

SECURITIES AND EXCHANGE COMMISSION

FORM 485BPOS

Post-effective amendments [Rule 485(b)]

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FILER

PIERPONT FUNDS

CIK: **894089** | IRS No.: **133692750** | State of Incorpor.: **MA** | Fiscal Year End: **1031**
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Business Address
*SIGNATURE BROKER
DEALER SERVICES INC
6 ST JAMES AVENUE 9TH
FLOOR
BOSTON MA 02116
6174230800*

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-1A
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933
POST-EFFECTIVE AMENDMENT NO. 14

REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940
AMENDMENT NO. 15

THE PIERPONT FUNDS
(Exact Name of Registrant as Specified in Charter)

6 St. James Avenue, Boston, Massachusetts 02116
(Address of Principal Executive Offices)

Registrant's Telephone Number, including Area Code: (617) 423-0800

James B. Craver, Esq.
6 St. James Avenue, Boston, Massachusetts 02116
(Name and Address of Agent for Service)

Copy to:
Stephen K. West, Esq.
Sullivan & Cromwell
125 Broad Street, New York, New York 10004

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

Immediately upon filing pursuant to paragraph (b)

on August 1, 1995 pursuant to paragraph (b)

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

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

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

on (date) pursuant to paragraph (a) (ii) of rule 485.

If appropriate, check the following box:

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

The Registrant has previously registered an indefinite number of its shares under the Securities Act of 1933, as amended, pursuant to Rule 24f-2 under the Investment Company Act of 1940, as amended. The Registrant has filed Rule 24f-2

notices with respect to its series as follows: Tax Exempt Money Market and Tax Exempt Bond Funds (for their fiscal years ended August 31, 1994) on October 11, 1994; Treasury Money Market, Short Term Bond, Bond, Emerging Markets Equity and International Equity Funds (for their fiscal years ended October 31, 1994) on December 22, 1994; Money Market Fund (for its fiscal year ended November 30, 1994) on January 27, 1995; Equity and Capital Appreciation Funds (for their fiscal years ended May 31, 1994) on July 25, 1994; Diversified Fund (for its fiscal year ended June 30, 1994) on August 17, 1994; and New York Total Return Bond Fund (for its fiscal year ended March 31, 1995) on May 23, 1995.

The Money Market Portfolio, The Tax Exempt Money Market Portfolio, The Treasury Money Market Portfolio, The Short Term Bond Portfolio, The U.S. Fixed Income Portfolio, The Tax Exempt Bond Portfolio, The Selected U.S. Equity Portfolio, The U.S. Small Company Portfolio, The Non-U.S. Equity Portfolio, The Diversified Portfolio, The Emerging Markets Equity Portfolio and The New York

CROSS REFERENCE SHEET
(As required by Rule 495)

PART A ITEM NUMBER: Prospectus Headings.

1. COVER PAGE: Cover Page.
2. SYNOPSIS: Investors for Whom the Funds are Designed.
3. CONDENSED FINANCIAL INFORMATION: Financial Highlights.
4. GENERAL DESCRIPTION OF REGISTRANT: Cover Page; Investors for Whom the Funds are Designed; Investment Objectives and Policies; Additional Investment Information; Investment Restrictions; Special Information Concerning Hub and Spoke(R); Organization; Appendix.
5. MANAGEMENT OF THE FUND: Management of the Trust and the Portfolios; Shareholder Servicing; Additional Information.
- 5A. MANAGEMENT'S DISCUSSION OF FUND PERFORMANCE: Not Applicable.
6. CAPITAL STOCK AND OTHER SECURITIES: Special Information Concerning Hub and Spoke(R); Shareholder Servicing; Net Asset Value; Purchase of Shares; Taxes; Dividends and Distributions; Organization.
7. PURCHASE OF SECURITIES BEING OFFERED: Purchase of Shares; Exchange of Shares; Investors for Whom the Funds are Designed; Dividends and Distributions; Net Asset Value.
8. REDEMPTION OR REPURCHASE: Redemption of Shares; Exchange of Shares; Net Asset Value.
9. PENDING LEGAL PROCEEDINGS: Not Applicable.

CROSS REFERENCE SHEET
(As required by Rule 495)

PART B ITEM NUMBER: Statement of Additional Information Headings.

10. COVER PAGE: Cover Page.
11. TABLE OF CONTENTS: Table of Contents.
12. GENERAL INFORMATION AND HISTORY: General.
13. INVESTMENT OBJECTIVES AND POLICIES: Investment Objectives and Policies; Additional Investments; Investment Restrictions; Quality and Diversification Requirements; Appendix A.
14. MANAGEMENT OF THE FUND: Trustees and Officers.
15. CONTROL PERSONS AND PRINCIPAL HOLDERS OF SECURITIES: Description of Shares.
16. INVESTMENT ADVISORY AND OTHER SERVICES: Investment Advisor; Administrator and Distributor; Services Agent; Custodian; Shareholder Servicing; Independent Accountants; Expenses.
17. BROKERAGE ALLOCATION AND OTHER PRACTICES: Portfolio Transactions.
18. CAPITAL STOCK AND OTHER SECURITIES: Massachusetts Trust; Description of Shares.
19. PURCHASE, REDEMPTION AND PRICING OF SECURITIES BEING OFFERED: Net Asset Value; Purchase of Shares; Redemption of Shares; Exchange of Shares; Dividends and Distributions.
20. TAX STATUS: Taxes.
21. UNDERWRITERS: Administrator and Distributor.
22. CALCULATION OF PERFORMANCE DATA: Performance Data.

PART C

Information required to be included in Part C is set forth under the appropriate item, so numbered in Part C of this Registration Statement.

EXPLANATORY NOTE

This post-effective amendment no. 14 (the "Amendment") to the Registrant's registration statement on Form N-1A (File no. 33-54632) (the "Registration Statement") is being filed with respect to The Pierpont New York Total Return Bond Fund, to include updated financial and other disclosure in (i) the Statement of Additional Information and (ii) the prospectus which describe The Pierpont New York Total Return Bond Fund.

The eleven other series of shares of the Registrant are offered via the separate prospectuses listed below, which prospectuses are included in the respective Parts A of the post-effective amendments to the Registration Statement identified below. This Amendment does not relate to, amend or otherwise affect any of the prospectuses contained in the post-effective amendments listed below, and pursuant to Rule 485(d) under the Securities Act of 1933, the Amendment does not affect the effectiveness of any such post-effective amendment.

SERIES	POST-EFFECTIVE AMENDMENT NO.
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PROSPECTUS

The Pierpont New York Total Return Bond Fund
6 St. James Avenue
Boston, Massachusetts 02116
For information call (800) 521-5411

The Pierpont New York Total Return Bond Fund (the "Fund") seeks to provide a high after tax total return for New York residents consistent with moderate risk of capital. It is designed for investors subject to federal and New York State income taxes who seek a high after tax total return and who are willing to receive some taxable income and capital gains to achieve that return.

The Fund is a non-diversified no-load mutual fund for which there are no sales charges or exchange or redemption fees. The Fund is a series of The Pierpont Funds, an open-end management investment company organized as a Massachusetts business trust (the "Trust").

UNLIKE OTHER MUTUAL FUNDS WHICH DIRECTLY ACQUIRE AND MANAGE THEIR OWN PORTFOLIO OF SECURITIES, THE FUND SEEKS TO ACHIEVE ITS INVESTMENT OBJECTIVE BY INVESTING ALL OF ITS INVESTABLE ASSETS IN THE NEW YORK TOTAL RETURN BOND PORTFOLIO (THE "PORTFOLIO"), A CORRESPONDING OPEN-END MANAGEMENT INVESTMENT COMPANY HAVING THE SAME INVESTMENT OBJECTIVE AS THE FUND. THE FUND INVESTS IN THE PORTFOLIO THROUGH SIGNATURE FINANCIAL GROUP, INC.'S HUB AND SPOKE-REGISTERED TRADEMARK- FINANCIAL SERVICES METHOD. HUB AND

SPOKE-REGISTERED TRADEMARK- EMPLOYS A TWO-TIER MASTER FEEDER STRUCTURE AND IS A REGISTERED SERVICE MARK OF SIGNATURE FINANCIAL GROUP, INC. SEE SPECIAL INFORMATION CONCERNING HUB AND SPOKE-REGISTERED TRADEMARK- ON PAGE 4.

The Portfolio is advised by Morgan Guaranty Trust Company of New York ("Morgan" or the "Advisor").

This Prospectus sets forth concisely the information about the Fund that a prospective investor ought to know before investing and it should be retained for future reference. Additional information about the Fund has been filed with the Securities and Exchange Commission in a Statement of Additional Information dated August 1, 1995 (as supplemented from time to time). This information is incorporated herein by reference and is available without charge upon written request from the Fund's Distributor, Signature Broker-Dealer Services, Inc., 6 St. James Avenue, Boston, Massachusetts 02116, Attention: The Pierpont Funds, or by calling (800) 847-9487.

INVESTMENTS IN THE FUND ARE NOT DEPOSITS OR OBLIGATIONS OF, OR GUARANTEED OR ENDORSED BY, MORGAN GUARANTY TRUST COMPANY OF NEW YORK OR ANY OTHER BANK. SHARES OF THE FUND ARE NOT FEDERALLY INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE FEDERAL RESERVE BOARD, OR ANY OTHER GOVERNMENTAL AGENCY. AN INVESTMENT IN THE FUND IS SUBJECT TO RISK THAT MAY CAUSE THE VALUE OF THE INVESTMENT TO FLUCTUATE, AND WHEN THE INVESTMENT IS REDEEMED, THE VALUE MAY BE HIGHER OR LOWER THAN THE AMOUNT ORIGINALLY INVESTED BY THE INVESTOR.

