trust, Scudder Mutual Funds, Inc., Scudder New Asia Fund, Inc., Scudder New Europe Fund, Inc., Scudder State Tax Free Trust, Scudder Tax Free Money Fund, Scudder Tax Free Trust, Scudder U.S. Treasury Money Fund, Scudder Variable Life Investment Fund, Scudder World Income Opportunities Fund, Inc., The Argentina Fund, Inc., The Brazil Fund, Inc., The First Iberian Fund, Inc., The Korea Fund, Inc., The Japan Fund, Inc. and The Latin America Dollar Income Fund, Inc. Some of the foregoing companies or trusts have two or more series.

The Adviser also provides investment advisory services to the mutual funds which comprise the AARP Investment Program from Scudder. The AARP Investment Program from Scudder has assets over \$11 billion and includes the AARP Growth Trust, AARP Income Trust, AARP Tax Free Income Trust and AARP Cash Investment Funds.

The Adviser maintains a large research department, which conducts ongoing studies of the factors that affect the position of various industries, companies and individual securities. In this work, the Adviser utilizes certain reports and statistics from a wide variety of sources, including brokers and dealers who may execute portfolio transactions for the Fund and for clients of the Adviser, but conclusions are based primarily on investigations and critical analyses by its own research specialists.

Certain investments may be appropriate for the Fund and also for other clients advised by the Adviser. Investment decisions for the Fund and other clients are made with a view toward achieving their respective investment objectives and after consideration of such factors as their current holdings, availability of cash for investment and the size of their investments generally. Frequently, a particular security may be bought or sold for only one client or in different amounts and at different times for more than one but less than all clients. Likewise, a particular security may be bought for one or more clients

when one or more other clients are selling the security. In addition, purchases or sales of the same security may be made for two or more clients on the same date. In such event, such transactions will be allocated among the clients in a manner believed by the Adviser to be equitable to each. In some cases, this procedure could have an adverse effect on the price or amount of the securities purchased or sold by the Fund. Purchase and sale orders for the Fund may be combined with those of other clients of the Adviser in the interest of achieving the most favorable net results to the Fund.

The Investment Management Agreement (the "Agreement") between the Trust, on behalf of the Fund, and the Adviser was last approved by the Trustees of the Trust on August 9, 1994 and by the shareholders of the Fund on November 13, 1990. The Agreement is dated August 9, 1994 and will continue in effect until September 30, 1995 and from year to year thereafter only if its continuance is approved annually by the vote of a majority of those Trustees who are not parties to such Agreement or interested persons of the Adviser or the Fund, cast in person at a meeting called for the purpose of voting on such approval, and by a majority vote either of the Fund's Trustees or of the outstanding voting securities of the Fund. The Agreement may be terminated at any time without payment of penalty by either party on sixty days' written notice, and automatically terminates in the event of its assignment.

Under the Agreement, the Adviser provides the Fund with continuing investment management for the Fund's portfolio consistent with the Fund's investment objectives, policies and restrictions and determines what securities shall be purchased for the portfolio of the Fund, what portfolio securities shall be held or sold by the Fund and what portion of the Fund's assets shall be held uninvested, subject always to the provisions of the Fund's Declaration of Trust and By-Laws, the 1940 Act and the Code and to the Fund's investment objectives, policies and restrictions and subject, further, to such policies and instructions as the Trustees of the Trust may from time to time establish. The Adviser also advises and assists the officers of the Trust in taking such steps as are necessary or appropriate to carry out the decisions of its Trustees and the appropriate committees of the Trustees regarding the conduct of the business of the Fund.

The Adviser also renders significant administrative services (not otherwise provided by third parties) necessary for the Fund's operations as an open-end investment company including, but not limited to, preparing reports and notices to the Trustees and shareholders; supervising, negotiating contractual arrangements with, and monitoring various third-party service providers to the Fund (such as the Fund's transfer agent, pricing agents, custodian, accountants and others); preparing and making filings with the SEC and other regulatory agencies; assisting in the preparation and filing of the Fund's federal, state and local tax returns; preparing and filing the Fund's federal excise tax returns; assisting with investor and public relations matters; monitoring the valuation of securities and the calculation of net asset value; monitoring the registration of shares of the Fund under applicable federal and state securities laws; maintaining the Fund's books and records to the extent not otherwise maintained by a third party; assisting in establishing accounting policies of the Fund; assisting in the resolution of accounting and legal issues; establishing and monitoring the Fund's operating budget; processing the payment of the Fund's bills; assisting the Fund in, and otherwise arranging for, the payment of distributions and dividends; and otherwise assisting the Fund in the conduct of its business, subject to the direction and control of the Trustees.

The Adviser pays the compensation and expenses (except those for attending Board and Committee meetings outside New York, New York and Boston, Massachusetts) of all Trustees, officers and executive employees of the Trust affiliated with the Adviser and makes available, without expense to the Trust, the services of such Trustees, officers and employees of the Adviser as may duly be elected officers or Trustees of the Trust, subject to their individual consent to serve and to any limitations imposed by law, and provides the Trust's office space and facilities.

For the Adviser's services, effective August 9, 1994, the Fund pays the Adviser an annual fee of 0.60 of 1% on the first \$500 million of the Fund's average daily net assets, 0.55 of 1% of such assets in excess of \$500 million, 0.50 of 1% of such assets in excess of \$1 billion and 0.475 of 1% of such assets in excess of \$1.5 billion. The fee is payable monthly, provided the Fund will make such interim payments as may be requested by the Adviser not to exceed 75% of the amount of the fee then accrued on the books of the Fund and unpaid.

From August 10, 1993 to August 8, 1994 the Fund paid the Adviser an annual fee equal to 0.65 of 1% on the first \$200 million of the Fund's average daily net assets, 0.60 of 1% on the next \$200 million of such assets and 0.55 of 1% on the next \$500 million of the Fund's average daily net assets, and 0.50 of such

assets in excess of \$900 million, payable monthly, provided the Fund made such interim payments as requested by the Adviser not to exceed 75% of the amount of the fee then accrued on the books of the Fund and unpaid.

For the years ended December 31, 1994, 1993 and 1992, the Fund was charged by the Adviser aggregate fees pursuant to its then effective investment advisory agreement of \$9,941,300, \$7,981,719 and \$4,043,611, respectively. The Adviser waived approximately \$1.3 million of management fees otherwise payable to it in 1992 by the Fund. The \$1.3 million resulted from the one-time assumption of substantially all of the Niagara Share Corporation's ("Niagara") severance plan liability by the Fund during the Fund's acquisition of certain assets of Niagara. Net assets as of December 31, 1994 were \$1,991,703,186.

Under the Agreement the Fund is responsible for all of its other expenses including organizational costs, fees and expenses incurred in connection with membership in investment company organizations; brokers' commissions; legal, auditing and accounting expenses; the calculation of Net Asset Value; taxes and governmental fees; the fees and expenses of the transfer agent; the cost of preparing stock certificates and any other expenses including clerical expenses of issue, redemption or repurchase of shares; the expenses of and the fees for registering or qualifying securities for sale; the fees and expenses of Trustees, officers and employees of the Trust who are not affiliated with the Adviser; the cost of printing and distributing reports and notices to shareholders; and the fees and disbursements of custodians. The Fund may arrange to have third parties assume all or part of the expenses of sale, underwriting and distribution of shares of the Fund. The Fund is also responsible for its expenses incurred in connection with litigation, proceedings and claims and the legal obligation it may have to indemnify its officers and Trustees with respect thereto.

The Agreement expressly provides that the Adviser shall not be required to pay a pricing agent of the Fund for portfolio pricing services, if any.

The Adviser has agreed in the Agreement to reimburse the Fund for annual expenses in excess of the lowest applicable expense limitation imposed by any state in which the Trust is at the time offering Fund shares for sale, although no payments are required to be made by the Adviser pursuant to this reimbursement provision in excess of the annual fee paid by the Fund to the Adviser. Management has been advised that the lowest such limitation is presently either 2 1/2% of average daily net assets up to \$30,000,000, 2% of the next \$70,000,000 of such net assets and 1 1/2% of such net assets in excess of that amount. Certain expenses such as brokerage commissions, taxes, extraordinary expenses and interest are excluded from such limitations. For the years ended December 31, 1994, 1993 and 1992, expenses subject to an expense limitation equaled 0.86%, 0.86%, and 0.94%, respectively, of the average net assets of the Fund. If reimbursement is required, it will be made as promptly as practicable after the end of the Fund's fiscal year. However, no fee payment will be made to the Adviser during any fiscal year which will cause year to date expenses to exceed the cumulative pro-rata expense limitation at the time of such payment. No reimbursements have ever been required to be paid by the Adviser to the Fund.

On July 27, 1992, the Fund acquired certain assets with a fair value of \$208,411,296 (including unrealized appreciation of \$52,317,307) from Niagara, a closed-end investment company, in a tax free exchange for 13,249,287 shares of the Fund and the assumption by the Fund of substantially all of Niagara's severance plan liability of \$1,300,000. The Fund and its shareholders did not bear the economic burden of the assumption of such Niagara liability because the Adviser waived approximately \$1,300,000 of management fees otherwise payable to it in 1992 by the Fund. In addition to the severance plan liability, costs of \$207,541 were incurred by the Fund as a result of the acquisition. These costs, which were borne by the Fund are included as Fund expenses for the year ended December 31, 1992.

The Agreement also provides that the Fund may use any name derived from the name "Scudder, Stevens & Clark" only as long as the Agreement extension or any renewal or amendment thereof remains in effect.

In reviewing the terms of the Agreement and in discussions with the Adviser concerning such Agreement, the Trustees of the Trust who are not "interested persons" of the Trust have been represented by independent counsel at the Fund's expense. Dechert Price & Rhoads acts as general counsel for the Trust.

The Agreement provides that the Adviser shall not be liable for any error of judgment or mistake of law or for any loss suffered by the Fund in connection with matters to which the Agreement relates, except a loss resulting from

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willful misfeasance, bad faith or gross negligence on the part of the Adviser in the performance of its duties or from reckless disregard by the Adviser of its obligations and duties under the Agreement.

Officers and employees of the Adviser from time to time may have transactions with various banks, including the Fund's custodian bank. It is the Adviser's opinion that the terms and conditions of those transactions which have occurred were not influenced by existing or potential custodial or other Fund relationships.

None of the officers or Trustees of the Trust may have dealings with the Trust as principals in the purchase or sale of securities, except as individual subscribers or holders of shares of the Trust.

Personal Investments by Employees of the Adviser

Employees of the Adviser are permitted to make personal securities transactions, subject to requirements and restrictions set forth in the Adviser's Code of Ethics. The Code of Ethics contains provisions and requirements designed to identify and address certain conflicts of interest between personal investment activities and the interests of investment advisory clients such as the Fund. Among other things, the Code of Ethics, which generally complies with standards recommended by the Investment Company Institute's Advisory Group on Personal Investing, prohibits certain types of transactions absent prior approval, imposes time periods during which personal transactions may not be made in certain securities, and requires the submission of duplicate broker confirmations and monthly reporting of securities transactions. Additional restrictions apply to portfolio managers, traders, research analysts and others involved in the investment advisory process. Exceptions to these and other provisions of the Code of Ethics may be granted in particular circumstances after review by appropriate personnel.