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.

THE DATE OF THIS PROSPECTUS IS AUGUST 1, 1995

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The Pierpont New York Total Return Bond Fund

INVESTORS FOR WHOM THE FUND IS DESIGNED

The Fund is designed for investors subject to federal and New York State income taxes who seek a high after tax total return and who are willing to receive some taxable income and capital gains to achieve that return. The Fund seeks to achieve its investment objective by investing all of its investable assets in The New York Total Return Bond Portfolio, a non-diversified open-end management investment company having the same investment objective as the Fund. Since the investment characteristics and experience of the Fund will correspond directly with those of the Portfolio, the discussion in this Prospectus focuses on the investments and investment policies of the Portfolio. The net asset value of shares in the Fund fluctuates with changes in the value of the investments in the Portfolio.

The Fund requires a minimum initial investment of \$25,000, except that the minimum initial investment is \$10,000 for shareholders of another Pierpont Fund. See Purchase of Shares. The minimum subsequent investment is \$5,000. If a

shareholder reduces his or her total investment in shares of the Fund to less than \$10,000, the investment will be subject to mandatory redemption. See Redemption of Shares--Mandatory Redemption by the Fund.

This Prospectus describes the investment objective and policies, management and operation of the Fund to enable investors to decide if the Fund suits their needs. The Fund operates through Signature Financial Group, Inc.'s ("Signature") Hub and Spoke-Registered Trademark- financial services method. The Trustees believe that the Fund may achieve economies of scale over time by investing through Hub and Spoke-Registered Trademark-.

The following table illustrates that investors in the Fund incur no shareholder transaction expenses; their investment in the Fund is subject only to the operating expenses set forth below for the Fund and the Portfolio, as a percentage of average net assets of the Fund. The Trustees of the Trust believe that the aggregate per share expenses of the Fund and the Portfolio will be approximately equal to and may be less than the expenses that the Fund would incur if it retained the services of an investment adviser and invested its assets directly in portfolio securities. Fund and Portfolio expenses are discussed below under the headings Management of the Trust and the Portfolio--Expenses, and Shareholder Servicing.

<TABLE>	
<S>	
SHAREHOLDER TRANSACTION EXPENSES	
Sales Load Imposed on Purchases.....	None
Sales Load Imposed on Reinvested Dividends.....	None
Deferred Sales Load.....	None
Redemption Fees.....	None
Exchange Fees.....	None
</TABLE>	

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EXPENSE TABLE
ANNUAL OPERATING EXPENSES*

<TABLE>	
<S>	
Advisory Fees.....	0.30%
Rule 12b-1 Fees.....	None
Other Expenses.....	0.45%

Total Operating Expenses.....	0.75%
</TABLE>	

* These expenses are based on the expenses and average net assets of the Fund and the Portfolio for the period reflected in Financial Highlights below, after any applicable expense reimbursement. Without such reimbursement, the Total Operating Expenses would have been equal on an annual basis to 0.97% of the average daily net assets of the Fund. See Management of the Trust and the Portfolio.

EXAMPLE

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

<TABLE>	
<S>	
1 Year.....	\$ 8
3 Years.....	\$24
5 Years.....	\$42
10 Years.....	\$93
</TABLE>	

The above expense table is designed to assist investors in understanding the various direct and indirect costs and expenses that investors in the Fund bear. The fees and expenses included in Other Expenses are the fees paid to Morgan under the Shareholder Servicing and Financial and Fund Accounting Services Agreements, the fees paid to Pierpont Group, Inc. under the Fund Services Agreements, organizational expenses and fees paid to State Street Bank and Trust Company as custodian of the Portfolio. For a more detailed description of contractual fee arrangements, including expense reimbursement, and of the fees and expenses included in Other Expenses, see Management of the Trust and the Portfolio and Shareholder Servicing. In connection with the above example, please note that \$1,000 is less than the Fund's minimum investment requirement and that there are no redemption or exchange fees of any kind. See Purchase of Shares and Redemption of Shares. THE EXAMPLE IS HYPOTHETICAL; IT IS INCLUDED SOLELY FOR ILLUSTRATIVE PURPOSES. IT SHOULD NOT BE CONSIDERED A REPRESENTATION OF FUTURE PERFORMANCE; ACTUAL EXPENSES MAY BE MORE OR LESS THAN THOSE SHOWN.

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FINANCIAL HIGHLIGHTS

The following selected data for a share outstanding for the indicated period have been audited by independent accountants. The Fund's annual report, which is incorporated by reference into the Statement of Additional Information, includes a discussion of those factors, strategies and techniques that materially affected its performance during the period of the report, as well as certain related information. A copy of the Fund's annual report will be made available without charge upon request.

<TABLE>
<CAPTION>

	FOR THE PERIOD APRIL 11, 1994 (COMMENCEMENT OF OPERATIONS) TO MARCH 31, 1995 -----
<S>	<C>
Net Asset Value, Beginning of Period.....	\$ 10.00 -----
Income From Investment Operations:	
Net Investment Income.....	0.40
Net Realized and Unrealized Gain on Investment.....	0.11 -----
Total From Investment Operations.....	0.51 -----
Less Distributions to Shareholders From:	
Net Investment Income.....	(0.40) -----
Net Asset Value, End of Period.....	\$ 10.11 -----
Total Return.....	5.26% (a)
Ratios and Supplemental Data:	
Net Assets at End of Period (in thousands).....	\$38,137
Ratio to Average Net Assets (annualized):	
Expenses.....	0.75%
Net Investment Income.....	4.31%
Decrease reflected in the above expense ratio due to expense reimbursements.....	0.22%

</TABLE>

- - - - -

(a) Not Annualized

SPECIAL INFORMATION CONCERNING HUB AND SPOKE-REGISTERED TRADEMARK-

The Trust and the Portfolio use certain proprietary rights, know-how and financial services referred to as Hub and Spoke-Registered Trademark-. Hub and Spoke-Registered Trademark- is a registered service mark of Signature. Signature Broker-Dealer Services, Inc. (the Trust's and Portfolio's Administrator and the Trust's Distributor) is a wholly owned subsidiary of Signature.

Unlike other mutual funds which directly acquire and manage their own portfolio of securities, the Fund is an open-end management investment company which seeks to achieve its investment objective by investing all of its investable assets in the Portfolio, a separate registered investment company with the same investment objective as the Fund. The investment objective of the Fund or Portfolio may be changed only with the approval of the holders of the outstanding shares of the Fund and the Portfolio. The use of Hub and Spoke-Registered Trademark- has been approved by the shareholders of the Fund.

In addition to selling a beneficial interest to the Fund, the Portfolio may sell beneficial interests to other mutual funds or institutional investors. Such investors will invest in the Portfolio on the same terms and conditions and will pay a proportionate share of the Portfolio's expenses. However, the other investors investing in the Portfolio may sell shares of their own fund using a different pricing structure than the Fund. Such different pricing structures may result in differences in returns experienced by investors in other funds that invest in the Portfolio. Such differences in returns are not uncommon and are present in other mutual fund structures. Information concerning other holders of interests in the Portfolio is available from the Administrator at (800) 847-9487.

The Trust may withdraw the investment of the Fund from the Portfolio at any time if the Board of Trustees of the Trust determines that it is in the best interests of the Fund to do so. Upon any such withdrawal, the Board of Trustees would consider what action might be taken, including the investment of all the assets of the Fund in another pooled investment entity having the same investment objective and restrictions as the Fund or the retaining of an investment adviser to manage the Fund's assets in accordance with the investment

policies described below with respect to the Portfolio.

Certain changes in the Portfolio's investment objective, policies or restrictions, or a failure by the Fund's shareholders to approve a change in the Portfolio's investment objective or restrictions, may require withdrawal of the Fund's interest in the Portfolio. Any such withdrawal could result in a distribution in kind of portfolio securities (as opposed to a cash distribution) from the Portfolio which may or may not be readily marketable. The distribution in kind may result in the Fund having a less diversified portfolio of investments or adversely affect the Fund's liquidity, and the Fund could incur brokerage, tax or other charges in converting the securities to cash. Notwithstanding the above, there are other means for meeting shareholder redemption requests, such as borrowing.

Smaller funds investing in the Portfolio may be materially affected by the actions of larger funds investing in the Portfolio. For example, if a large fund withdraws from the Portfolio, the remaining funds may subsequently experience higher pro rata operating expenses, thereby producing lower returns. Additionally, because the Portfolio would become smaller, it may become less diversified, resulting in potentially increased portfolio risk (however, these possibilities also exist for traditionally structured funds which have large or institutional investors who may withdraw from a fund). Also, funds with a greater pro rata ownership in the Portfolio could have effective voting control of the operations of the Portfolio. Whenever the Fund is requested to vote on matters pertaining to the Portfolio (other than a vote by the Fund to continue the operation of the Portfolio upon the withdrawal of another investor in the Portfolio), the Trust will hold a meeting of shareholders of the Fund and will cast all of its votes proportionately as instructed by the Fund's shareholders. The Trust will vote the shares held by Fund shareholders who do not give voting instructions in the same proportion as the shares of Fund shareholders who do give voting instructions. Shareholders of the Fund who do not vote will have no effect on the outcome of such matters.

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For more information about the Portfolio's investment objective, policies and restrictions, see Investment Objective and Policies, Additional Investment Information and Risk Factors and Investment Restrictions. For more information about the Portfolio's management and expenses, see Management of the Trust and the Portfolio. For more information about changing the investment objective, policies and restrictions of the Fund or the Portfolio, see Investment Restrictions.

INVESTMENT OBJECTIVE AND POLICIES

The investment objective of the Fund and the Portfolio is described below, together with the policies they employ in their efforts to achieve this objective. Additional information about the investment policies of the Fund and the Portfolio appears in the Statement of Additional Information under Investment Objectives and Policies. There can be no assurance that the investment objective of the Fund or the Portfolio will be achieved.

The Fund's investment objective is to provide a high after tax total return for New York residents consistent with moderate risk of capital. Total return will consist of income plus capital gains and losses. The Fund attempts to achieve its objective by investing all of its investable assets in The New York Total Return Bond Portfolio, a non-diversified open-end management investment company having the same investment objective as the Fund.

The Fund is designed for investors subject to federal and New York State income taxes who seek a high after tax total return and who are willing to receive some taxable income and capital gains to achieve that return.

The Portfolio's primary investments are municipal securities issued by New York State and its political subdivisions and by agencies, authorities and instrumentalities of New York and its political subdivisions. These securities earn income exempt from federal and New York State and local income taxes but, in certain circumstances, may be subject to alternative minimum tax. In addition, the Portfolio may invest in municipal securities issued by states other than New York, by territories and possessions of the United States and their political subdivisions, agencies and instrumentalities. These securities earn income exempt from federal income taxes but subject to New York State and local income taxes; in certain circumstances, they may also be subject to alternative minimum tax. In order to seek to enhance the Portfolio's after tax return, the Advisor may also invest in securities which earn income subject to New York and/or federal income taxes. These securities include U.S. government securities, corporate securities and municipal securities issued on a taxable basis. For more information regarding tax matters, including the applicability of the alternative minimum tax, see Taxes. Since the Portfolio limits its purchases to investment grade securities, it may not obtain the higher current income available from lower rated securities, see Quality Information.

The Advisor actively manages the Portfolio's duration, the allocation of securities across market sectors and the selection of securities to seek to achieve a high after tax total return. Based on fundamental economic and capital

markets research, the Advisor adjusts the duration of the Portfolio in light of the Advisor's interest rate outlook. For example, if interest rates are expected to rise, the duration may be shortened to lessen the Portfolio's exposure to the expected decrease in bond prices. If interest rates are expected to remain stable, the Advisor may lengthen the duration in order to enhance the Portfolio's yield.

Duration is a measure of the weighted average maturity of the bonds held in the Portfolio and can be used as a measure of the sensitivity of the Portfolio's market value to changes in interest rates. The longer the duration of the Portfolio, the greater its price sensitivity. Under normal market conditions, the Advisor believes the Portfolio will have a duration of three to seven years. The maturity of individual securities in the Portfolio may vary widely, however.

The Advisor also attempts to enhance after tax total return by allocating the Portfolio's assets among market sectors. Specific securities which the Advisor believes are undervalued are selected for purchase within sectors using advanced quantitative tools, analysis of credit risk, the expertise of a dedicated trading desk and the judgment of fixed income portfolio managers and analysts.

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In seeking to achieve the Portfolio's investment objective, the Advisor attempts to consider the tax consequences to investors of all portfolio transactions. The Advisor will sell and purchase securities to change the Portfolio's duration, sector allocation or securities holdings only if it believes that the expected benefit to the Portfolio will be greater than the capital gains or income taxes shareholders would incur as a result of these sales and purchases. The success of this strategy depends on the Advisor's ability to forecast accurately changes in interest rates and assess the value of fixed income securities.

The Advisor intends to manage the Portfolio actively in pursuit of its investment objective. Portfolio transactions are undertaken principally to accomplish the Portfolio's objective in relation to expected movements in the general level of interest rates, but the Portfolio may engage in short-term trading consistent with its objective. The estimated portfolio turnover rate for the Portfolio generally should not exceed 100%. Portfolio transactions may incur taxable long term or short term capital gains which will be distributed and taxable to investors. In addition, to the extent the Portfolio engages in short-term trading, it may incur increased transactions costs. See Taxes below.

MUNICIPAL SECURITIES. Under normal circumstances, the Portfolio will invest at least 65% of its total assets in municipal securities issued by New York State and its political subdivisions and their agencies, authorities and instrumentalities. The Portfolio may also invest in debt obligations of municipal issuers other than New York. The municipal securities in which the Portfolio invests are primarily municipal bonds and municipal notes.

MUNICIPAL BONDS. The Portfolio may invest in bonds issued by or on behalf of New York State, other states, territories and possessions of the United States and their political subdivisions, agencies, authorities and instrumentalities. These obligations may be general obligation bonds secured by the issuer's pledge of its full faith, credit and taxing power for the payment of principal and interest, or they may be revenue bonds payable from specific revenue sources, but not generally backed by the issuer's taxing power.

MUNICIPAL NOTES. The Portfolio may also invest in municipal notes of various types, including notes issued in anticipation of receipt of taxes, the proceeds of the sale of bonds, other revenues or grant proceeds, as well as municipal commercial paper and municipal demand obligations such as variable rate demand notes and master demand obligations. The interest rate on variable rate demand notes is adjustable at periodic intervals as specified in the notes. Master demand obligations permit the investment of fluctuating amounts at periodically adjusted interest rates. They are governed by agreements between the municipal issuer and Morgan acting as agent, for no additional fee, in its capacity as Advisor to the Portfolio and as fiduciary for other clients. Although master demand obligations are not marketable to third parties, the Portfolio considers them to be liquid because they are payable on demand. There is no specific percentage limitation on these investments. For more information about municipal notes, see Investment Objectives and Policies in the Statement of Additional Information.

NEW YORK MUNICIPAL SECURITIES. Because of the Portfolio's significant investment in New York municipal securities, its performance will be affected by the condition of New York's economy, as well as the fiscal condition of the State, its agencies and municipalities. The New York State economy generally remains weak, despite some signs of growth. Compounding this effect is the presence of a persistent budget deficit and the significant claims placed on the State's budget by education, social service, and infrastructure needs. In addition, the New York City economy and fiscal condition have profound influences upon the market for most New York debt obligations. The Advisor currently views the New York economy and financial condition as fundamentally stable. However, the possibility of a disruption to economic and financial conditions which would

adversely affect the creditworthiness and marketability of New York municipal securities continues to exist. A more detailed discussion of the risks associated with investing in New York municipal securities is contained in the Statement of Additional Information.

NON-MUNICIPAL SECURITIES. The Portfolio may invest in non-municipal securities including obligations of the U.S. government and its agencies and instrumentalities, bank obligations, debt securities of corporate issuers, asset backed and mortgage related

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securities and repurchase agreements. The Portfolio will invest in non-municipal securities when, in the opinion of the Advisor, these securities will enhance the after tax total return to an individual subject to federal and New York State income taxes in the highest tax bracket. Under normal circumstances, the Portfolio's holdings of non-municipal securities and municipal securities of tax-exempt issuers outside New York State will not exceed 35% of its total assets.

QUALITY INFORMATION. The Portfolio will not purchase a security unless it is rated at least Baa or better by Moody's Investors Service, Inc. ("Moody's") or BBB or better by Standard & Poor's Ratings Group ("Standard & Poor's") or it is unrated and in the Advisor's opinion it is of comparable quality. Securities rated Baa by Moody's or BBB by Standard & Poor's are considered investment grade, but have some speculative characteristics. These standards must be satisfied at the time an investment is made. If the quality of the investment later declines, the Portfolio may continue to hold the investment. See Appendix A in the Statement of Additional Information for more detailed information on these ratings.

NON-DIVERSIFICATION. The Portfolio is registered as a non-diversified investment company which means that the Portfolio is not limited by the Investment Company Act of 1940 (the "1940 Act") in the proportion of its assets that may be invested in the obligations of a single issuer. Thus, the Portfolio may invest a greater proportion of its assets in the securities of a smaller number of issuers and, as a result, will be subject to greater risk with respect to its portfolio securities. The Portfolio, however, will comply with the diversification requirements imposed by the Internal Revenue Code of 1986, as amended (the "Code"), for qualification as a regulated investment company. See Investment Restrictions below and Taxes in the Statement of Additional Information.

The Portfolio may also purchase municipal securities together with puts, purchase securities on a when-issued or delayed delivery basis, enter into repurchase and reverse repurchase agreements, purchase synthetic variable rate instruments, loan its securities, purchase certain privately placed securities and enter into certain futures and options transactions. For a discussion of these transactions, see Additional Investment Information and Risk Factors.

ADDITIONAL INVESTMENT INFORMATION AND RISK FACTORS

WHEN-ISSUED AND DELAYED DELIVERY SECURITIES. The Portfolio may purchase securities on a when-issued or delayed delivery basis. Delivery of and payment for these securities may take as long as a month or more after the date of the purchase commitment. The value of these securities is subject to market fluctuation during this period and no interest or income accrues to the Portfolio until settlement. At the time of settlement, a when-issued security may be valued at less than its purchase price. The Portfolio maintains with the Custodian a separate account with a segregated portfolio of securities in an amount at least equal to these commitments. When entering into a when-issued or delayed delivery transaction, the Portfolio will rely on the other party to consummate the transaction; if the other party fails to do so, the Portfolio may be disadvantaged. It is the current policy of the Portfolio not to enter into when-issued commitments exceeding in the aggregate 15% of the market value of the Portfolio's total assets less liabilities other than the obligations created by these commitments.