TRUSTEES AND OFFICERS

<TABLE>

<CAPTION>

Name and Address	Position with Fund	Principal Occupation**	Position with Underwriter, Scudder Investor Services, Inc.
<S>	<C>	<C>	<C>
Daniel Pierce+**	President and Trustee	Chairman of the Board and Managing Director of Scudder, Stevens & Clark, Inc.	Vice President, Director and Assistant Treasurer
Henry P. Becton, Jr. 125 Western Avenue Allston, MA	Trustee	President and General Manager, WGBH Educational Foundation	--
Dudley H. Ladd+**	Trustee	Managing Director of Scudder, Stevens & Clark, Inc.	Senior Vice President and Director
George M. Lovejoy, Jr.= 160 Federal Street Boston, MA	Trustee	Chairman Emeritus, Meredith & Grew, Incorporated (a real estate service company)	--
Wesley W. Marple, Jr.= 413 Hayden Hall 360 Huntington Ave. Boston, MA	Trustee	Professor of Business Administration Northeastern University, College of Business Administration	--

</TABLE>

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<TABLE>

<CAPTION>

Name and Address	Position with Fund	Principal Occupation**	Position with Underwriter, Scudder Investor Services, Inc.
<S>	<C>	<C>	<C>
Juris Padegs#*	Trustee	Managing Director of Scudder, Stevens & Clark, Inc.	Vice President and Director
Jean C. Tempel Ten Post Office Square Suite 1325 Boston, MA 02109	Trustee	Director, Executive Vice President and Manager, Safeguard Scientifics, Inc.	--
Bruce F. Beaty#	Vice President	Principal of Scudder, Stevens & Clark, Inc.	--
Jerard K. Hartman#	Vice President	Managing Director of Scudder, Stevens & Clark, Inc.	--
Robert T. Hoffman#	Vice President	Managing Director of Scudder, Stevens & Clark, Inc.	--

Thomas W. Joseph+	Vice President	Principal of Scudder, Stevens & Clark, Inc.	Vice President, Director, Treasurer and Assistant Clerk
David S. Lee+	Vice President	Managing Director of Scudder, Stevens & Clark, Inc.	President, Director and Assistant Treasurer
Douglas M. Loudon#	Vice President	Managing Director of Scudder, Stevens & Clark, Inc.	--
Thomas F. McDonough+	Vice President, Secretary and Assistant Treasurer	Principal of Scudder, Stevens & Clark, Inc.	Clerk
Pamela A. McGrath+	Vice President and Treasurer	Principal of Scudder, Stevens & Clark, Inc.	--
Edward J. O'Connell#	Vice President and Assistant Treasurer	Principal of Scudder, Stevens & Clark, Inc.	Assistant Treasurer
Coleen Downs Dinneen+	Assistant Secretary	Vice President of Scudder, Stevens & Clark, Inc.	Assistant Clerk

* Messrs. Ladd, Padeys and Pierce are considered by the Fund and its counsel to be persons who are "interested persons" of the Adviser or of the Fund (within the meaning of the Investment Company Act of 1940, as amended).

** Unless otherwise stated, all the officers and directors have been associated with their respective companies for more than five years, but not necessarily in the same capacity.

</TABLE>

= Messrs. Ladd, Lovejoy and Pierce and Marple are members of the Executive Committee, which has the power to declare dividends from ordinary income and distributions of realized capital gains to the same extent as the Board is so empowered.

+ Address: Two International Place, Boston, Massachusetts

Address: 345 Park Avenue, New York, New York

As of March 31, 1995, all Trustees and officers of the Fund as a group owned beneficially (as that term is defined in Section 13(d) of the Securities Exchange Act of 1934) less than 1% of the Fund.

To the best of the Fund's knowledge, as of March 31, 1995 no person owned beneficially more than 5% of the Fund's outstanding shares.

The Trustees and officers of the Fund also serve in similar capacities with other Scudder funds.

REMUNERATION

Several of the officers and Trustees of the Trust may be officers or employees of the Adviser or of the Distributor, the Transfer Agent or Scudder Trust Company, from whom they receive compensation, as a result of which they may be deemed to participate in the fees paid by the Trust. The Fund pays no direct remuneration to any officer of the Trust. However, each of the Trust's Trustees who is not affiliated with the Adviser will be compensated for all expenses relating to Trust business (specifically including travel expenses relating to Trust business). Each of these unaffiliated Trustees receives an annual Trustee's fee of \$4,000 plus \$300 for attending each Trustees' meeting, audit committee meeting or meeting held for the purpose of considering arrangements between the Fund and the Adviser or any of its affiliates. Each unaffiliated Trustee also receives \$100 per committee meeting attended other than those set forth above. For the fiscal year ended December 31, 1994, such fees totaled \$38,348.

The following Compensation Table provides, in tabular form, the following data.

Column (1) All Trustees who receive compensation from the Trust.

Column (2) Aggregate compensation received by a Trustee from all series of the Scudder Investment Trust, which is comprised of Scudder Growth and Income Fund and Scudder Quality Growth Fund.

Columns (3) and (4) Pension or retirement benefits accrued or proposed to be paid by the Trust. Scudder Investment Trust does not pay its Trustees such

benefits.

Column (5) Total compensation received by a Trustee from Scudder Growth and Income Fund and Scudder Quality Growth Fund, plus compensation received from all funds managed by Scudder for which a Trustee serves. The total number of funds from which a Trustee receives such compensation is also provided in column (5).

<TABLE>
<CAPTION>

Compensation Table
for the year ended December 31, 1994

(1) Name of Person, Position	(2) Aggregate Compensation from Registrant (consisting of two funds: Scudder Growth and Income Fund and Scudder Quality Growth Fund)	(3) Pension or Retirement Benefits Accrued As Part of Fund Expenses	(4) Estimated Annual Benefits Upon Retirement	(5) Total Compensation From Registrant and Fund Complex Paid to Trustee
<S>	<C>	<C>	<C>	<C>
Henry P. Becton, Jr. Trustee	\$ 18,600	N/A	N/A	\$ 90,598 (15 funds)
Amey A. DeFriez* Trustee	\$ 14,900	N/A	N/A	\$ 84,126 (15 funds)
George M. Lovejoy, Jr. Trustee	\$ 18,800	N/A	N/A	\$ 117,450 (12 funds)
Wesley W. Marple, Jr. Trustee	\$ 18,700	N/A	N/A	\$100,094 (15 funds)
Jean C. Tempel Trustee	\$ 3,800	N/A	N/A	\$ 15,968 (15 funds)

* For 1994, Amey A. DeFriez served as Trustee until her retirement on October 1, 1994.

</TABLE>

DISTRIBUTOR

The Fund has an underwriting agreement with Scudder Investor Services, Inc. (the "Distributor"), a Massachusetts corporation, which is a wholly-owned subsidiary of the Adviser. The Fund's underwriting agreement dated September 10, 1985 will remain in effect until September 30, 1995 and from year to year thereafter only if its continuance is approved annually by a majority of the Trustees who are not parties to such agreement or interested persons of any such party and either by vote of a majority of the Board of Trustees or a majority of the outstanding voting securities of the Fund. The underwriting agreement was approved by the Trustees on August 9, 1994.

Under the underwriting agreement, the Fund is responsible for: the payment of all fees and expenses in connection with the preparation and filing with the Commission of its registration statement and prospectus and any amendments and supplements thereto; the registration and qualification of shares for sale in the various states, including registering the Fund as a broker/dealer in various states, as required; the fees and expenses of preparing, printing and mailing prospectuses annually to existing shareholders (see below for expenses relating to prospectuses paid by the Distributor), notices, proxy statements, reports or other communications to shareholders of the Fund; the cost of printing and mailing confirmations of purchases of shares and the prospectuses accompanying such confirmations; any issuance taxes and/or any initial transfer taxes; a portion of shareholder toll-free telephone charges and expenses of customer service representatives; the cost of wiring funds for share purchases and redemptions (unless paid by the shareholder who initiates the transaction); the cost of printing and postage of business reply envelopes; and a portion of the cost of computer terminals used by both the Fund and the Distributor.

The Distributor will pay for printing and distributing prospectuses or reports prepared for its use in connection with the offering of the Fund's shares to the public and preparing, printing and mailing any other literature or advertising in connection with the offering of shares of the Fund to the public. The Distributor will pay all fees and expenses in connection with its qualification and registration as a broker or dealer under federal and state laws, a portion of the cost of toll-free telephone service and expenses of service representatives, a portion of the cost of computer terminals and expenses of any activity which is primarily intended to result in the sale of shares issued by the Fund, unless a Rule 12b-1 plan is in effect which provides that each Fund shall bear some or all of such expenses.

NOTE: Although the Trust currently has no 12b-1 Plan and the Trustees have no current intention of adopting one, the Fund will also pay those fees and expenses permitted to be paid or assumed by the Trust pursuant to a 12b-1 Plan, if any, adopted by the Trust, notwithstanding any other provision to the contrary in the underwriting agreement.

As agent, the Distributor currently offers the Fund's shares on a continuous basis to investors in all states. The Underwriting Agreement provides that the Distributor accepts orders for shares at net asset value as no sales commission or load is charged the investor. The Distributor has made no firm commitment to acquire shares of the Fund.

TAXES

(See "Fund organization--Dividends and capital gains distributions" and "Transaction information--Tax information and Tax identification number" in the Fund's prospectus.)

The Fund has elected to be treated as a regulated investment company under Subchapter M of the Code or a predecessor statute and has qualified as such since its inception. It intends to continue to qualify for such treatment. Such qualification does not involve governmental supervision or management of investment practices or policy.

As a regulated investment company qualifying under Subchapter M of the Code, the Fund is required to distribute to its shareholders at least 90 percent of its investment company taxable income (including net short-term capital gain) and is not generally subject to federal income tax to the extent that it distributes annually its investment company taxable income and net realized capital gains in the manner required under the Code.

The Fund is subject to a 4% nondeductible excise tax on amounts required to be but not distributed under a prescribed formula. The formula requires the Fund to distribute to shareholders during a calendar year an amount equal to at least 98% of the Fund's ordinary income for the calendar year, at least 98% of the excess of its capital gains over capital losses (adjusted for certain ordinary losses) realized during the one-year period ending October 31 during such year and all ordinary income and capital gains for prior years that were not previously distributed. Investment companies with taxable years ending on November 30 or December 31 may make an irrevocable election to measure the required capital gain distribution for excise tax purposes, using their actual taxable year, rather than the one year period ending October 31.

The Fund's investment company taxable income includes dividends, interest and net short-term capital gains in excess of net long-term capital losses, less expenses. Net realized capital gains for a fiscal year are computed by taking into account any capital loss carryforward of the Fund.

If any net realized long-term capital gains in excess of net realized short-term capital losses are retained by the Fund for reinvestment, requiring federal income taxes to be paid thereon by the Fund, the Fund intends to elect to treat such capital gains as having been distributed to shareholders. As a result, each shareholder will report such capital gains as long-term capital gains, will be able to claim a relative share of federal income taxes paid by the Fund on such gains as a credit against personal federal income tax liabilities and will be entitled to increase the adjusted tax basis of Fund shares by the difference between a pro rata share of such gains and the individual tax credit.

Distributions of investment company taxable income are taxable to shareholders as ordinary income.

Dividends from domestic corporations are expected to comprise a substantial part of the Fund's gross income. To the extent that such dividends constitute a portion of the Fund's gross income, a portion of the income distributions of the Fund may be eligible for the deduction for dividends received by corporations. Shareholders will be informed of the portion of dividends which so qualify. The dividends-received deduction is reduced to the extent the shares of the Fund, with respect to which the dividends are received, are treated as debt-financed under federal income tax law and is eliminated if either those shares or the shares of the Fund are deemed to have been held by the Fund or the shareholder, as the case may be, for less than 46 days.

Distributions of the excess of net long-term capital gains over net short-term capital losses are taxable to shareholders as long-term capital

gains, regardless of the length of time the shares of the Fund have been held by such shareholders. Such distributions are not eligible for the dividends-received deduction. Any loss realized upon the redemption of shares held at the time of redemption for six months or less will be treated as a long-term capital loss to the extent of any amounts treated as distributions of long-term capital gains during such six-month period.

Distributions of investment company taxable income and net realized capital gains will be taxable as described above, whether received in shares or in cash. Shareholders electing to receive distributions in the form of additional shares will have a cost basis for federal income tax purposes in each share so received equal to the net asset value of a share on the reinvestment date.

All distributions of investment company taxable income and net realized capital gains, whether received in shares or in cash, must be reported by each shareholder on his or her federal income tax return. Dividends and capital gains distributions declared in October, November or December and payable to shareholders of record in such a month will be deemed to have been received by shareholders on December 31 if paid during January of the following year. Redemptions of shares, including exchanges for shares of another Scudder fund, may result in tax consequences (gain or loss) to the shareholder and are also subject to these reporting requirements.

An individual may make a deductible IRA contribution of up to \$2,000 or, if less, the amount of the individual's earned income for any taxable year only if (i) neither the individual nor his or her spouse (unless filing separate returns) is an active participant in an employer's retirement plan, or (ii) the individual (and his or her spouse, if applicable) has an adjusted gross income below a certain level (\$40,050 for married individuals filing a joint return, with a phase-out of the deduction for adjusted gross income between \$40,050 and \$50,000; \$25,050 for a single individual, with a phase-out for adjusted gross income between \$25,050 and \$35,000). However, an individual not permitted to make a deductible contribution to an IRA for any such taxable year may nonetheless make nondeductible contributions up to \$2,000 to an IRA (up to \$2,250 to IRAs for an individual and his or her nonearning spouse) for that year. There are special rules for determining how withdrawals are to be taxed if an IRA contains both deductible and nondeductible amounts. In general, a proportionate amount of each withdrawal will be deemed to be made from nondeductible contributions; amounts treated as a return of nondeductible contributions will not be taxable. Also, annual contributions may be made to a spousal IRA even if the spouse has earnings in a given year if the spouse elects to be treated as having no earnings (for IRA contribution purposes) for the year.