REPURCHASE AGREEMENTS. The Portfolio may engage in repurchase agreement transactions with brokers, dealers or banks that meet the credit guidelines established by the Portfolio's Trustees. In a repurchase agreement, the Portfolio buys a security from a seller that has agreed to repurchase it at a mutually agreed upon date and price, reflecting the interest rate effective for the term of the agreement. The term of these agreements is usually from overnight to one week. A repurchase agreement may be viewed as a fully collateralized loan of money by the Portfolio to the seller. The Portfolio always receives securities as collateral with a market value at least equal to the purchase price plus accrued interest and this value is maintained during the term of the agreement. If the seller defaults and the collateral value declines, the Portfolio might incur a loss. If bankruptcy proceedings are commenced with respect to the seller, the Portfolio's realization upon the disposition of collateral may be delayed or limited. Investments in certain repurchase agreements and certain other investments which may be considered illiquid are limited. See Illiquid Investments; Privately Placed and other Unregistered Securities below.

LOANS OF PORTFOLIO SECURITIES. Subject to applicable investment restrictions, the Portfolio is permitted to lend its securities in an amount up to 33 1/3% of the value of the Portfolio's net assets. The Portfolio may lend its securities if such loans are secured continuously by cash or equivalent collateral or by a letter of credit in favor of the Portfolio at least equal at all times to 100% of the market value of the securities loaned, plus accrued interest. While such securities are on loan, the borrower will pay the Portfolio any income accruing thereon. Loans will be subject to termination by the Portfolio in the normal settlement time, generally five business days after notice, or by the borrower on one day's notice. Borrowed securities must be returned when the loan is terminated. Any gain or loss in the market price of the borrowed securities which occurs during the term of the loan inures to the Portfolio and its respective investors. The Portfolio may pay reasonable finders' and custodial fees in connection with a loan. In addition, the Portfolio will consider all facts and circumstances, including the creditworthiness of the borrowing financial institution, and the Portfolio will not make any loans in excess of one year. The Portfolio will not lend its securities to any officer, Trustee, Director, employee or other affiliate of the Portfolio, the Advisor or the Distributor, unless otherwise permitted by applicable law.

REVERSE REPURCHASE AGREEMENTS. The Portfolio is permitted to enter into reverse repurchase agreements. In a reverse repurchase agreement, the Portfolio sells a security and agrees to repurchase it at a mutually agreed upon date and price, reflecting the interest rate effective for the term of the agreement. For the purposes of the 1940 Act, it is considered as a form of borrowing by the Portfolio and, therefore, is a form of leverage. Leverage may cause any gains or losses of the Portfolio to be magnified. For more information, see Investment Objectives and Policies in the Statement of Additional Information.

PUTS. The Portfolio may purchase without limit municipal bonds or notes together with the right to resell them at an agreed price or yield within a specified period prior to maturity. This right to resell is known as a put. The aggregate price paid for securities with puts may be higher than the price which otherwise would be paid. The principal risk of puts is that the put writer may default on its obligation to repurchase. The Advisor will monitor each writer's ability to meet its obligations under puts. The amortized cost method is used by the Portfolio to value all municipal securities with maturities of less than 60 days; when these securities are subject to puts separate from the underlying securities, no value is assigned to the puts. The cost of any such put is carried as an unrealized loss from the time of purchase until it is exercised or expires. See the Statement of Additional Information for the valuation procedure if the Portfolio were to invest in municipal securities with maturities of 60 days or more that are subject to separate puts.

SYNTHETIC VARIABLE RATE INSTRUMENTS. The Portfolio may invest in certain synthetic variable rate instruments. Such instruments generally involve the deposit of a long-term tax exempt bond in a custody or trust arrangement and the creation of a mechanism to adjust the long-term interest rate on the bond to a variable short-term rate and a right (subject to certain conditions) on the part of the purchaser to tender it periodically to a third party at par. The Advisor will review the structure of synthetic variable rate instruments to identify credit and liquidity risks (including the conditions under which the right to tender the instrument would no longer be available) and will monitor those risks. In the event that the right to tender the instrument is no longer available, the risk to the Portfolio will be that of holding the long-term bond.

ILLIQUID INVESTMENTS; PRIVATELY PLACED AND OTHER UNREGISTERED SECURITIES. The Portfolio may not acquire any illiquid securities if, as a result thereof, more than 15% of the market value of the Portfolio's net assets would be in illiquid investments. Subject to this non-fundamental policy limitation, the Portfolio may acquire investments that are illiquid or have limited liquidity, such as private placements or investments that are not registered under the Securities Act of 1933 (the "1933 Act") and cannot be offered for public sale in the United States without first being registered under the 1933 Act. An illiquid investment is any investment that cannot be disposed of within seven days in the normal course of business at approximately the amount at which it is valued by the Portfolio. The price the Portfolio pays for illiquid securities or receives upon resale may be lower than the price paid or received for similar securities with a more liquid market. Accordingly the valuation of these securities will reflect any limitations on their liquidity.

The Portfolio may also purchase Rule 144A securities sold to institutional investors without registration under the 1933 Act. These securities may be determined to be liquid in accordance with guidelines established by the Advisor and approved by the Trustees. The Trustees will monitor the Advisor's implementation of these guidelines on a periodic basis.

FUTURES AND OPTIONS TRANSACTIONS. The Portfolio is permitted to enter into the futures and options transactions described in the Appendix to this Prospectus for hedging and risk management purposes, but it does not currently intend to do

so.

INVESTMENT RESTRICTIONS

For the Fund to qualify as a regulated investment company under Subchapter M of the Code, the Portfolio limits its investments so that at the close of each quarter of its taxable year (a) no more than 25% of its total assets are invested in the securities of any one issuer, except government securities, and (b) with regard to 50% of its total assets, no more than 5% of its total assets are invested in the securities of a single issuer, except government securities.

The investment objective of the Fund and the Portfolio, together with the investment restrictions described below and in the Statement of Additional Information, except as noted, are deemed fundamental policies, i.e., they may be changed only with the approval of the holders of a majority of the outstanding voting securities of the Fund and the Portfolio. The Fund has the same investment restrictions as the Portfolio, except that the Fund may invest all of its investable assets in another open-end investment company with the same investment objective and restrictions (such as the Portfolio). References below to the Portfolio's investment restrictions also include the Fund's investment restrictions.

The Portfolio may not (i) borrow money, except that the Portfolio may (a) borrow money from banks for temporary or emergency purposes (not for leveraging purposes) and (b) enter into reverse repurchase agreements for any purpose, provided that (a) and (b) in total do not exceed 33 1/3% of the value of the Portfolio's total assets (including the amount borrowed) less liabilities (other than borrowings) (if at any time borrowings come to exceed 33 1/3% of the value of the Portfolio's total assets, the Portfolio will reduce its borrowings within three business days to the extent necessary to comply with the 33 1/3% limitation); or (ii) issue senior securities except as permitted by the 1940 Act or any rule, order or interpretation thereunder. See Additional Investment Information and Risk Factors -- Loans of Portfolio Securities and Reverse Repurchase Agreements.

For a more detailed discussion of the above investment restrictions, as well as a description of certain other investment restrictions, see Investment Restrictions in the Statement of Additional Information.

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MANAGEMENT OF THE TRUST AND THE PORTFOLIO

TRUSTEES. Pursuant to the Declarations of Trust for the Trust and for the Portfolio, the Trustees decide upon matters of general policy and review the actions of the Advisor, Administrator, Distributor, Services Agent, and other service providers. The Trustees of the Trust and of the Portfolio are identified below.

<TABLE>	<C>
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Frederick S. Addy.....	Former Executive Vice President and Chief Financial Officer, Amoco Corporation
William G. Burns.....	Former Vice Chairman of the Board and Chief Financial Officer, NYNEX Corporation
Arthur C. Eschenlauer.....	Former Senior Vice President, Morgan Guaranty Trust Company of New York
Matthew Healey.....	Chairman and Chief Executive Officer, The Pierpont Funds and The JPM Institutional Funds; Chairman, Pierpont Group, Inc.
Michael P. Mallardi.....	Senior Vice President, Capital Cities/ABC, Inc., President, Broadcast Group

A majority of the disinterested Trustees have adopted written procedures reasonably appropriate to deal with potential conflicts of interest arising from the fact that the same individuals are Trustees of the Trust and of the Portfolio, up to and including creating a separate board of trustees. See Trustees and Officers in the Statement of Additional Information for more information about the Trustees and Officers of the Fund and the Portfolio.

The Portfolio and the Trust have each entered into a Fund Services Agreement with Pierpont Group, Inc. to assist the Trustees in exercising their overall supervisory responsibilities for the Portfolio's and the Trust's affairs. The fees to be paid under the agreements approximate the reasonable cost of Pierpont Group, Inc. in providing these services. Pierpont Group, Inc. was organized in 1989 at the request of the Trustees of The Pierpont Family of Funds for the purpose of providing these services at cost to these funds. See Trustees and Officers in the Statement of Additional Information. The principal offices of Pierpont Group, Inc. are located at 461 Fifth Avenue, New York, New York 10017.

ADVISOR. The Fund has not retained the services of an investment adviser because the Fund seeks to achieve its investment objective by investing all of its investable assets in the Portfolio. The Portfolio has retained the services of Morgan as Investment Advisor. Morgan, with principal offices at 60 Wall Street,

New York, New York 10260, is a New York trust company which conducts a general banking and trust business. Morgan is a wholly owned subsidiary of J.P. Morgan & Co. Incorporated ("J.P. Morgan"), a bank holding company organized under the laws of Delaware. Through offices in New York City and abroad, J.P. Morgan, through the Advisor and other subsidiaries, offers a wide range of services to governmental, institutional, corporate and individual customers and acts as investment adviser to individual and institutional clients with combined assets under management of over \$145 billion (of which the Advisor advises over \$30 billion). Morgan provides investment advice and portfolio management services to the Portfolio. Subject to the supervision of the Portfolio's Trustees, Morgan makes the Portfolio's day-to-day investment decisions, arranges for the execution of portfolio transactions and generally manages the Portfolio's investments. See Investment Advisor in the Statement of Additional Information.

Morgan uses a sophisticated, disciplined, collaborative process for managing all asset classes. For fixed income portfolios, this process focuses on the systematic analysis of real interest rates, sector diversification and quantitative and credit analysis.

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Morgan has managed portfolios of domestic fixed income securities on behalf of its clients for over 50 years. The Portfolio managers making investments in domestic fixed income securities work in conjunction with fixed income, credit, capital market and economic research analysts, as well as traders and administrative officers.

The following persons are primarily responsible for the day-to-day management and implementation of Morgan's process for the Portfolio (the inception date of each person's responsibility for the Portfolio and his or her business experience for the past five years is indicated parenthetically): Elbridge T. Gerry, III, Vice President (since April, 1994, employed by Morgan since prior to 1990) and Elizabeth A. Augustin, Vice President (since April, 1994, employed by Morgan since prior to 1990).

As compensation for the services rendered and related expenses borne by Morgan under the Investment Advisory Agreement with the Portfolio, the Portfolio has agreed to pay Morgan a fee, which is computed daily and may be paid monthly, at the annual rate of 0.30% of the Portfolio's average daily net assets.

Morgan also acts as Services Agent to the Trust and the Portfolio and provides shareholder services to shareholders of the Fund. See Services Agent and Shareholder Servicing below. INVESTMENTS IN THE FUND ARE NOT DEPOSITS OR OBLIGATIONS OF, OR GUARANTEED OR ENDORSED BY, MORGAN GUARANTY TRUST COMPANY OF NEW YORK OR ANY OTHER BANK.

ADMINISTRATOR AND DISTRIBUTOR. Under Administration Agreements with the Trust and the Portfolio, Signature Broker-Dealer Services, Inc. ("SBDS") serves as the Administrator for the Trust and the Portfolio and in that capacity supervises the Fund's and the Portfolio's day-to-day operations other than management of the Portfolio's investments. In this capacity, SBDS administers and manages all aspects of the Fund's and the Portfolio's day-to-day operations subject to the supervision of the Trustees, except as set forth under Advisor, Services Agent, Custodian and Shareholder Servicing. In connection with its responsibilities as Administrator, SBDS (i) furnishes ordinary clerical and related services for day-to-day operations including certain recordkeeping responsibilities; (ii) takes responsibility for compliance with all applicable federal and state securities and other regulatory requirements; (iii) is responsible for the registration of sufficient Fund shares under federal and state securities laws; (iv) takes responsibility for monitoring the Fund's status as a regulated investment company under the Code; and (v) performs such administrative and managerial oversight of the activities of the Trust's and the Portfolio's custodian and transfer agent as the respective Trustees may direct from time to time. Under the terms of the Trust's and the Portfolio's Financial and Fund Accounting Services Agreements with Morgan, the fees of the Administrator are covered by Morgan's expense undertakings described under Services Agent below.

Under the Trust's Administration Agreement, the annual administration fee rate is calculated based on the aggregate average daily net assets of The Pierpont Funds as well as The JPM Institutional Funds and The JPM Advisor Funds, which are two other families of mutual funds for which SBDS acts as Administrator. The fee rate is calculated daily in accordance with the following schedule: 0.040% of the first \$1 billion of these funds' aggregate average daily net assets, 0.032% of the next \$2 billion of these funds' aggregate average daily net assets, 0.024% of the next \$2 billion of these funds' aggregate average daily net assets and 0.016% of these funds' aggregate average daily net assets in excess of \$5 billion. This fee rate is then applied to the net assets of the Fund.

Under the Portfolio's Administration Agreement, the annual administration fee rate is calculated based on the aggregate average daily net assets of the Portfolio, as well as all of the other portfolios in which series of The Pierpont Funds, The JPM Institutional Funds or The JPM Advisor Funds invest. The fee rate is calculated daily in accordance with the following schedule: 0.010% of the first \$1 billion of these portfolios' aggregate average daily net assets,

0.008% of the next \$2 billion of these portfolios' aggregate average daily net assets, 0.006% of the next \$2 billion of these portfolios' aggregate average daily net assets and 0.004% of these portfolios' aggregate average daily net assets in excess of \$5 billion. This fee rate is then applied to the net assets of the Portfolio. The Administrator may voluntarily waive a portion of its fees.

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SBDS, a registered broker-dealer, also serves as the Distributor of shares of the Fund and the Exclusive Placement Agent for the Portfolio. SBDS is a wholly owned subsidiary of Signature. Signature and its affiliates currently provide administration and distribution services for a number of registered investment companies through offices located in Boston, New York, London, Toronto and George Town, Grand Cayman.

SERVICES AGENT. Under Financial and Fund Accounting Services Agreements with the Trust and the Portfolio (each a "Services Agreement" and collectively, the "Services Agreements"), Morgan acts as Services Agent to the Trust and the Portfolio. The agreements provide that Morgan is responsible for certain accounting and operational services provided to the Fund and the Portfolio, including services related to tax returns and financial reports. In the case of the Fund, these services also include matters related to computing the amount of dividends and the net asset value per share and keeping the books of account.

In addition, as provided in the agreements, Morgan is responsible for the annual costs of certain usual and customary expenses incurred by the Fund and the Portfolio (the "expense undertakings"). The expenses covered by the expense undertakings include, but are not limited to, transfer, registrar, and dividend disbursing costs, legal and accounting expenses, fees of the Administrator, insurance, the compensation and expenses of the Trustees, the expenses of printing and mailing reports, notices, and proxies to Fund shareholders, and registration fees under federal or state securities laws. The Fund and the Portfolio will pay these expenses directly and such amounts will be deducted from the fees to be paid to Morgan under these agreements. If such amounts are more than the amount of Morgan's fees under the agreements, Morgan will reimburse the Fund or the Portfolio, as appropriate, for such excess amounts. Under the Trust's Services Agreement, the following expenses are not included in the expense undertaking: the fees of Pierpont Group, Inc., shareholder servicing fees, the services agent fee, organization expenses and extraordinary expenses as defined in this agreement. Under the Portfolio's Services Agreement, the following expenses are not included in the expense undertaking: the fees of Pierpont Group, Inc., custodian fees, advisory fees, brokerage expenses, the services agent fee, organization expenses and extraordinary expenses as defined in this agreement.

The Trust's Services Agreement provides for the Fund to pay Morgan a fee for these services, which is computed daily and may be paid monthly, at the following annual rate of the Fund's average daily net assets: 0.12% on net assets up to \$100 million and 0.10% on net assets thereafter. The Portfolio's Services Agreement provides for the Portfolio to pay Morgan a fee for these services, which is computed daily and may be paid monthly, at the following annual rate of the Portfolio's average daily net assets: 0.10% on net assets up to \$200 million, 0.05% on the next \$200 million in net assets and 0.03% on net assets thereafter.

As noted above, the fee levels of the Fund and the Portfolio are expense undertakings and reflect payments made directly to third parties by the Fund and the Portfolio for services rendered, as well as payments to Morgan for services rendered. The Trustees regularly review amounts paid to and accounted for by Morgan pursuant to these agreements. Under the agreements, Morgan may delegate one or more of its responsibilities to other entities, including SBDS, at Morgan's expense. See Expenses below.

CUSTODIAN. State Street Bank and Trust Company, 225 Franklin Street, Boston, Massachusetts 02101, serves as the Fund's and the Portfolio's Custodian and Transfer and Dividend Disbursing Agent.

EXPENSES. In addition to the expenses that Morgan assumes under the Services Agreements, Morgan has agreed that it will reimburse the Fund through at least March 31, 1996 to the extent necessary to maintain the Fund's total operating expenses (which includes expenses of the Fund and the Portfolio) at the annual rate of 0.75% of the Fund's average daily net assets. This limit on certain expenses does not cover extraordinary increases in these expenses during the period and no longer applies in the event of a precipitous decline in assets due to unforeseen circumstances. There is no assurance that Morgan will continue this waiver beyond the specified period, except as required by the following sentence. Morgan has agreed to waive fees as necessary, if

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in any fiscal year the sum of the Fund's expenses exceeds the limits set by applicable regulations of state securities commissions. Such annual limits are currently 2.5% of the first \$30 million of average net assets, 2% of the next \$70 million of such net assets and 1.5% of such net assets in excess of \$100 million for any fiscal year.

SHAREHOLDER SERVICING

The Fund has entered into a Shareholder Servicing Agreement with Morgan pursuant to which Morgan acts as shareholder servicing agent for its customers and other Fund investors who are customers of an eligible institution which is a customer of Morgan (an "Eligible Institution"). The Fund has agreed to pay Morgan for these services at an annual rate (expressed as a percentage of the average daily net asset value of Fund shares owned by or for shareholders for whom Morgan is acting as shareholder servicing agent) of 0.18% of the Fund's average daily net assets. Under the terms of the Shareholder Servicing Agreement with the Fund, Morgan may delegate one or more of its responsibilities to other entities at Morgan's expense.