Distributions by the Fund result in a reduction in the net asset value of the Fund's shares. Should a distribution reduce the net asset value below a shareholder's cost basis such distribution would nevertheless be taxable to the shareholder as ordinary income or capital gain as described above even though, from an investment standpoint, it may constitute a partial return of capital. In particular, investors should consider the tax implications of buying shares just prior to a distribution. The price of shares purchased at that time includes the amount of the forthcoming distribution. Those purchasing just prior to a distribution will then receive a partial return of capital upon the distribution, which will nevertheless be taxable to them.

If the Fund invests in stock of certain foreign investment companies the Fund may be subject to U.S. federal income taxation on a portion of any "excess distribution" with respect to, or gain from, the disposition of, such stock. The tax would be determined by allocating such distribution or gain ratably to each day of the Fund's holding period for the stock. The distribution or gain so allocated to any taxable year of the Fund, other than the taxable year of the excess distribution or disposition, would be taxed to the Fund at the highest ordinary income rate in effect for such year and the tax would be further increased by an interest charge to reflect the value of the tax deferral deemed to have resulted from the ownership of the foreign company's stock. Any amount of distribution or gain allocated to the taxable year of the distribution or disposition would be included in the Fund's investment company taxable income and, accordingly, would not be taxable to the Fund to the extent distributed by the Fund as a dividend to its shareholders.

Proposed regulations have been issued which may allow the Fund to make an election to mark to market its shares of these foreign investment companies in lieu of being subject to U.S. federal income taxation. At the end of each taxable year to which the election applies, the Fund would report as ordinary income the amount by which the fair market value of the foreign company's stock exceeds the Fund's adjusted basis in these shares. No mark to market losses may be recognized. The effect of the election would be to treat excess distributions

and gain on dispositions as ordinary income which is not subject to a fund level tax when distributed to shareholders as a dividend. Alternatively, the Fund may elect to include as income and gain its share of the ordinary earnings and net

capital gain of certain foreign investment companies in lieu of being taxed in the manner described above.

Equity options (including covered call options on portfolio stock) written or purchased by the Fund will be subject to tax under Section 1234 of the Code. In general, no loss is recognized by the Fund upon payment of a premium in connection with the purchase of a put or call option. The character of any gain or loss recognized (i.e., long-term or short-term) will generally depend, in the case of a lapse or sale of the option, on the Fund's holding period for the option and, in the case of an exercise of the option, on the Fund's holding period for the underlying security. The purchase of a put option may constitute a short sale for federal income tax purposes, causing an adjustment in the holding period of the underlying security or substantially identical security in the Fund's portfolio. If the Fund writes a call option, no gain is recognized upon its receipt of a premium. If the option lapses or is closed out, any gain or loss is treated as a short-term capital gain or loss. If a call option is exercised, any resulting gain or loss is short-term or long-term capital gain or loss depending on the holding period of the underlying security. The exercise of a put option written by the Fund is not a taxable transaction for the Fund.

Many futures and forward contracts entered into by the Fund and all listed nonequity options written or purchased by the Fund (including covered call options written on debt securities and options purchased or written on futures contracts) will be governed by Section 1256 of the Code. Absent a tax election to the contrary, gain or loss attributable to the lapse, exercise or closing out of any such position will be treated as 60% long-term and 40% short-term, and on the last trading day of the Fund's fiscal year (and generally, on October 31 for purposes of the 4% excise tax), all outstanding Section 1256 positions will be marked to market (i.e., treated as if such positions were closed out at their closing price on such day), with any resulting gain or loss recognized as 60% long-term and 40% short-term. Under Section 988 of the Code, discussed below, foreign currency gain or loss from foreign currency-related forward contracts, certain futures and options, and similar financial instruments entered into or acquired by the Fund will be treated as ordinary income or loss. Under certain circumstances, entry into a futures contract to sell a security may constitute a short sale for federal income tax purposes, causing an adjustment in the holding period of the underlying security or a substantially identical security in the Fund's portfolio.

Subchapter M of the Code requires that the Fund realize less than 30% of its annual gross income from the sale or other disposition of stock, securities and certain options, futures and forward contracts held for less than three months. Options, futures and forward activities of the Fund may increase the amount of gains realized by the Fund that are subject to the 30% limitation. Accordingly, the amount of such activities that the Fund may engage in may be limited.

Positions of the Fund consisting of at least one stock and at least one stock option or other position with respect to a related security which substantially diminishes the Fund's risk of loss with respect to such stock could be treated as a "straddle" which is governed by Section 1092 of the Code, the operation of which may cause deferral of losses, adjustments in the holding periods of stock or securities and conversion of short-term capital losses into long-term capital losses. An exception to these straddle rules exists for any "qualified covered call options" on stock written by the Fund.

Positions of the Fund consisting of at least one position not governed by Section 1256 and at least one future, forward, or nonequity option contract which is governed by Section 1256 which substantially diminishes the Fund's risk of loss with respect to such other position will be treated as a "mixed straddle." Although mixed straddles are subject to the straddle rules of Section 1092 of the Code, certain tax elections exist for them which reduce or eliminate the operation of these rules. The Fund will monitor its transactions in options and futures and may make certain tax elections in connection with these investments.

Under the Code, gains or losses attributable to fluctuations in exchange rates which occur between the time the Fund accrues receivables or liabilities denominated in a foreign currency and the time the Fund actually collects such receivables or pays such liabilities generally are treated as ordinary income or ordinary loss. Similarly, on disposition of debt securities denominated in a foreign currency, and on disposition of certain futures, forward or options contracts, gains or losses attributable to fluctuations in the value of foreign currency between the date of acquisition of the security or contracts and the date of disposition are also treated as ordinary gain or loss. These gains or

losses, referred to under the Code as "Section 988" gains or losses, may

increase or decrease the amount of the Fund's investment company taxable income to be distributed to its shareholders as ordinary income.

If a Fund holds zero coupon securities or other securities which are issued at a discount a portion of the difference between the issue price and the face value of such securities ("original issue discount") will be treated as income to the Fund each year, even though the Fund will not receive cash interest payments from these securities. This original issue discount (imputed income) will comprise a part of the investment company taxable income of the Fund which must be distributed to shareholders in order to maintain the qualification of the Fund as a regulated investment company and to avoid federal income tax at the Fund level. Shareholders will be subject to income tax on such original issue discount, whether or not they elect to receive their distributions in cash. If a fund acquires a debt instrument at a market discount, a portion of the gain recognized (if any) on disposition of such instrument may be treated as ordinary income.

The Fund will be required to report to the IRS all distributions of taxable income and capital gains as well as gross proceeds from the redemption or exchange of Fund shares, except in the case of certain exempt shareholders. Under the backup withholding provisions of Section 3406 of the Code, distributions of taxable income and capital gains and proceeds from the redemption or exchange of the shares of a regulated investment company may be subject to withholding of federal income tax at the rate of 31% in the case of non-exempt shareholders who fail to furnish the investment company with their taxpayer identification numbers and with required certifications regarding their status under the federal income tax law. Withholding may also be required if the Fund is notified by the IRS or a broker that the taxpayer identification number furnished by the shareholder is incorrect or that the shareholder has previously failed to report interest or dividend income. If the withholding provisions are applicable, any such distributions and proceeds, whether taken in cash or reinvested in additional shares, will be reduced by the amounts required to be withheld.

Shareholders of the Fund may be subject to state and local taxes on distributions received from the Fund and on redemptions of the Fund's shares.

Each distribution is accompanied by a brief explanation of the form and character of the distribution. In January of each year the Fund issues to each shareholder a statement of the federal income tax status of all distributions.

The Fund is organized as a Massachusetts business trust and is not liable for any income or franchise tax in the Commonwealth of Massachusetts, provided that the Fund continues to be treated as a regulated investment company under Subchapter M of the Code.

The foregoing discussion of U.S. federal income tax law relates solely to the application of that law to U.S. persons, i.e., U.S. citizens and residents and U.S. corporations, partnerships, trusts and estates. Each shareholder who is not a U.S. person should consider the U.S. and foreign tax consequences of ownership of shares of the Fund, including the possibility that such a shareholder may be subject to a U.S. withholding tax at a rate of 30% (or at a lower rate under an applicable income tax treaty) on amounts constituting ordinary income received by him or her, where such amounts are treated as income from U.S. sources under the Code.

Dividend and interest income received by the Fund from sources outside the U.S. may be subject to withholding and other taxes imposed by such foreign jurisdictions. Tax conventions between certain countries and the U.S. may reduce or eliminate these foreign taxes, however, and foreign countries generally do not impose taxes on capital gains respecting investments by foreign investors.

Shareholders should consult their tax advisers about the application of the provisions of tax law in light of their particular tax situations.

PORTFOLIO TRANSACTIONS

Brokerage

To the maximum extent feasible the Adviser places orders for portfolio transactions through the Distributor which in turn places orders on behalf of the Fund with other broker/dealers. The Distributor receives no commissions, fees or other remuneration from the Fund for this service. Allocation of brokerage is supervised by the Adviser.

The primary objective of the Adviser in placing orders for the purchase and sale of securities for the Fund's portfolio is to obtain the most favorable net results taking into account such factors as price, commission (negotiable in the case of U.S. national securities exchange transactions) where applicable, size

of order, difficulty of execution and skill required of the executing broker/dealer. The Adviser seeks to evaluate the overall reasonableness of brokerage commissions paid (to the extent applicable) through the familiarity of the Distributor with commissions charged on comparable transactions, as well as by comparing commissions paid by the Fund to reported commissions paid by others. The Adviser reviews on a routine basis commission rates, execution and settlement services performed, making internal and external comparisons.

The Fund's purchases and sales of fixed-income securities are generally placed by the Adviser with primary market makers for these securities on a net basis, without any brokerage commission being paid by the Fund. Trading does, however, involve transaction costs. Transactions with dealers serving as primary market makers reflect the spread between the bid and asked prices. Purchases of underwritten issues may be made, which will include an underwriting fee paid to the underwriter.

When it can be done consistently with the policy of obtaining the most favorable net results, it is the Adviser's practice to place such orders with broker/dealers who supply market quotations to the custodian of the Fund for appraisal purposes or who supply research, market and statistical information to the Fund. The term "research, market and statistical information" includes advice as to the value of securities; the advisability of investing in, purchasing or selling securities; the availability of securities or purchasers or sellers of securities; and analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy and the performance of accounts. The Adviser is not authorized when placing portfolio transactions for the Fund to pay a brokerage commission in excess of that which another broker might charge for executing the same transaction solely on account of the receipt of research, market or statistical information. The Adviser does not place orders with broker/dealers on the basis that the broker/dealer has or has not sold shares of the Fund. In effecting transactions in over-the-counter securities, orders are placed with the principal market makers for the security being traded unless, after exercising care, it appears that more favorable results are available elsewhere.

Subject also to obtaining the most favorable net results, the Adviser may place brokerage transactions through the Custodian and a credit against the custodian fee due to State Street Bank equal to one-half of the commission on any such transaction will be given on any such transaction. Except for implementing the policy stated above, there is no intention to place portfolio transactions with particular broker/dealers or groups thereof.

Although certain research, market and statistical information from broker/dealers may be useful to the Fund and to the Adviser, it is the opinion of the Adviser that such information only supplements its own research effort since the information must still be analyzed, weighed and reviewed by the Adviser's staff. Such information may be useful to the Adviser in providing services to clients other than the Fund and not all such information is used by the Adviser in connection with the Fund. Conversely, such information provided to the Adviser by broker/dealers through whom other clients of the Adviser effect securities transactions may be useful to the Adviser in providing services to the Fund.

In the fiscal years ended December 31, 1994, 1993 and 1992, the Fund paid brokerage commissions of \$2,365,678, \$1,929,340 and \$1,109,920, respectively. In the fiscal year ended December 31, 1994, the Fund paid brokerage commissions of \$2,229,178 (94.23% of the total brokerage commissions), resulting from orders placed, consistent with the policy of seeking to obtain the most favorable net results, for transactions placed with brokers and dealers who provided supplementary research, market and statistical information to the Trust or Adviser. The amount of such transactions aggregated \$1,385,083,507 (94.17% of all brokerage transactions). The balance of such brokerage was not allocated to any particular broker or dealer or with regard to the above-mentioned or any other special factors.