Shareholders should address all inquiries to J.P. Morgan Funds Services, Morgan Guaranty Trust Company of New York, 522 Fifth Avenue, New York, New York 10036 or call (800) 521-5411.

The business days of the Fund and the Portfolio are the days the New York Stock Exchange is open.

PURCHASE OF SHARES

METHOD OF PURCHASE. Investors may open accounts with the Fund only through the Distributor. All purchase transactions in Fund accounts are processed by Morgan as shareholder servicing agent and the Fund is authorized to accept any instructions relating to a Fund account from Morgan as shareholder servicing agent for the customer. All purchase orders must be accepted by the Fund's Distributor. Investors must be customers of Morgan or an Eligible Institution. Investors may also be employer-sponsored retirement plans that have designated the Fund as an investment option for the plans. Prospective investors who are not already customers of Morgan may apply to become customers of Morgan for the sole purpose of Fund transactions. There are no charges associated with becoming a Morgan customer for this purpose. Morgan reserves the right to determine the customers that it will accept, and the Fund reserves the right to determine the purchase orders that it will accept.

The Fund requires a minimum initial investment of \$25,000, except the minimum initial investment is \$10,000 for shareholders of another Pierpont Fund and, under current policy, for former shareholders of The Pierpont Family of Funds. The minimum subsequent investment for all investors is \$5,000. These minimum investment requirements may be waived for certain retirement plans or for accounts for the benefit of minors. For purposes of minimum investment requirements, the Fund may aggregate investments by related shareholders.

PURCHASE PRICE AND SETTLEMENT. The Fund's shares are sold on a continuous basis without a sales charge at the net asset value per share next determined after receipt of an order. Prospective investors may purchase shares with the assistance of another Eligible Institution that may establish its own terms, conditions and charges.

To purchase shares in the Fund, investors should request their Morgan representative (or a representative of their Eligible Institution) to assist them in placing a purchase order with the Fund's Distributor. Any shareholder may also call J.P. Morgan Funds Services at (800) 521-5411 for assistance in placing an order for Fund shares. If the Fund receives a purchase order prior to 4:00 P.M. New York time on any business day, the purchase of Fund shares is effective and is made at the net asset value determined that day. If the Fund receives a purchase order after 4:00 P.M. New York time, the purchase is effective and is made at net asset value determined on the next business day. All purchase orders for Fund shares must be accompanied by instructions to Morgan (or an Eligible Institution) to transfer immediately available funds to the Fund's Distributor on settlement date. The settlement date is generally the business day after the purchase is effective. The purchaser will begin to receive the daily dividends on the settlement date. See Dividends and Distributions.

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ELIGIBLE INSTITUTIONS. The services provided by Eligible Institutions may include establishing and maintaining shareholder accounts, processing purchase and redemption transactions, arranging for bank wires, performing shareholder subaccounting, answering client inquiries regarding the Trust, assisting clients in changing dividend options, account designations and addresses, providing periodic statements showing the client's account balance and integrating these statements with those of other transactions and balances in the client's other accounts serviced by the Eligible Institution, transmitting proxy statements, periodic reports, updated prospectuses and other communications to shareholders and, with respect to meetings of shareholders, collecting, tabulating and forwarding executed proxies and obtaining such other information and performing such other services as Morgan or the Eligible Institution's clients may reasonably request and agree upon with the Eligible Institution. Eligible Institutions may separately establish their own terms, conditions and charges for providing the aforementioned services and for providing other services.

REDEMPTION OF SHARES

METHOD OF REDEMPTION. To redeem shares in the Fund, an investor may instruct Morgan or his or her Eligible Institution, as appropriate, to submit a redemption request to the Fund or may telephone J.P. Morgan Funds Services directly at (800) 521-5411 and give the Shareholder Service Representative a preassigned shareholder Personal Identification Number and the amount of the redemption. The Fund executes effective redemption requests at the next determined net asset value per share. See Net Asset Value. See Additional Information below for an explanation of the telephone redemption policy of The Pierpont Funds.

A redemption request received by the Fund prior to 4:00 P.M. New York time is effective on that day. A redemption request received after that time becomes effective on the next business day. Proceeds of an effective redemption are deposited on settlement date in immediately available funds to the shareholder's account at Morgan or at his Eligible Institution or, in the case of certain Morgan customers, are mailed by check or transferred by wire in accordance with the customer's instructions. The redeemer will continue to receive dividends on these shares through the day before the settlement date. Settlement date is generally the next business day after a redemption is effective and, subject to Further Redemption Information below, in any event is within seven days. See Dividends and Distributions.

MANDATORY REDEMPTION BY THE FUND. If the value of a shareholder's holdings in the Fund falls below \$10,000 because of a redemption of shares, the shareholder's remaining shares may be redeemed 60 days after written notice unless the account is increased to \$10,000 or more.

FURTHER REDEMPTION INFORMATION. Investors should be aware that redemptions from the Fund may not be processed if a redemption request is not submitted in proper form. To be in proper form, the Fund must have received the shareholder's taxpayer identification number and address. As discussed under Taxes below, the Fund may be required to impose "back-up" withholding of federal income tax on dividends, distributions and redemption proceeds when noncorporate investors have not provided a certified taxpayer identification number. In addition, if a shareholder sends a check for the purchase of Fund shares and shares are purchased before the check has cleared, the transmittal of redemption proceeds from the shares will occur upon clearance of the check which may take up to 15 days.

The Fund reserves the right to suspend the right of redemption and to postpone the date of payment upon redemption for up to seven days and for such other periods as the 1940 Act or the Securities and Exchange Commission may permit. See Redemption of Shares in the Statement of Additional Information.

EXCHANGE OF SHARES

An investor may exchange shares from the Fund into any other Pierpont Fund or JPM Institutional Fund without charge. An exchange may be made so long as after the exchange the investor has shares, in each fund in which he or she remains an investor,

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with a value of at least each of those funds' minimum investment amounts. See Method of Purchase in the prospectuses for the other Pierpont Funds and The JPM Institutional Funds for the minimum investment amount for each of those funds. Shares are exchanged on the basis of relative net asset value per share. Exchanges are in effect redemptions from one fund and purchases of another fund and the usual purchase and redemption procedures and requirements are applicable to exchanges. See Purchase of Shares and Redemption of Shares in this Prospectus and in the prospectuses for the other Pierpont Funds and The JPM Institutional Funds. See also Additional Information below for an explanation of the telephone exchange policy of The Pierpont Funds.

Shareholders subject to federal income tax who exchange shares in one fund for shares in another fund may recognize capital gain or loss for federal income tax purposes. The Fund reserves the right to discontinue, alter or limit its exchange privilege at any time. For investors in certain states, state securities laws may restrict the availability of the exchange privilege.

DIVIDENDS AND DISTRIBUTIONS

The Fund intends to distribute substantially all of its net investment income. The net investment income of each Fund is declared as a dividend daily immediately prior to the determination of the net asset value of the Fund on that day and paid monthly. If an investor's shares are redeemed during a month, accrued but unpaid dividends are paid with the redemption proceeds. The net investment income of the Fund for dividend purposes consists of its pro rata share of the net income of the Portfolio less the Fund's expenses. Expenses of the Fund and the Portfolio, including the fees payable to Morgan, are accrued daily. Shares will accrue dividends as long as they are issued and outstanding. Shares are issued and outstanding as of the settlement date of a purchase order to the settlement date of a redemption order.

Substantially all the realized net capital gains, if any, of the Fund are declared and paid on an annual basis, except that an additional capital gains distribution may be made in a given year to the extent necessary to avoid the imposition of federal excise tax on the Fund.

Dividends and capital gains distributions paid by the Fund are automatically reinvested in additional shares of the Fund unless the shareholder has elected to have them paid in cash. Dividends and distributions to be paid in cash are credited to the shareholder's account at Morgan or at his Eligible Institution or, in the case of certain Morgan customers, are mailed by check in accordance with the customer's instructions. The Fund reserves the right to discontinue, alter or limit the automatic reinvestment privilege at any time.

NET ASSET VALUE

Net asset value per share for the Fund is determined by subtracting from the value of the Fund's total assets (i.e., the value of its investment in the Portfolio and other assets) the amount of its liabilities and dividing the remainder by the number of its outstanding shares, rounded to the nearest cent. Expenses, including the fees payable to Morgan, are accrued daily. See Net Asset Value in the Statement of Additional Information for information on valuation of portfolio securities for the Portfolio.

The Fund computes its net asset value once daily at 4:00 P.M. New York time on Monday through Friday, except that the net asset value is not computed for the Fund on a day in which no orders to purchase or redeem Fund shares have been received or on the holidays listed under Net Asset Value in the Statement of Additional Information.

ORGANIZATION

The Trust was organized on November 4, 1992 as an unincorporated business trust under Massachusetts law and is an entity commonly known as a "Massachusetts business trust". The Declaration of Trust permits the Trustees to issue an unlimited

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number of full and fractional shares (\$0.001 par value) of one or more series. To date, 12 series of shares have been authorized and are available for sale to the public. Only shares of the Fund are offered through this Prospectus. No series of shares has any preference over any other series of shares. See Massachusetts Trust in the Statement of Additional Information.

The Declaration of Trust for the Trust provides that no Trustee, shareholder, officer, employee, or agent of the Fund shall be held to any personal liability, nor shall resort be had to their private property for the satisfaction of any obligation or claim or otherwise in connection with the affairs of the Fund, but that the Trust property only shall be liable.