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The Trustees of the Fund review from time to time whether the recapture for the benefit of the Fund of some portion of the brokerage commissions or similar fees paid by the Fund on portfolio transactions is legally permissible and advisable. Within the past three years no such recapture has been effected.

Portfolio Turnover

The Fund's average annual portfolio turnover rates, i.e. the ratio of the lesser of sales or purchases to the monthly average value of the portfolio (excluding from both the numerator and the denominator all securities with maturities at the time of acquisition of one year or less), for the fiscal years ended December 31, 1994, and 1993 were 42.3% and 35.5%, respectively. Purchases and sales are made for the Fund's portfolio whenever necessary, in management's opinion, to meet the Fund's objective.

NET ASSET VALUE

The net asset value of shares of the Fund is computed as of the close of regular trading on the Exchange on each day the Exchange is open for trading. The Exchange is scheduled to be closed on the following holidays: New Year's Day, Presidents Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving and Christmas. Net asset value per share is determined by dividing the value of the total assets of the Fund, less all liabilities, by the total number of shares outstanding.

An exchange-traded equity security is valued at its most recent sale price. Lacking any sales, the security is valued at the calculated mean between the most recent bid quotation and the most recent asked quotation (the "Calculated Mean"). Lacking a Calculated Mean, the security is valued at the most recent bid quotation. An equity security which is traded on the National Association of Securities Dealers Automated Quotation ("NASDAQ") system is valued at its most recent sale price. Lacking any sales, the security is valued at the high or "inside" bid quotation. The value of an equity security not quoted on the NASDAQ System, but traded in another over-the-counter market, is its most recent sale price. Lacking any sales, the security is valued at the Calculated Mean. Lacking a Calculated Mean, the security is valued at the most recent bid quotation.

Debt securities, other than short-term securities, are valued at prices supplied by the Fund's pricing agent(s) which reflect broker/dealer supplied valuations and electronic data processing techniques. Short-term securities with remaining maturities of sixty days or less are valued by the amortized cost method, which the Board believes approximates market value. If it is not possible to value a particular debt security pursuant to these valuation methods, the value of such security is the most recent bid quotation supplied by a bona fide marketmaker. If it is not possible to value a particular debt security pursuant to the above methods, the Adviser may calculate the price of that debt security, subject to limitations established by the Board.

An exchange traded options contract on securities, currencies, futures and other financial instruments is valued at its most recent sale price on such exchange. Lacking any sales, the options contract is valued at the Calculated Mean. Lacking any Calculated Mean, the options contract is valued at the most recent bid quotation in the case of a purchased options contract, or the most recent asked quotation in the case of a written options contract. An options contract on securities, currencies and other financial instruments traded over-the-counter is valued at the most recent bid quotation in the case of a purchased options contract and at the most recent asked quotation in the case of a written options contract. Futures contracts are valued at the most recent settlement price. Foreign currency exchange forward contracts are valued at the value of the underlying currency at the prevailing exchange rate.

If a security is traded on more than one exchange, or upon one or more exchanges and in the over-the-counter market, quotations are taken from the market in which the security is traded most extensively.

If, in the opinion of the Fund's Valuation Committee, the value of a portfolio asset as determined in accordance with these procedures does not represent the fair market value of the portfolio asset, the value of the portfolio asset is taken to be an amount which, in the opinion of the Valuation Committee, represents fair market value on the basis of all available information. The value of other portfolio holdings owned by the Fund is

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determined in a manner which, in the discretion of the Valuation Committee most fairly reflects fair market value of the property on the valuation date.

Following the valuations of securities or other portfolio assets in terms of the currency in which the market quotation used is expressed ("Local Currency"), the value of these portfolio assets in terms of U.S. dollars is calculated by converting the Local Currency into U.S. dollars at the prevailing currency exchange rate on the valuation date.

ADDITIONAL INFORMATION

Experts

The financial highlights of the Fund included in the Prospectus and the financial statements incorporated by reference in this Statement of Additional Information have been audited by Coopers & Lybrand L.L.P., One Post Office Square, Boston, MA 02109, independent accountants, and are included or incorporated by reference in the Prospectus and this Statement of Additional Information, in reliance upon the accompanying report of said firm, which report is given upon their authority as experts in accounting and auditing.

Shareholder Indemnification

The Fund is an organization of the type commonly known as a Massachusetts business trust. Under Massachusetts law, shareholders of such a trust may, under

certain circumstances, be held personally liable as partners for the obligations of the Fund. The Declaration of Trust contains an express disclaimer of shareholder liability in connection with the Fund property or the acts, obligations or affairs of the Fund. The Declaration of Trust also provides for indemnification out of the Fund property of any shareholder held personally liable for the claims and liabilities to which a shareholder may become subject by reason of being or having been a shareholder. Thus, the risk of a shareholder incurring financial loss on account of shareholder liability is limited to circumstances in which the Fund itself would be unable to meet its obligations.

Other Information

The CUSIP number of the Fund is 811167-10-5.

The Fund has a fiscal year ending December 31.

Many of the investment changes in the Fund will be made at prices different from those prevailing at the time they may be reflected in a regular report to shareholders of the Fund. These transactions will reflect investment decisions made by the Adviser in light of the Fund's investment objectives and policies, its other portfolio holdings and tax considerations, and should not be construed as recommendations for similar action by other investors.

Portfolio securities of the Fund are held separately pursuant to a custodian agreement, by the Fund's custodian, State Street Bank and Trust Company, 225 Franklin Street, Boston, Massachusetts 02110.

The law firm of Dechert Price & Rhoads is counsel to the Fund.

The name "Scudder Growth and Income Fund" is the designation of the Trust for the time being under a Declaration of Trust dated September 20, 1984, as amended from time to time, and all persons dealing with the Fund must look solely to the property of the Fund for the enforcement of any claims against the Fund as neither the Trustees, officers, agents, shareholders nor other series of the Trust assume any personal liability for obligations entered into on behalf of the Fund. No other series of the Trust assumes any liabilities for obligations entered into on behalf of the Fund. Upon the initial purchase of shares, the shareholder agrees to be bound by the Fund's Declaration of Trust, as amended from time to time. The Declaration of Trust is on file at the Massachusetts Secretary of State's Office in Boston, Massachusetts.

Scudder Fund Accounting Corporation, Two International Place, Boston, Massachusetts, 02110-4103, a wholly-owned subsidiary of the Adviser, computes net asset value for the Fund. The Fund pays Scudder Fund Accounting Corporation

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an annual fee equal to 0.025% of the first \$150 million of average daily net assets, 0.0075% of such assets in excess of \$150 million, 0.0045% of such assets in excess of \$1 billion, plus holding and transaction charges for this service.

Scudder Service Corporation (the "Service Corporation"), P.O. Box 2291, Boston, Massachusetts 02107-2291, a wholly-owned subsidiary of the Adviser, is the transfer, dividend-paying and shareholder service agent for the Fund and also provides subaccounting and recordkeeping services for shareholder accounts in certain retirement and employee benefit plans. The Fund pays Service Corporation an annual fee of \$20.40 for each account maintained for a participant which is \$10.03 for its services as transfer and dividend disbursing agent and \$10.37 for its services as shareholder service agent. Prior to October 1, 1989, Scudder Service Corporation acted solely as shareholder service agent for the Fund. Included in services to shareholders was \$3,952,719, \$2,763,521 and \$1,926,639, charged to the Fund by Scudder Service Corporation during the fiscal years ended December 31, 1994, 1993 and 1992, respectively, of which \$374,385 was unpaid at December 31, 1994.

The Fund's prospectus and this Statement of Additional Information omit certain information contained in the Registration Statement and its amendments which the Fund has filed with the SEC under the Securities Act of 1933 and reference is hereby made to the Registration Statement for further information with respect to the Fund and the securities offered hereby. The Registration Statement and its amendments, are available for inspection by the public at the SEC in Washington, D.C.

FINANCIAL STATEMENTS

The financial statements, including the investment portfolio, of Scudder Growth and Income Fund, together with the Report of Independent Accountants, Financial Highlights and notes to financial statements are incorporated by reference and attached hereto on pages 9 through 26 inclusive in the Annual Report to the Shareholders of the Fund dated December 31, 1994 and are hereby deemed to be a part of this Statement of Additional Information.

This information must be preceded or accompanied by a current prospectus.

Portfolio changes should not be considered recommendations for action by individual investors.

Scudder Growth and Income Fund

Annual Report
December 31, 1994

- * A fund with a conservative, income-oriented approach to common stock investing. Offers opportunities for long-term growth of capital, current income, and growth of income.
- * A pure no-load(tm) fund with no commissions to buy, sell, or exchange shares.

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HIGHLIGHTS

- * For the year ended December 31, 1994, Scudder Growth and Income Fund's total return was 2.6%, outpacing the 1.3% return of the unmanaged Standard & Poor's 500 Index and the -0.94% average return of the 347 Growth and Income funds tracked by Lipper Analytical Services, Inc.
- * The Fund benefited from its holdings of manufacturing stocks, including chemical, paper, and forest product companies, which generally outperformed the market during the year.
- * The Fund also increased its investments in the healthcare sector, as legislative concerns abated and companies adapted to a more cost-conscious, competitive environment.

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LETTER FROM THE FUND'S PRESIDENT

Dear Shareholders,

The world's financial markets were shaken repeatedly in 1994 by a variety of events. Rising global interest rates, losses for investors in highly leveraged derivatives, and unsettling global developments all combined to create a challenging environment for stock and bond investors. Masking the market volatility, however, many broad indexes ended the year little changed.

The events of the past year have put a new face on an old challenge for stock funds: to provide shareholders with long-term returns that compensate for the risks inherent in equity investments. For some investors, the temptation is strong to move from stocks to bonds now that U.S. Treasuries yield between 6% and 8% if held to maturity. At times like these, it is useful to remember that stocks historically have outperformed fixed-income investments over longer periods -- a trend not likely altered by one year of poor performance. Even so, the global expansion currently underway will include additional episodes of difficult adjustment. A sound investment plan that can weather market storms is therefore more important than ever. Experience has shown us that maintaining a diversified portfolio and a regular program of investing can help smooth out overall performance in the long term.

In the coming year, we expect a combination of factors, including central bank tightening efforts, to keep the world economy and inflation on

a moderate course. Meanwhile, corporate profits continue to grow and business investment is at an all-time high, which should translate into expanded economic capacity down the road. These developments ultimately should be viewed as favorable for the financial markets, and we expect investors to begin focusing on positive long-term fundamentals rather than short-term uncertainties.

If you have questions about your Fund or your investments, please contact a Scudder Investor Relations representative at 1-800-225-2470. Page 31 provides more information on how to contact Scudder. Thank you for choosing Scudder Growth and Income Fund to help meet your investment needs.

Sincerely,

/s/Daniel Pierce
 Daniel Pierce
 President,
 Scudder Growth and Income Fund

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Scudder Growth and Income Fund
 Performance Update as of December 31, 1994

 Growth of a \$10,000 Investment

Scudder Growth and Income Fund

Period Ended 12/31/94	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$10,260	2.60%	2.60%
5 Year	\$16,265	62.65%	10.22%
10 Year	\$37,924	279.24%	14.26%

S&P 500 Index

Period Ended 12/31/94	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$10,132	1.32%	1.32%
5 Year	\$15,174	51.74%	8.69%
10 Year	\$38,334	283.34%	14.37%

A chart in the form of a line graph appears here, illustrating the Growth of a \$10,000 Investment. The data points from the graph are as follows:

Yearly periods ended December 31

Scudder Growth and Income Fund

Year	Amount
84	10000
85	13455
86	15917
87	16474
88	18453
89	23316
90	22773
91	29186
92	31978
93	36964
94	37924

S&P 500 Index

Year	Amount
84	10000
85	13173
86	15631
87	16452
88	19185
89	25263
90	24479
91	31937
92	34370
93	37834

The Standard & Poor's (S&P) 500 Index is an unmanaged capitalization-weighted measure of 500 widely held common stocks listed on the New York Stock Exchange, American Stock Exchange, and Over-The-Counter market. Index returns assume reinvestment of dividends and, unlike Fund returns, do not reflect any fees or expenses.

Returns and Per Share Information

A chart in the form of a bar graph appears here, illustrating the Fund Total Return (%) and Index Total Return (%) with the exact data points listed in the table below.

Yearly periods ended December 31

	<C> 1985	<C> 1986	<C> 1987	<C> 1988	<C> 1989	<C> 1990	<C> 1991	<C> 1992	<C> 1993	<C> 1994
Net Asset Value...	\$15.35	\$15.02	\$12.31	\$13.18	\$14.14	\$12.77	\$15.76	\$16.20	\$17.24	\$16.26
Income Dividends..	\$.58	\$.68	\$.68	\$.59	\$.69	\$.67	\$.55	\$.53	\$.45	\$.51
Capital Gains										
Distributions.....	\$ --	\$ 2.28	\$ 2.64	\$ --	\$ 1.77	\$.34	\$ --	\$.50	\$ 1.01	\$.91
Fund Total										
Return (%).....	34.55	18.27	3.50	12.01	26.36	-2.33	28.16	9.57	15.59	2.60
Index Total										
Return (%).....	31.73	18.66	5.25	16.56	31.63	-3.11	30.40	7.61	10.06	1.32

All performance is historical, assumes reinvestment of all dividends and capital gains, and is not indicative of future results. Investment return and principal value will fluctuate, so an investor's shares, when redeemed, may be worth more or less than when purchased.

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Portfolio Summary as of December 31, 1994

Diversification

Common and Preferred Stocks	90%	The Fund's strategy focuses on securities with potential for price appreciation and above-average dividend yields versus the overall market.
Convertible Stocks	5%	
Convertible Bonds	3%	
Cash Equivalents	2%	

	100%	
	=====	

A graph in the form of a pie chart appears here, illustrating the exact data points in the above table.

Sectors (Excludes 2% Cash Equivalents)

Manufacturing	18%	The Fund benefitted from holdings in manufacturing stocks, including chemical, paper, and forest product companies.
Financial	17%	
Health	14%	
Consumer Staples	11%	
Energy	11%	
Durables	7%	
Communications	6%	
Utilities	4%	
Consumer Discretionary	4%	
Other	8%	

	100%	
	=====	

A graph in the form of a pie chart appears here, illustrating the exact data points in the above table.

Ten Largest Equity Holdings

- Eli Lilly Co.
Leading pharmaceutical company

2. United Technologies Corp.
Aerospace, climate control systems and elevators
3. Baxter International Inc.
Manufacturer and distributor of hospital
and laboratory products and services
4. Alltel Corp.
Telecommunications and data processing services
5. Halliburton Co.
Oil well services
6. Xerox Corp.
Manufacturer of copiers and duplicators
7. Warner-Lambert Co.
Drugs, toiletries and food products
8. First Bank System Inc.
Commercial banking in Minnesota and the northcentral U.S.
9. TRW Inc.
Defense electronics, automotive parts and systems
10. H.J. Heinz Co.
Major manufacturer of processed foods

We identified several attractively priced healthcare companies that we believe were adapting to the more challenging environment for this industry.

For more complete details about the Fund's Investment Portfolio, see page 9.

A monthly Investment Portfolio Summary is available upon request.

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PORTFOLIO MANAGEMENT DISCUSSION

Dear Shareholders,

On the surface, 1994 looked relatively unremarkable, with the unmanaged Standard & Poor's 500 Index virtually unchanged for the year. In actuality, the S&P's 12-month total return of 1.3% incorporated no less than six rallies and corrections that ranged between 4% and 8%, leaving many investors exhausted by the year's market volatility.

We are pleased to report that Scudder Growth and Income Fund emerged relatively unscathed within this environment. The Fund ended the year with a total return of 2.6%, which includes price change plus income and capital gain distributions. Over the past three, five, and 10 years, the Fund reported average annual total returns of 9.12%, 10.22% and 14.26%, respectively, versus 6.27%, 8.69%, and 14.37% for the S&P 500.

A Strategy Emphasizing Competitive Performance During Market Ups and Downs

The Fund's long-term success is the product of a disciplined strategy that seeks to produce competitive returns in varying market conditions. Achieving this goal means not only taking advantage of market upswings but, as we were largely able to do in 1994, avoiding trouble when the overall trend of stock prices is flat or negative. Specifically, we compare a stock's current dividend yield to its past dividend yield and to that of the market overall, selecting those stocks with comparatively above-average yields that we believe offer the best prospects for appreciation over time.

During much of the year, manufacturing stocks significantly benefited the Fund (18% of the portfolio, excluding cash equivalents, versus 13% of the S&P 500), including chemical, paper, and forest product companies. These stocks generally outperformed the market during the first part of the year, reflecting the strong pace of U.S. economic activity. Expectations of sharply higher earnings for commodity goods producers propelled prices of holdings such as Dow Chemical, Federal Paperboard, and Lyondell Petrochemical higher.

Healthcare holdings, which we significantly increased in the second quarter, also contributed to the year's positive total return. This long downtrodden sector continued to underperform the market through last spring because of well-publicized concerns over healthcare reform, managed care, and falling drug prices. We identified several attractively priced

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companies that we believed were adapting to the more challenging environment. As a result, the Fund's exposure to the group doubled by the summer, bringing it to 12% compared with 9% for the S&P. By midyear, the prices of healthcare stocks began to improve. The industry's evolution included a major wave of consolidations, such as Eli Lilly's acquisition of the pharmacy benefit-management division of McKesson, and American Home

Products' purchase of American Cyanamid. The portfolio benefited not only from its investments in these two acquisition targets but also from holdings such as Warner Lambert and Schering Plough, which moved higher in anticipation of additional mergers.

Higher Oil Prices Boost Energy Stocks

Energy and food stocks were lesser but still important contributors to Fund performance early in the year. The portfolio particularly benefited from stocks sensitive to changes in oil prices, which moved sharply higher in the spring. Such holdings included Murphy Oil and Louisiana Land & Exploration. Lyondell Petrochemical also fared well as pricing for ethylene improved. Our attraction to food stocks was driven chiefly by overly depressed share prices as a result of an extremely competitive industry environment.

After the successes of the first nine months, the transition into the fourth quarter was less rewarding. Many of the strategies that helped us in the first part of the year did not work as well as the year drew to a close. Indeed, manufacturing stocks, the biggest positive contributor in the first nine months, provided the most disappointing performance later in the year. As the Federal Reserve raised short-term interest rates again in November, investors began to fear for the economic expansion. Earnings expectations were re-evaluated lower, and commodity goods stocks experienced a year-end downturn.

Energy stocks also reversed course near the end of the year due to weak oil and natural gas prices and concerns that the improving environment for petrochemicals would be short-lived. We were also on the wrong side of an industry consolidation when one of our stock holdings, Quaker Oats,

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turned from being a rumored "acquiree" to an acquirer. After announcing its purchase of Snapple, Quaker Oats dropped sharply from its September highs.

Looking Ahead

The challenging investment environment in 1994 seems likely to continue into the new year. We believe well-positioned manufacturing companies will prosper in the current environment of moderate global growth, and we intend to maintain the Fund's exposure to this group. We are also preserving our substantial position in financial stocks, as the potential for stable or even declining interest rates during the second half of 1995 should provide a much-needed lift to this group.

We expect to continue to tilt the Fund towards non-cyclical stocks, including those in the food, beverage, tobacco, and healthcare industries. In addition to significantly increasing our healthcare exposure earlier in 1994, we have more recently increased the portfolio's weighting in consumer staples. Many of these stocks have been out of favor and are now compellingly cheap. Among this group, we have focused on companies that are actively pursuing new strategies to succeed in this era of intense competition, including Philip Morris, Heinz, and Tambrands.

Our aim in managing your Fund is to participate during periods of rising equity prices, while attempting to shield the portfolio from negative market periods. In 1994, the latter proved to be the case, and we are pleased to have helped investors avoid many of the stock market's unpleasant surprises. While 1995 appears to offer its own challenges, we believe our disciplined investment approach should continue to provide exposure to the long-term benefits of the equity markets.

Sincerely,

Your Portfolio Management Team

/s/Robert T. Hoffman /s/Kathleen T. Millard
Robert T. Hoffman Kathleen T. Millard

/s/Benjamin W. Thorndike
Benjamin W. Thorndike

Scudder Growth and Income Fund:
A Team Approach to Investing

Scudder Growth and Income Fund is managed by a team of Scudder investment professionals who each play an important role in the Fund's management process. Team members work together to develop investment strategies and select securities for the Fund. They are supported by Scudder's large staff of economists, research analysts, traders, and other

investment specialists who work in our offices across the United States and abroad. We believe our team approach benefits Fund investors by bringing together many disciplines and leveraging Scudder's extensive resources.

Lead Portfolio Manager Robert T. Hoffman has had responsibility for setting the Fund's stock investing strategy and overseeing the Fund's day-to-day operations since he joined Scudder in 1991. Rob has 10 years of experience in the investment industry and also heads up the portfolio management team for AARP Growth and Income Fund. Kathleen T. Millard, Portfolio Manager, has been involved in the investment industry since 1983 and at Scudder since 1991. Kathleen focuses on strategy and stock selection, a role she also plays for AARP Growth and Income Fund. Benjamin W. Thorndike, Portfolio Manager, is the Fund's chief analyst and strategist for convertible securities. Ben, who has 15 years of investment experience, joined Scudder and the Fund in 1986 and also is a Portfolio Manager for AARP Growth and Income Fund.

INVESTMENT PORTFOLIO as of December 31, 1994

<TABLE>

<CAPTION>

	% of Portfolio	Principal Amount (\$)	Market Value (\$)
<S>	<C>	<C>	<C>
	1.9%	REPURCHASE AGREEMENT	
		37,604,000 Repurchase Agreement with Donaldson, Lufkin & Jenrette dated 12/30/94 at 5.875% to be repurchased on 1/3/95 at \$37,628,547 collateralized by a \$39,207,000 U.S. Treasury Bill, 6/29/95 (Cost \$37,604,000)	37,604,000
	0.5%	CORPORATE BONDS	
FINANCIAL		3,125,000 Equitable Companies, Inc., 6.125%, 12/15/24 . . .	2,796,875
		5,500,000 Siemens Capital Corp., with warrants, 8%, 6/24/02	6,957,500
		TOTAL CORPORATE BONDS (Cost \$10,302,934)	9,754,375
	2.7%	CONVERTIBLE BONDS	
CONSUMER DISCRETIONARY	0.1%	2,363,000 Home Depot, Inc., 4.5%, 2/15/97	2,823,785
Department & Chain Stores			
HEALTH	0.1%	1,800,000 Hillhaven Corp., 7.75%, 11/1/02	2,304,000
Health Industry Services			
FINANCIAL	1.2%	8,250,000 Banco Nacional de Mexico, 7%, 12/15/99	6,558,750
Banks	0.9%	8,095,000 Credit Suisse, 4.875%, 11/19/02	10,725,875
			17,284,625
Other Financial Companies	0.3%	4,560,000 First Financial Management, 5%, 12/15/99	4,810,800
		1,809,000 Jardine Strategic Holdings, 7.5%, 5/7/49	2,062,260
			6,873,060
MEDIA	0.2%	8,000,000 Time Warner Inc., Zero Coupon Liquid Yield Option Note, 6/22/13	2,840,000
Broadcasting & Entertainment			

</TABLE>

The accompanying notes are an integral part of these financial statements.

<TABLE>
SCUDDER GROWTH AND INCOME FUND

<CAPTION>	% of Portfolio	Principal Amount (\$)		Market Value (\$)
<S>	<C>	<C>		<C>
TECHNOLOGY	0.3%			
Electronic Data Processing	0.2%	7,500,000	Silicon Graphics Inc., 11/5/13	4,031,250
Precision Instruments	0.1%	1,500,000	Thermo Instruments Systems Inc., 6.625%, 8/15/01	2,670,000
CONSTRUCTION	0.3%			
Homebuilding		9,300,000	Empresa ICA Sociedad Controladora S.A., 5%, 3/15/04	5,859,000
TRANSPORTATION	0.5%			
Airlines		13,600,000	Delta Air Lines, Inc., 3.23%, 6/15/03	9,554,000
			TOTAL CONVERTIBLE BONDS (Cost \$58,550,083)	54,239,720
	5.1%		CONVERTIBLE PREFERRED STOCKS Shares	
HEALTH	1.2%			
Health Industry Services		948,400	FHP International Corp. "A"	23,235,800
SERVICE INDUSTRIES	0.9%			
EDP Services		330,100	General Motors Corp., Series C, Cum. \$3.25 (convertible into GM "E")	18,939,488
DURABLES	1.0%			
Automobiles		215,800	Ford Motor Co., Series A, Cum. \$4.20	19,853,600
MANUFACTURING	0.9%			
Containers & Paper	0.5%	293,200	Boise Cascade Corp. "E", Cum \$1.79	7,806,450
		60,100	Boise Cascade Corp. "G", Cum \$1.58	1,434,888
				9,241,338
Industrial Specialty	0.4%	181,000	Corning Inc.	8,461,750
TECHNOLOGY	0.2%			
Electronic Data Processing		50,000	Ceridian Corp., 5.5%	3,150,000
ENERGY	0.4%			
Oil & Gas Production		180,500	Parker & Parsley Capital Corp.	7,987,125

</TABLE>

The accompanying notes are an integral part of these financial statements.