Shareholders of the Fund are entitled to one vote for each share and to the appropriate fractional vote for each fractional share. There is no cumulative voting. Shares have no preemptive or conversion rights. Shares are fully paid and nonassessable by the Fund. The Trust has adopted a policy of not issuing share certificates. The Trust does not intend to hold meetings of shareholders annually. The Trustees may call meetings of shareholders for action by shareholder vote as may be required by either the 1940 Act or the Declaration of Trust. The Trustees will call a meeting of shareholders to vote on removal of a Trustee upon the written request of the record holders of ten percent of Trust shares and will assist shareholders in communicating with each other as prescribed in Section 16(c) of the 1940 Act. For further organization information, including certain shareholder rights, see Description of Shares in the Statement of Additional Information.

The Portfolio, in which all the assets of the Fund are invested, is organized as a trust under the laws of the State of New York. The Portfolio's Declaration of Trust provides that the Fund and other entities investing in the Portfolio (e.g., other investment companies, insurance company separate accounts and common and commingled trust funds) will each be liable for all obligations of the Portfolio. However, the risk of the Fund incurring financial loss on account of such liability is limited to circumstances in which both inadequate insurance existed and the Portfolio itself was unable to meet its obligations. Accordingly, the Trustees of the Trust believe that neither the Fund nor its shareholders will be adversely affected by reason of the Fund's investing in the Portfolio.

FEDERAL TAXES

The following discussion of tax consequences is based on U.S. federal tax laws in effect on the date of this Prospectus. These laws and regulations are subject to change by legislative or administrative action. Investors are urged to consult their own tax advisors with respect to specific questions as to federal, state or local taxes. See Taxes in the Statement of Additional Information. Annual statements as to the current federal tax status of distributions, if

applicable, are mailed to shareholders after the end of the taxable year for the Fund.

The Trust intends to qualify the Fund as a separate regulated investment company under Subchapter M of the Code. As a regulated investment company, the Fund should not be subject to federal income taxes or federal excise taxes if all of its net investment income and capital gains less any available capital loss carryforwards are distributed to shareholders within allowable time limits. The Portfolio intends to qualify as an association treated as a partnership for federal income tax purposes. As such, the Portfolio should not be subject to tax. The Fund's status as a regulated investment company is dependent on, among other things, the Portfolio's continued qualification as a partnership for federal income tax purposes.

If a correct and certified taxpayer identification number is not on file, the Fund is required, subject to certain exemptions, to withhold 31% of certain payments made or distributions declared to noncorporate shareholders.

The Fund intends to qualify to pay exempt-interest dividends to its shareholders by having, at the close of each quarter of its taxable year, at least 50% of the value of its total assets consist of tax exempt securities. An exempt-interest dividend is that part of dividend distributions made by the Fund which consists of interest received by the Fund on tax exempt securities. Exempt-interest dividends received from the Fund will be treated for federal income tax purposes as tax exempt interest income. Since, under normal circumstances, at least 65% of the Portfolio's total assets will be invested in New York tax exempt obligations, it is expected that a substantial portion of the Fund's dividends will be exempt-interest dividends. However, in pursuit of its

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investment objective of a high after tax total return, the Portfolio is permitted to invest in securities whose income is subject to federal income tax and to seek to realize capital gains. Therefore it is expected that a portion of the Fund's dividends will be taxable and that the Fund may distribute net long and short term capital gains. See Investment Objective and Policies.

Interest on certain tax exempt municipal obligations issued after August 7, 1986 is a preference item for purposes of the alternative minimum tax applicable to individuals and corporations. Under tax regulations to be issued, the portion of an exempt-interest dividend of a regulated investment company that is allocable to these obligations will be treated as a preference item for purposes of the alternative minimum tax.

Corporations should, however, be aware that interest on all municipal securities will be included in calculating (i) adjusted current earnings for purposes of the alternative minimum tax applicable to them, (ii) the additional tax imposed on certain corporations by the Superfund Revenue Act of 1986, and (iii) the foreign branch profits tax imposed on effectively connected earnings and profits of United States branches of foreign corporations. Furthermore, special tax provisions may apply to certain financial institutions and property and casualty insurance companies, and they should consult their tax advisors before purchasing shares of the Fund.

Interest on indebtedness incurred or continued by a shareholder (whether a corporation or an individual) to purchase or carry shares of the Fund is generally not deductible. The Treasury has been given authority to issue regulations which would disallow the interest deduction if incurred to purchase or carry shares of the Fund owned by the taxpayer's spouse, minor child or entity controlled by the taxpayer. Entities or persons who are "substantial users" (or related persons) of facilities financed by tax exempt bonds should consult their tax advisors before purchasing shares of the Fund.

Distributions of taxable net investment income and realized net short-term capital gains in excess of net long-term capital losses are taxable as ordinary income to shareholders of the Fund whether such distributions are taken in cash or reinvested in additional shares. Distributions of this type to corporate shareholders of the Fund are not eligible for the dividends-received deduction.

Distributions of net long-term capital gains in excess of net short-term capital losses are taxable to shareholders of the Fund as long-term capital gains regardless of how long a shareholder has held shares in the Fund and regardless of whether taken in cash or reinvested in additional shares. Long-term capital gains distributions to corporate shareholders are not eligible for the dividends-received deduction.

Any distribution of capital gains will have the effect of reducing the net asset value of Fund shares held by a shareholder by the same amount as the distribution. If the net asset value of the shares is reduced below a shareholder's cost as a result of such a distribution, the distribution, although constituting a return of capital to the shareholder, will be taxable as described above.

Any gain or loss realized on the redemption or exchange of Fund shares by a

shareholder who is not a dealer in securities will be treated as long-term capital gain or loss if the shares have been held for more than one year, and otherwise as short-term capital gain or loss. However, any loss realized by a shareholder upon the redemption or exchange of shares in the Fund held for six months or less will be treated as a long-term capital loss to the extent of any long-term capital gain distributions received by the shareholder with respect to such shares. In addition, any loss realized by a shareholder upon the redemption or exchange of shares in the Fund held six months or less will be disallowed to the extent of any exempt-interest dividends received by the shareholder with respect to these shares.

NEW YORK STATE AND NEW YORK CITY TAXES

Shareholders are not subject to New York State or New York City personal income taxes on Fund dividends to the extent that such dividends qualify as "exempt interest dividends" and represent interest income attributable to New York tax exempt obligations (as well as certain other obligations the interest on which is exempt from New York State and New York City personal income taxes, such as, for example, certain obligations of the Commonwealth of Puerto Rico). Dividends and distributions derived from taxable income and capital gains are not exempt from New York State and New York City taxes.

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Corporations should note that the Fund's income dividends and other distributions are not exempt from the New York State Franchise Tax on Business Corporations or the New York City General Corporation Tax.

Interest on indebtedness incurred or continued by a shareholder to purchase or carry shares of the Fund is generally not deductible for New York State or New York City personal income tax purposes.

ADDITIONAL INFORMATION

The Fund sends to its shareholders annual and semi-annual reports. The financial statements appearing in annual reports are audited by independent accountants. Shareholders also will be sent confirmations of each purchase and redemption and monthly statements, reflecting all other account activity, including dividends and any distributions reinvested in additional shares or credited as cash.

All shareholders are given the privilege to initiate transactions automatically by telephone upon opening an account. However, an investor should be aware that a transaction authorized by telephone and reasonably believed to be genuine by the Fund, Morgan, his Eligible Institution or the Distributor may subject the investor to risk of loss if such instruction is subsequently found not to be genuine. The Fund will employ reasonable procedures, including requiring investors to give their Personal Identification Number and tape recording of telephone instructions, to confirm that instructions communicated from investors by telephone are genuine; if it does not, it, the Shareholder Servicing Agent or a shareholder's Eligible Institution may be liable for any losses due to unauthorized or fraudulent instructions.

The Fund may make historical performance information available and may compare its performance to other investments or relevant indexes, including data from Lipper Analytical Services, Inc., Micropal Inc., Morningstar Inc., Ibbotson Associates, Standard & Poor's 500 Composite Stock Price Index, the Dow Jones Industrial Average, the Frank Russell Indexes, the Lehman Brothers Bond Indexes and other industry publications. The Fund may advertise "yield" and "tax equivalent yield". Yield refers to the net income generated by an investment in the Fund over a stated 30-day period. This income is then annualized -- i.e., the amount of income generated by the investment during the 30-day period is assumed to be generated each 30-day period for twelve periods and is shown as a percentage of the investment. The income earned on the investment is also assumed to be reinvested at the end of the sixth 30-day period. The tax equivalent yield is calculated similarly to the yield for the Fund, except that the yield is increased using a stated income tax rate to demonstrate the taxable yield necessary to produce an after-tax equivalent to the Fund.

The Fund may also advertise "total return" and non-standardized total return data. The total return shows what an investment in the Fund would have earned over a specified period of time (one, five or ten years or since commencement of operations, if less) assuming that all distributions and dividends by the Fund were reinvested on the reinvestment dates during the period and less all recurring fees. These methods of calculating yield and total return are required by regulations of the Securities and Exchange Commission. Yield and total return data similarly calculated, unless otherwise indicated, over other specified periods of time may also be used. See Performance Data in the Statement of Additional Information. All performance figures are based on historical earnings and are not intended to indicate future performance. Performance information may be obtained by calling The Fund's Distributor at (800) 847-9487.