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<TABLE>				
INVESTMENT PORTFOLIO				
<CAPTION>	% of Portfolio	Shares		Market Value (\$)
<S>	<C>	<C>	<C>	
METALS AND MINERALS	0.5%			
Precious Metals		500,000	Freeport McMoRan Copper & Gold, Inc., Cum. \$1.25	10,375,000
			TOTAL CONVERTIBLE PREFERRED STOCKS (Cost \$95,089,290)	101,244,101
	0.3%		PREFERRED STOCKS	
COMMUNICATIONS				
Telephone/Communications		120,000	Philippine Long Distance Telephone Co. TOTAL PREFERRED STOCKS (Cost \$6,000,000)	6,495,000
	89.5%		COMMON STOCKS	
CONSUMER DISCRETIONARY	3.8%			
Department & Chain Stores		521,000	Edison Brothers Stores, Inc.	9,638,500
		390,200	J.C. Penney Co., Inc.	17,412,675
		1,103,200	Rite Aid Corp.	25,787,300
		499,300	Sears, Roebuck & Co.	22,967,800

				75,806,275
CONSUMER STAPLES	10.9%			
Alcohol & Tobacco	3.4%	515,800	American Brands Inc.	19,342,500
		436,600	Anheuser Busch Companies, Inc.	22,212,025
		440,000	Philip Morris Companies Inc.	25,300,000
				66,854,525
Consumer Specialties	0.2%	277,000	A.T. Cross Co. "A"	3,774,125
Food & Beverage	4.0%	520,000	General Mills, Inc.	29,640,000
		973,100	H.J. Heinz Co.	35,761,425
		463,400	Quaker Oats Co.	14,249,550
				79,650,975
Package Goods/ Cosmetics	3.3%	488,000	Avon Products Inc.	29,158,000
		184,400	Clorox Co.	10,856,550
		675,000	Tambrands Inc.	26,071,875
				66,086,425

</TABLE>

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<TABLE>
SCUDDER GROWTH AND INCOME FUND

<CAPTION>

	% of Portfolio	Shares		Market Value (\$)
<S>	<C>	<C>	<C>	<C>
HEALTH	12.7%			
Health Industry Services	0.3%	182,400	McKesson Corp.	5,950,800
Pharmaceuticals	12.4%	418,000	American Home Products Corp.	26,229,500
		1,587,100	Baxter International Inc.	44,835,575
		404,300	Bristol-Myers Squibb Co.	23,398,863
		731,600	Carter-Wallace Inc.	9,510,800
		779,300	Eli Lilly Co.	51,141,563
		438,000	Schering-Plough Corp.	32,412,000
		358,300	SmithKline Beecham PLC (ADR)	12,271,775
		488,700	Warner-Lambert Co.	37,629,900
		744,100	Zeneca Group PLC	10,229,919
				247,659,895
COMMUNICATIONS	5.3%			
Telephone/ Communications		1,334,400	Alltel Corp.	40,198,800
		382,600	Compania Telefonica Nacional de Espana SA (ADR)	13,438,825
		199,800	Compania de Telefonos de Chile, SA (ADR)	15,734,250
		885,240	Hong Kong Telecommunications Ltd. (ADR).	16,930,215
		438,000	Tele Danmark A/S "B" (ADR) *	11,169,000
		79,900	Telecom Argentina S.A. "B" (ADR)	4,134,825
		92,400	Telefonica de Argentina (ADR)	4,897,200
				106,503,115
FINANCIAL	14.9%			
Banks	7.6%	235,000	AmSouth Bancorp.	6,051,250
		72,050	Argentaria Corporacion Bancaria de Espana 67	2,553,567
		704,700	Chemical Banking Corp.	25,281,113
		807,600	CoreStates Financial Corp.	20,997,600
		542,500	Corporacion Bancaria de Espana (ADR)	9,697,188
		1,131,100	First Bank System Inc.	37,609,075
		441,600	J.P. Morgan & Co., Inc.	24,729,600
		257,400	Summit Bancorporation	4,987,125
		38,777	Swiss Bank Corp. (Bearer)	10,720,796

1,077	Swiss Bank Corp. Warrants* (Bearer)		12,955	
	(expire 6/30/95)			
353,300	Wilmington Trust Corp.		8,037,575	

			150,677,844	

Insurance	2.2%	594,100	EXEL, Ltd.	23,466,950
		604,000	Lincoln National Corp.	21,140,000

				44,606,950

</TABLE>

The accompanying notes are an integral part of these financial statements.

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<TABLE>

INVESTMENT PORTFOLIO

<CAPTION>

	% of Portfolio	Shares		Market Value (\$)
<S>	<C>	<C>	<C>	<C>
Other Financial Companies	1.8%	1,104,900	Great Western Financial Corp.	17,678,400
		31,500	Security Capital Industrial Trust . . .	535,500
		547,400	Student Loan Marketing Association . . .	17,790,500

				36,004,400

Real Estate	3.3%	87,200	Avalon Properties, Inc.	2,005,600
		338,500	Camden Property Trust (REIT)	8,420,188
		73,800	Charles E. Smith Residential Realty, Inc.	1,872,675
		28,100	Equity Residential Properties Trust (REIT)	843,000
		275,000	General Growth Properties, Inc. (REIT)	6,221,875
		248,600	Health Care Property Investment Inc. (REIT)	7,489,075
		31,400	Mark Centers Trust (REIT)	404,275
		138,300	McArthur/Glen Realty Corp. (REIT) . . .	2,281,950
		468,400	Meditrust SBI (REIT)	14,169,100
		342,400	Nationwide Health Properties Inc. (REIT)	12,240,800
		61,900	Post Properties Inc. (REIT)	1,949,850
		451,300	Southwestern Properties Trust (REIT) . .	5,528,425
		65,700	Vornado Realty Trust (REIT)	2,356,988

				65,783,801

SERVICE INDUSTRIES	1.8%			
Commercial Services	0.5%	440,000	Fleming Companies Inc.	10,230,000

Consumer Services	0.7%	373,200	H & R Block Inc.	13,855,050

Printing/Publishing	0.6%	453,600	Deluxe Corp.	12,020,400
DURABLES	6.3%			-----
Aerospace	5.0%	398,400	AAR Corp.	5,328,600
		285,100	Lockheed Corp.	20,705,388
		729,400	Rockwell International Corp.	26,076,050
		70,000	Thiokol Corp.	1,951,250
		739,100	United Technologies Corp.	46,470,913

				100,532,201

Automobiles	1.3%	687,500	Dana Corp.	16,070,313
		195,300	Eaton Corp.	9,667,350

				25,737,663

MANUFACTURING	17.2%			
Chemicals	4.3%	293,900	Dow Chemical Co.	19,764,775
		470,000	E.I. du Pont de Nemours & Co.	26,437,500
		1,007,200	Lyondell Petrochemical Co.	26,061,300
		449,100	Union Carbide Corp.	13,192,313

</TABLE>

The accompanying notes are an integral part of these financial statements.

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<TABLE>

SCUDDER GROWTH AND INCOME FUND

<CAPTION>

	% of Portfolio	Shares		Market Value (\$)
<S>	<C>	<C>	<C>	<C>
Containers & Paper	2.7%	659,000	Federal Paper Board Co., Inc.	19,111,000
		580,800	Kimberly Clark de Mexico S.A. "A"	6,806,159
		33,900	Kimberly Clark de Mexico S.A. "A" (ADR)	788,175
		524,300	Kimberly-Clark Corp.	26,477,150
				53,182,484
Diversified Manufacturing	2.7%	680,700	Dresser Industries Inc.	12,848,213
		93,100	Saint Joe Paper Co.	5,050,675
		555,100	TRW Inc.	36,636,600
				54,535,488
Electrical Products	1.1%	345,600	Thomas & Betts Corp.	23,198,400
Machinery/Components/ Controls	1.5%	475,900	Parker-Hannifin Group	21,653,450
		239,300	Timken Co.	8,435,325
				30,088,775
Office Equipment/Supplies	1.9%	380,300	Xerox Corp.	37,649,700
Specialty Chemicals	3.0%	180,000	ARCO Chemical Co.	7,920,000
		613,800	Betz Laboratories Inc.	27,160,650
		358,600	Petrolite Corp.	9,323,600
		591,600	Witco Corp.	14,568,150
				58,972,400
TECHNOLOGY	0.5%			
Military Electronics		241,300	E-Systems, Inc.	10,044,113
ENERGY	10.1%			
Engineering	1.4%	1,100,900	McDermott International Inc.	27,247,275
Oil & Gas Production	0.8%	217,500	Louisiana Land & Exploration Co.	7,911,563
		387,500	Pacific Enterprises	8,234,375
				16,145,938
Oil Companies	6.0%	375,700	Exxon Corp.	22,823,775
		268,900	Murphy Oil Corp.	11,428,250
		480,100	Pennzoil Co.	21,184,413
		301,800	Repsol SA (ADR)	8,224,050
		97,100	Royal Dutch Petroleum Co. (New York shares)	10,438,250
		234,250	Societe Nationale Elf Aquitaine	16,486,533
		206,222	Total SA "B"	11,977,170
		3,411	Total SA (ADR)	100,625
		785,000	YPF SA "D" (ADR)	16,779,375
				119,442,441

</TABLE>

The accompanying notes are an integral part of these financial statements.

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<TABLE>

INVESTMENT PORTFOLIO

<CAPTION>

	% of Portfolio	Shares		Market Value (\$)
<S>	<C>	<C>	<C>	<C>
Oilfield Services/ Equipment	1.9%	1,151,100	Halliburton Co.	38,130,188
METALS AND MINERALS	1.0%			
Precious Metals	0.4%	365,000	De Beers Consolidated Mines Ltd. (ADR)	8,531,875
Steel & Metals	0.6%	285,190	Freeport McMoRan Copper & Gold, Inc. "A"	6,060,288
		104,900	Reynolds Metals Co.	5,074,538
				11,134,826
TRANSPORTATION	0.7%			
Marine Transportation	0.3%	282,700	Alexander & Baldwin Inc.	6,290,075
Railroads	0.4%	120,100	Norfolk Southern Corp.	7,281,063
UTILITIES	4.3%			
Electric Utilities		698,600	CINergy Corp.	16,329,764
		227,600	CMS Energy Corp.	5,206,350
		953,700	Centerior Energy Corp.	8,464,088
		2,332,800	China Light & Power Co., Ltd. (ADR) . .	9,797,760
		196,080	Empresa Nacional de Electricidad SA (ADR)	7,941,240
		174,000	Empresa Nacional de Electricidad SA . .	7,085,584
		136,000	PacifiCorp	2,465,000
		461,700	Pacific Gas & Electric Co.	11,253,938
		13,600	Southern Company	272,000
		747,900	Unicom Corp.	17,949,600
				86,765,324
			TOTAL COMMON STOCKS (Cost \$1,632,388,017)	1,785,830,697
			TOTAL INVESTMENT PORTFOLIO -- 100%	
			(Cost \$1,839,934,324) (a)	1,995,167,893

<FN>

(a) The cost for federal income tax purposes was \$1,838,433,009. At December 31, 1994, net unrealized appreciation for all securities based on tax cost was \$156,734,884. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of market value over tax cost of \$209,422,035 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over market value of \$52,687,151.

* Nonincome producing security.

Transactions in written call options on indices during the year ended December 31, 1994 were:

	NUMBER OF CONTRACTS	PREMIUMS RECEIVED (\$)
Outstanding at December 31, 1993 . .	--	--
Contracts written	6,500	1,327,278
Contracts closed	(2,500)	(710,479)
Contracts expired	(4,000)	(616,799)
Outstanding at December 31, 1994	--	--

</TABLE>

The accompanying notes are an integral part of these financial statements.

<TABLE>

SCUDDER GROWTH AND INCOME FUND
FINANCIAL STATEMENTS

STATEMENT OF ASSETS AND LIABILITIES

DECEMBER 31, 1994

<S>		<C>
ASSETS		
Investments, at market (identified cost 1,839,934,324)		
(Note A)		\$1,995,167,893
Collateral held for securities loaned (Note A)		107,958,800
Cash		957
Receivables:		
Dividends and interest		8,078,897
Investments sold		15,815,758
Fund shares sold		5,154,132
Foreign taxes recoverable		294,906

Total assets		2,132,471,343
LIABILITIES		
Payables:		
Collateral on securities loaned (Note A)	107,958,800	
Investments purchased	24,037,863	
Fund share redeemed	7,217,515	
Accrued management fee (Note C)	879,173	
Other accrued expenses (Note C)	674,806	

Total liabilities		140,768,157

Net assets, at market value		\$1,991,703,186
		=====
NET ASSETS		
Net assets consist of:		
Undistributed net investment income		\$ 2,585,428
Unrealized appreciation on:		
Investments		155,233,569
Foreign currency related transactions		15,254
Accumulated net realized gain		12,634,994
Shares of beneficial interest		1,224,550
Additional paid-in capital		1,820,009,391

Net assets, at market value		\$1,991,703,186
		=====
NET ASSET VALUE, offering and redemption price		
per share (\$1,991,703,186 :- 122,454,972		
shares of capital stock outstanding, \$.01 par		
value, unlimited number of shares authorized)		\$16.26
		=====

</TABLE>

The accompanying notes are an integral part of these financial statements.

FINANCIAL STATEMENTS

<TABLE>

STATEMENT OF OPERATIONS

<CAPTION>

YEAR ENDED DECEMBER 31, 1994

<S>	<C>	<C>
INVESTMENT INCOME		
Income:		
Dividends (net of withholding taxes of \$1,308,158)		\$63,180,209
Interest		7,709,950

		70,890,159
Expenses:		
Management fee (Note C)	\$ 9,941,300	
Services to shareholders (Note C)	4,568,994	
Trustees' fees (Note C)	38,348	
Custodian and Accounting fees (Note C)	375,218	
Reports to shareholders	510,777	
Auditing	50,320	
Legal	31,359	
State registration	70,898	
Other	218,813	15,806,027

Net investment income		55,084,132

NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENT		

TRANSACTIONS		
Net realized gain from:		
Investments	109,806,159	
Options	614,232	
Foreign currency related transactions	57,933	110,478,324

Net unrealized appreciation (depreciation) during the period on:		
Investments	(124,889,147)	
Foreign currency related transactions	14,318	(124,874,829)
	-----	-----
Net loss on investment transactions		(14,396,505)

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS		\$ 40,687,627
		=====

</TABLE>

The accompanying notes are an integral part of these financial statements.

<TABLE>

SCUDDER GROWTH AND INCOME FUND

STATEMENTS OF CHANGES IN NET ASSETS

<CAPTION>

INCREASE (DECREASE) IN NET ASSETS	YEARS ENDED DECEMBER 31,	
	1994	1993
<S>	<C>	<C>
Operations:		
Net investment income	\$ 55,084,132	\$ 41,637,348
Net realized gain from investment transactions	110,478,324	92,568,085
Net unrealized appreciation (depreciation) on investment transactions during the period	(124,874,829)	70,874,326
	-----	-----
Net increase in net assets resulting from operations	40,687,627	205,079,759
	-----	-----
Distributions to shareholders:		
From net investment income (\$.51 and \$.45 per share, respectively)	(55,549,751)	(38,326,003)
	-----	-----
From net realized gains from investment transactions (\$.91 and \$1.01 per share, respectively)	(104,186,389)	(89,879,431)
	-----	-----
Fund share transactions:		
Proceeds from shares sold	660,899,843	529,361,632
Net asset value of shares issued to shareholders in reinvestment of distributions	141,532,779	112,277,088
Cost of shares redeemed	(315,194,390)	(260,587,818)
	-----	-----
Net increase in net assets from Fund share transactions	487,238,232	381,050,902
	-----	-----
INCREASE IN NET ASSETS	368,189,719	457,925,227
Net assets at beginning of period	1,623,513,467	1,165,588,240
	-----	-----
NET ASSETS AT END OF PERIOD (including undistributed net investment income of \$2,585,428 and \$3,273,577, respectively)	\$1,991,703,186	\$1,623,513,467
	=====	=====
OTHER INFORMATION		
INCREASE (DECREASE) IN FUND SHARES		
Shares outstanding at beginning of period	94,183,009	71,952,913
	-----	-----
Shares sold	38,072,976	30,928,769
Shares issued to shareholders in reinvestment of distributions	8,384,211	6,514,045
Shares redeemed	(18,185,224)	(15,212,718)
	-----	-----
Net increase in Fund shares	28,271,963	22,230,096
	-----	-----
Shares outstanding at end of period	122,454,972	94,183,009
	=====	=====

</TABLE>

<TABLE>

FINANCIAL HIGHLIGHTS

THE FOLLOWING TABLE INCLUDES SELECTED DATA FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD AND OTHER PERFORMANCE INFORMATION DERIVED FROM THE FINANCIAL STATEMENTS.

<CAPTION>

	Years Ended December 31,									
	1994	1993(b)	1992	1991	1990	1989	1988	1987	1986	1985
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period ...	\$17.24	\$16.20	\$15.76	\$12.77	\$14.14	\$13.18	\$12.31	\$15.02	\$15.35	\$11.90
Income from investment operations:										
Net investment income ...	.49	.49	.57	.57	.65	.67	.60	.68	.67	.59
Net realized and unrealized gain (loss) on investment transactions	(.05)	2.01	.90	2.97	(1.01)	2.75	.86	(.07)	1.96	3.44
Total from investment operations .....	.44	2.50	1.47	3.54	(.36)	3.42	1.46	.61	2.63	4.03
Less distributions from:										
Net investment income	(.51)	(.45)	(.53)	(.55)	(.67)	(.69)	(.59)	(.68)	(.68)	(.58)
Net realized gains on investment transactions	(.91)	(1.01)	(.50)	--	(.34)	(1.77)	--	(2.64)	(2.28)	--
Total distributions	(1.42)	(1.46)	(1.03)	(.55)	(1.01)	(2.46)	(.59)	(3.32)	(2.96)	(.58)
Net asset value, end of period	\$16.26	\$17.24	\$16.20	\$15.76	\$12.77	\$14.14	\$13.18	\$12.31	\$15.02	\$15.35
TOTAL RETURN (%)	2.60	15.59	9.57	28.16	(2.33)	26.36	12.01	3.50	18.27	34.55
RATIOS AND SUPPLEMENTAL DATA										
Net assets, end of period (\$ millions)	1,992	1,624	1,166	723	491	490	402	392	385	302
Ratio of operating expenses to average net assets (%) (a) .....	.86	.86	.94	.97	.95	.87	.92	.89	.83	.84
Ratio of net investment income to average net assets (%)	2.98	2.93	3.60	4.03	5.03	4.47	4.63	4.24	4.19	4.35
Portfolio turnover rate (%)	42.3	35.5	27.5	44.7	64.7	76.6	47.6	59.5	45.3	73.3

<FN>

(a) The Adviser did not impose a portion of its management fee amounting to \$.02 per share for the year ended December 31, 1992. If all expenses, including the management fee not imposed, had been incurred by the Fund, the annualized ratio of expenses to average net assets for such year would have been 1.08% and the total return would have been lower. This ratio includes costs associated with the acquisition of certain assets of Niagara Share Corporation on July 27, 1992, exclusive of these charges the ratio would have been .92%.

(b) Effective January 1, 1993, the Fund discontinued using equalization accounting.

</TABLE>

SCUDDER GROWTH AND INCOME FUND
NOTES TO FINANCIAL STATEMENTS

A. SIGNIFICANT ACCOUNTING POLICIES

Scudder Growth and Income Fund (the "Fund") is a diversified series of Scudder Investment Trust (the "Trust"). The Trust is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended, as a diversified, open-end management investment company. The policies described below are followed consistently by the Fund in the preparation of its financial statements in conformity with generally accepted accounting principles.

SECURITY VALUATION. Portfolio securities which are traded on U.S. or foreign

stock exchanges are valued at the most recent sale price reported on the exchange on which the security is traded most extensively. If no sale occurred, the security is then valued at the calculated mean between the most recent bid and asked quotations. If there are no such bid and asked quotations, the most recent bid quotation is used. Securities quoted on the National Association of Securities Dealers Automatic Quotation ("NASDAQ") System, for which there have been sales, are valued at the most recent sale price reported on such system. If there are no such sales, the value is the high or "inside" bid quotation. Securities which are not quoted on the NASDAQ System but are traded in another over-the-counter market are valued at the most recent sale price on such market. If no sale occurred, the security is then valued at the calculated mean between the most recent bid and asked quotations. If there are no such bid and asked quotations, the most recent bid quotation shall be used.

Portfolio debt securities with remaining maturities greater than sixty days are valued by pricing agents approved by the officers of the Fund, which quotations reflect broker/dealer-supplied valuations and electronic data processing techniques. If the pricing agents are unable to provide such quotations, the most recent bid quotation supplied by a bona fide market maker shall be used. Short-term investments having a maturity of sixty days or less are valued at amortized cost.

All other securities are valued at their fair value as determined in good faith by the Valuation Committee of the Board of Trustees.

REPURCHASE AGREEMENTS. The Fund may enter into repurchase agreements with certain banks and broker/dealers whereby the Fund, through its custodian, receives delivery of the underlying securities, the amount of which at the time of purchase and each subsequent business day is required to be maintained at such a level that the

NOTES TO FINANCIAL STATEMENTS

market value, depending on the maturity of the repurchase agreement, is equal to at least 100.5% of the resale price.

SECURITY LENDING. The Fund may seek to increase its income by lending portfolio securities. Such loans may be made through the Fund's authorized agent to registered broker/dealers and are required to be collateralized by cash in an amount at least equal to the market value plus accrued interest of the securities loaned. The collateral is invested, and a negotiated percentage of the interest earned is remitted to the Fund. This income is included as a component of interest income. At December 31, 1994, the Fund loaned securities with an aggregate market value of \$103,830,213 which represents 5.2% of total net assets.

OPTIONS. The Fund may write (sell) exchange-listed and over-the-counter call and put options on securities, indices, currencies and other financial instruments. When the Fund writes a call, it gives the purchaser of the call option the right to buy the underlying security or currency at the price specified in the option (the "exercise price") at any time during the option period, generally ranging up to nine months. When the Fund writes a put option, it gives the purchaser of the put option the right to sell the underlying security or currency to the Fund at the exercise price at any time during the option period, generally ranging up to nine months.

If the option expires unexercised, the Fund will realize income, in the form of a capital gain, to the extent of the amount received for the option (the "premium"). If the option is exercised, a decision over which the Fund has no control, the Fund must sell the underlying security or currency to the option holder or purchase the underlying security or currency from the option holder at the exercise price. Certain options, including options on indices, will require cash settlement by the Fund if the option is exercised. By writing a call option, the Fund foregoes, in exchange for the premium less the commission ("net premium"), the opportunity to profit during the option period from an increase in the market value of the underlying security or currency above the exercise price. By writing a put option, the Fund, in exchange for the net premium received, accepts the risk of a decline in the market value of the underlying security or currency below the exercise price.

SCUDDER GROWTH AND INCOME FUND

The liability representing the Fund's obligation under an exchange traded written call or put option is valued at the last sale price or, in the absence of a sale, the mean between the closing bid and asked quotations or at the most

recent asked quotation if no bid and asked quotations are available. Over the counter written options are valued at the most recent asked quotation.

In addition, the Fund may purchase, singly and in combination, call and put options on securities, indices, currencies and other financial instruments. Exchange traded purchased options are valued at the last sales price or, in the absence of a sale, the mean between the closing bid and asked quotations or at the most recent bid quotation if no bid and asked quotations are available. Over-the-counter purchased options are valued at the most recent bid quotation.

FOREIGN CURRENCY TRANSLATIONS. The books and records of the Fund are maintained in U.S. dollars. Foreign currency transactions are translated into U.S. dollars on the following basis:

- (i) market value of investment securities, other assets and liabilities at the daily rates of exchange, and
- (ii) purchases and sales of investment securities, dividend and interest income and certain expenses at the rates of exchange prevailing on the respective dates of such transactions.

The Fund does not isolate that portion of gains and losses on investments which is due to changes in foreign exchange rates from that which is due to changes in market prices of the investments. Such fluctuations are included with the net realized and unrealized gains and losses from investments.

Net realized and unrealized gain (loss) from foreign currency related transactions includes gains and losses between trade and settlement dates on securities transactions, gains and losses arising from the sales of foreign currency, and gains and losses between the ex and payment dates on dividends, interest, and foreign withholding taxes.

FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS. In connection with portfolio purchases and sales of securities denominated in a foreign currency, the Fund may enter into forward foreign currency exchange contracts ("contracts"). Additionally, the Fund may enter into contracts to hedge certain other foreign currency denominated assets. Contracts are recorded at market value. Certain risks may arise upon

NOTES TO FINANCIAL STATEMENTS

entering into these contracts from the potential inability of counterparties to meet the terms of their contracts. Realized and unrealized gains and losses arising from such transactions are included in net realized and unrealized gain (loss) from foreign currency related transactions.

FEDERAL INCOME TAXES. The Fund's policy is to comply with the requirements of the Internal Revenue Code which are applicable to regulated investment companies and to distribute all of its taxable income to its shareholders. The Fund accordingly paid no federal income taxes and no provision for federal income taxes was required.

DISTRIBUTION OF INCOME AND GAINS. Distributions of net investment income are made quarterly. During any particular year, net realized gains from investment transactions, in excess of available capital loss carryforwards, would be taxable to the Fund if not distributed and, therefore, will be distributed to shareholders. An additional distribution may be made to the extent necessary to avoid the payment of a four percent federal excise tax.

The timing and characterization of certain income and capital gains distributions are determined annually in accordance with federal tax regulations which may differ from generally accepted accounting principles. These differences relate primarily to non-taxable distributions and certain securities sold at a loss. As a result, net investment income and net realized gain (loss) on investment transactions for a reporting period may differ significantly from distributions during such period. Accordingly, the Fund may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Fund.

The Fund uses the specific identified cost method for determining realized gain or loss on investments for both financial and federal income tax reporting purposes.

OTHER. Investment security transactions are accounted for on a trade date basis. Dividend income and distributions to shareholders are recorded on the ex-dividend date. Interest income is recorded on the accrual basis.

B. PURCHASES AND SALES OF SECURITIES

For the year ended December 31, 1994, purchases and sales of investment

securities (excluding short-term investments) aggregated \$1,139,384,068 and \$744,104,152, respectively.

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SCUDDER GROWTH AND INCOME FUND

C. RELATED PARTIES

On August 9, 1994, the Fund's Board of Trustees approved a new Investment Management Agreement (the "Management Agreement") with Scudder, Stevens & Clark, Inc. (the "Adviser"). Under the Management Agreement the Adviser directs the investments of the Fund in accordance with its investment objective, policies, and restrictions. The Adviser determines the securities, instruments, and other contracts relating to investments to be purchased, sold or entered into by the Fund. In addition to portfolio management services, the Adviser provides certain administrative services in accordance with the Management Agreement. The management fee payable under the Management Agreement is equal to an annual rate of 0.60% on the first \$500,000,000 of the Fund's average daily net assets, 0.55% on the next \$500,000,000, 0.50% on the next \$500,000,000, and 0.475% of such net assets in excess of \$1,500,000,000, computed and accrued daily and payable monthly.

Under the Investment Management Agreement between the Fund and the Adviser which was in effect prior to August 9, 1994 (the "Agreement"), the Fund agreed to pay to the Adviser a fee equal to an annual rate of 0.65% on the first \$200,000,000 of average daily net assets, 0.60% on the next \$200,000,000 of such net assets, 0.55% on the next \$500,000,000 of such net assets, and 0.50% of such net assets in excess of \$900,000,000, computed and accrued daily and payable monthly. Both Agreements provide that if the Fund's expenses, exclusive of taxes, interest, and extraordinary expenses, exceed specified limits, such excess, up to the amount of the management fee, will be paid by the Adviser. For the year ended December 31, 1994, the fee pursuant to both the Management Agreement and the Agreement amounted to \$9,941,300, which was equivalent to an annual effective rate of .54% of the Fund's average daily net assets.

Scudder Service Corporation ("SSC"), a wholly-owned subsidiary of the Adviser, is the transfer, dividend paying and shareholder service agent for the Fund. For the year ended December 31, 1994, the amount charged to the Fund by SSC aggregated \$3,952,719, of which \$374,385 is unpaid at December 31, 1994.

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NOTES TO FINANCIAL STATEMENTS

Effective October 1, 1994, Scudder Fund Accounting Corporation ("SFAC"), a wholly-owned subsidiary of the Adviser, assumed responsibility for determining the daily net asset value per share and maintaining the portfolio and general accounting records of the Fund. For the period ended December 31, 1994, the amount charged to the Fund by SFAC aggregated \$39,116, of which \$14,948 is unpaid at December 31, 1994.

The Fund pays each Trustee not affiliated with the Adviser \$4,000 annually, plus specified amounts for attended board and committee meetings. For the year ended December 31, 1994, Trustees' fees aggregated \$38,348.

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SCUDDER GROWTH AND INCOME FUND
REPORT OF INDEPENDENT ACCOUNTANTS

TO THE TRUSTEES OF SCUDDER INVESTMENT TRUST AND THE SHAREHOLDERS OF
SCUDDER GROWTH AND INCOME FUND:

We have audited the accompanying statement of assets and liabilities of Scudder Growth and Income Fund, including the investment portfolio, as of December 31, 1994, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the ten years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain

reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 1994 by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Scudder Growth and Income Fund as of December 31, 1994, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the ten years in the period then ended in conformity with generally accepted accounting principles.

Boston, Massachusetts
February 3, 1995

COOPERS & LYBRAND L.L.P.

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TAX INFORMATION

By now shareholders for whom year-end tax reporting is required by the IRS should have received their Form 1099-DIV and tax information letter from the Fund.

The Fund paid distributions of \$0.65 per share from net long-term capital gains during its fiscal year ended December 31, 1994. Pursuant to Section 852 of the Internal Revenue Code, the Fund designates \$78,317,383 as capital gain dividends for its fiscal year ended December 31, 1994.

For corporate shareholders, 100% of the net investment income and short-term gain dividends paid during the Fund's year ended December 31, 1994 qualified for the dividends received deduction.

Please consult a tax adviser if you have questions about federal or state income tax laws, or on how to prepare your tax returns. If you have specific questions about your Scudder Fund account, please call a Scudder Service Representative at 1-800-225-5163.

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OFFICERS AND TRUSTEES

Daniel Pierce*
President and Trustee

Henry P. Becton, Jr.
Trustee; President and General Manager, WGBH Educational Foundation

Dudley H. Ladd*
Trustee

George M. Lovejoy, Jr.
Trustee; Chairman Emeritus, Meredith & Grew, Inc.

Wesley W. Marple, Jr.
Trustee; Professor of Business Administration, Northeastern University

Juris Padegs*
Trustee

Jean C. Tempel
Trustee; Director and Executive Vice President, Safeguard Scientifics, Inc.

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Vice President

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Vice President

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Vice President

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Vice President

Thomas F. McDonough*
Vice President, Secretary and Assistant Treasurer

Pamela A. McGrath*
Vice President and Treasurer

Edward J. O'Connell*
Vice President and Assistant Treasurer

Coleen Downs Dinneen*
Assistant Secretary

*Scudder, Stevens & Clark, Inc.

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INVESTMENT PRODUCTS AND SERVICES

The Scudder Family of Funds

Money market

Scudder Cash Investment Trust
Scudder U.S. Treasury Money Fund

Tax free money market+

Scudder Tax Free Money Fund
Scudder California Tax Free Money Fund*
Scudder New York Tax Free Money Fund*

Tax free+

Scudder California Tax Free Fund*
Scudder High Yield Tax Free Fund
Scudder Limited Term Tax Free Fund
Scudder Managed Municipal Bonds
Scudder Massachusetts Limited Term Tax Free Fund*
Scudder Massachusetts Tax Free Fund*
Scudder Medium Term Tax Free Fund
Scudder New York Tax Free Fund*
Scudder Ohio Tax Free Fund*
Scudder Pennsylvania Tax Free Fund*

Growth and Income

Scudder Balanced Fund
Scudder Growth and Income Fund

Income

Scudder Emerging Markets Income Fund
Scudder GNMA Fund
Scudder Income Fund
Scudder International Bond Fund
Scudder Short Term Bond Fund
Scudder Short Term Global Income Fund
Scudder Zero Coupon 2000 Fund

Growth

Scudder Capital Growth Fund
Scudder Development Fund
Scudder Global Fund
Scudder Global Small Company Fund
Scudder Gold Fund
Scudder Greater Europe Growth Fund
Scudder International Fund
Scudder Latin America Fund
Scudder Pacific Opportunities Fund
Scudder Quality Growth Fund
Scudder Value Fund
The Japan Fund

Retirement Plans and Tax-Advantaged Investments

IRAs
Keogh Plans
Scudder Horizon Plan+++* (a variable annuity)
401(k) Plans
403(b) Plans
SEP-IRAs
Profit Sharing and Money Purchase Pension Plans

Closed-end Funds#

The Argentina Fund, Inc.
The Brazil Fund, Inc.
The First Iberian Fund, Inc.
The Korea Fund, Inc.

The Latin America Dollar Income Fund, Inc.
Montgomery Street Income Securities, Inc.
Scudder New Asia Fund, Inc.
Scudder New Europe Fund, Inc.
Scudder World Income Opportunities Fund, Inc.

Institutional Cash Management
Scudder Institutional Fund, Inc.
Scudder Fund, Inc.
Scudder Treasurers Trust(tm)++

For complete information on any of the above Scudder funds, including management fees and expenses, call or write for a free prospectus. Read it carefully before you invest or send money. +A portion of the income from the tax-free funds may be subject to federal, state and local taxes. *Not available in all states. +++A no-load variable annuity contract provided by Charter National Life Insurance Company and its affiliate, offered by Scudder's insurance agencies, 1-800-225-2470. #These funds, advised by Scudder, Stevens & Clark, Inc., are traded on various stock exchanges. ++For information on Scudder Treasurers Trust(tm), an institutional cash management service that utilizes certain portfolios of Scudder Fund, Inc. (\$100,000 minimum), call: 1-800-541-7703.

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HOW TO CONTACT SCUDDER

Account Service and Information

For existing account service and transactions

SCUDDER INVESTOR RELATIONS
1-800-225-5163

For account updates, prices, yields, exchanges and redemptions

SCUDDER AUTOMATED INFORMATION LINE (SAIL)
1-800-343-2890

Investment Information

To receive information about the Scudder funds, for additional applications and prospectuses, or for investment questions

SCUDDER INVESTOR RELATIONS
1-800-225-2470

For establishing 401(k) and 403(b) plans

SCUDDER DEFINED CONTRIBUTION SERVICES
1-800-323-6105

Please address all correspondence to

THE SCUDDER FUNDS
P.O. BOX 2291
BOSTON, MASSACHUSETTS
02107-2291

Or stop by a Scudder Funds Center

Many shareholders enjoy the personal, one-on-one service of the Scudder Funds Centers. Check for a Funds Center near you--they can be found in the following cities:

Boca Raton
Boston
Chicago
Cincinnati
Los Angeles
New York
Portland, OR
San Diego
San Francisco
Scottsdale

For information on Scudder Treasurers Trust(tm), an institutional cash management service for corporations, non-profit organizations and trusts which utilizes certain portfolios of Scudder Fund, Inc.* (\$100,000 minimum), call: 1-800-541-7703.

For information on Scudder Institutional Funds,* funds designed to meet the broad investment management and service needs of banks and other institutions, call:1-800-854-8525.

Scudder Investor Relations and Scudder Funds Centers are services provided through Scudder Investor Services, Inc., Distributor.

* Contact Scudder Investor Services, Inc., Distributor, to receive a prospectus with more complete information, including management fees and expenses. Please read it carefully before you invest or send money.

Celebrating 75 Years of Serving Investors

Established in 1919 by Theodore Scudder, Sidney Stevens, and F. Haven Clark, Scudder, Stevens & Clark was the first independent investment counsel firm in the United States. Since its birth, Scudder's pioneering spirit and commitment to professional long-term investment management have helped shape the investment industry. In 1928, we introduced the nation's first no-load mutual fund. Today we offer 36 pure no load(tm) funds, including the first international mutual fund offered to U.S. investors.

Over the years, Scudder's global investment perspective and dedication to research and fundamental investment disciplines have helped Scudder become one of the largest and most respected investment managers in the world. Though times have changed since our beginnings, we remain committed to our longstanding principles: managing money with integrity and distinction, keeping the interests of our clients first; providing access to investments and markets that may not be easily available to individuals; and making investing as simple and convenient as possible through friendly, comprehensive service.