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NO DEALER, SALESMAN OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS, OTHER THAN THOSE CONTAINED IN THIS

PROSPECTUS, IN CONNECTION WITH THE OFFER CONTAINED IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE TRUST OR THE DISTRIBUTOR. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER BY THE TRUST OR BY THE DISTRIBUTOR TO SELL OR A SOLICITATION OF ANY OFFER TO BUY ANY OF THE SECURITIES OFFERED HEREBY IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL FOR THE TRUST OR THE DISTRIBUTOR TO MAKE SUCH OFFER IN SUCH JURISDICTION.

The
Pierpont
New York
Total Return
Bond Fund

PROSPECTUS
AUGUST 1, 1995

APPENDIX

The hedging and risk management transactions which are permissible for the Portfolio are described below. The Portfolio has no present intention of engaging in any of these transactions.

The Portfolio may (a) purchase and sell exchange traded and over-the-counter (OTC) put and call options on fixed income securities and indexes of fixed income securities, (b) purchase and sell futures contracts on fixed income securities and indexes of fixed income securities and (c) purchase and sell put and call options on futures contracts on fixed income securities and indexes of fixed income securities.

The Portfolio may use futures contracts and options for hedging and risk management purposes. See Risk Management in the Statement of Additional Information. The Portfolio may not use futures contracts and options for speculation.

The Portfolio may utilize options and futures contracts to manage its exposure to changing interest rates and/or security prices. Some options and futures strategies, including selling futures contracts and buying puts, tend to hedge the Portfolio's investments against price fluctuations. Other strategies, including buying futures contracts, writing puts and calls, and buying calls, tend to increase market exposure. Options and futures contracts may be combined with each other or with forward contracts in order to adjust the risk and return characteristics of the Portfolio's overall strategy in a manner deemed appropriate to the Advisor and consistent with the Portfolio's objective and policies. Because combined options positions involve multiple trades, they result in higher transaction costs and may be more difficult to open and close out.

The use of options and futures is a highly specialized activity which involves investment strategies and risks different from those associated with ordinary portfolio securities transactions, and there can be no guarantee that their use will increase the Portfolio's return. While the use of these instruments by the Portfolio may reduce certain risks associated with owning its portfolio securities, these techniques themselves entail certain other risks. If the Advisor applies a strategy at an inappropriate time or judges market conditions or trends incorrectly, options and futures strategies may lower the Portfolio's return. Certain strategies limit the Portfolio's possibilities to realize gains as well as limiting its exposure to losses. The Portfolio could also experience losses if the prices of its options and futures positions were poorly correlated with its other investments, or if it could not close out its positions because of an illiquid secondary market. In addition, the Portfolio will incur transaction costs, including trading commissions and option premiums, in connection with its futures and options transactions and these transactions could significantly increase the Portfolio's turnover rate.

The Portfolio may purchase put and call options on securities, indexes of securities and futures contracts, or purchase and sell futures contracts, only if such options are written by other persons and if (i) the aggregate premiums paid on all such options which are held at any time do not exceed 20% of the Portfolio's net assets, and (ii) the aggregate margin deposits required on all such futures or options thereon held at any time do not exceed 5% of the Portfolio's total assets. In addition, the Portfolio will not purchase or sell (write) futures contracts, options, or futures contracts or commodity options for risk management purposes if, as a result, the aggregate initial margin and options premiums required to establish these positions exceed 5% of the net asset value of the Portfolio.

OPTIONS

PURCHASING PUT AND CALL OPTIONS. By purchasing a put option, the Portfolio obtains the right (but not the obligation) to sell the instrument underlying the option at a fixed strike price. In return for this right, the Portfolio pays the current market price for the option (known as the option premium). Options have various types of underlying instruments, including specific securities, indexes of securities, indexes of securities prices, and futures contracts. The

Portfolio may terminate its position in a put option it has purchased by allowing it to expire or by exercising the option. The Portfolio may also close out a put option position by entering into an offsetting transaction, if a liquid market exists. If the option is allowed to expire, the Portfolio will lose the entire

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premium it paid. If the Portfolio exercises a put option on a security, it will sell the instrument underlying the option at the strike price. If the Portfolio exercises an option on an index, settlement is in cash and does not involve the actual sale of securities. If an option is American style, it may be exercised on any day up to its expiration date. A European style option may be exercised only on its expiration date.

The buyer of a typical put option can expect to realize a gain if the price of the underlying instrument falls substantially. However, if the price of the instrument underlying the option does not fall enough to offset the cost of purchasing the option, a put buyer can expect to suffer a loss (limited to the amount of the premium paid, plus related transaction costs).

The features of call options are essentially the same as those of put options, except that the purchaser of a call option obtains the right to purchase, rather than sell, the instrument underlying the option at the option's strike price. A call buyer typically attempts to participate in potential price increases of the instrument underlying the option with risk limited to the cost of the option if security prices fall. At the same time, the buyer can expect to suffer a loss if security prices do not rise sufficiently to offset the cost of the option.

SELLING (WRITING) PUT AND CALL OPTIONS. When the Portfolio writes a put option, it takes the opposite side of the transaction from the option's purchaser. In return for receipt of the premium, the Portfolio assumes the obligation to pay the strike price for the instrument underlying the option if the other party to the option chooses to exercise it. The Portfolio may seek to terminate its position in a put option it writes before exercise by purchasing an offsetting option in the market at its current price. If the market is not liquid for a put option the Portfolio has written, however, the Portfolio must continue to be prepared to pay the strike price while the option is outstanding, regardless of price changes, and must continue to post margin as discussed below.

If the price of the underlying instrument rises, a put writer would generally expect to profit, although its gain would be limited to the amount of the premium it received. If security prices remain the same over time, it is likely that the writer will also profit, because it should be able to close out the option at a lower price. If security prices fall, the put writer would expect to suffer a loss. This loss should be less than the loss from purchasing and holding the underlying instrument directly, however, because the premium received for writing the option should offset a portion of the decline.

Writing a call option obligates the Portfolio to sell or deliver the option's underlying instrument in return for the strike price upon exercise of the option. The characteristics of writing call options are similar to those of writing put options, except that writing calls generally is a profitable strategy if prices remain the same or fall. Through receipt of the option premium a call writer offsets part of the effect of a price decline. At the same time, because a call writer must be prepared to deliver the underlying instrument in return for the strike price, even if its current value is greater, a call writer gives up some ability to participate in security price increases.

The writer of an exchange traded put or call option on a security, an index of securities or a futures contract is required to deposit cash or securities or a letter of credit as margin and to make mark to market payments of variation margin as the position becomes unprofitable.

OPTIONS ON INDEXES. The Portfolio may purchase and sell put and call options and sell (write) covered put and call options on any securities index based on securities in which the Portfolio may invest. Options on securities indexes are similar to options on securities, except that the exercise of securities index options is settled by cash payment and does not involve the actual purchase or sale of securities. In addition, these options are designed to reflect price fluctuations in a group of securities or segment of the securities market rather than price fluctuations in a single security. The Portfolio, in purchasing or selling index options, is subject to the risk that the value of its portfolio securities may not change as much as an index because the Portfolio's investments generally will not match the composition of an index.

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For a number of reasons, a liquid market may not exist and thus the Portfolio may not be able to close out an option position that it has previously entered into. When the Portfolio purchases an OTC option, it will be relying on its counterparty to perform its obligations, and the Portfolio may incur additional losses if the counterparty is unable to perform.

FUTURES CONTRACTS

When the Portfolio purchases a futures contract, it agrees to purchase a specified quantity of an underlying instrument at a specified future date or to make a cash payment based on the value of a securities index. When the Portfolio sells a futures contract, it agrees to sell a specified quantity of the underlying instrument at a specified future date or to receive a cash payment based on the value of a securities index. The price at which the purchase and sale will take place is fixed when the Portfolio enters into the contract. Futures can be held until their delivery dates or the position can be (and normally is) closed out before then. There is no assurance, however, that a liquid market will exist when the Portfolio wishes to close out a particular position.

When the Portfolio purchases a futures contract, the value of the futures contract tends to increase and decrease in tandem with the value of its underlying instrument. Therefore, purchasing futures contracts will tend to increase the Portfolio's exposure to positive and negative price fluctuations in the underlying instrument, much as if it had purchased the underlying instrument directly. When the Portfolio sells a futures contract, by contrast, the value of its futures position will tend to move in a direction contrary to the value of the underlying instrument. Selling futures contracts, therefore, will tend to offset both positive and negative market price changes, much as if the underlying instrument had been sold.

The purchaser or seller of a futures contract is not required to deliver or pay for the underlying instrument unless the contract is held until the delivery date. However, when the Portfolio buys or sells a futures contract it will be required to deposit "initial margin" with its Custodian in a segregated account in the name of its futures broker, known as a futures commission merchant (FCM). Initial margin deposits are typically equal to a small percentage of the contract's value. If the value of either party's position declines, that party will be required to make additional "variation margin" payments equal to the change in value on a daily basis. The party that has a gain may be entitled to receive all or a portion of this amount. The Portfolio may be obligated to make payments of variation margin at a time when it is disadvantageous to do so. Furthermore, it may not always be possible for the Portfolio to close out its futures positions. Until it closes out a futures position, the Portfolio will be obligated to continue to pay variation margin. Initial and variation margin payments do not constitute purchasing on margin for purposes of the Portfolio's investment restrictions. In the event of the bankruptcy of an FCM that holds margin on behalf of the Portfolio, the Portfolio may be entitled to return of margin owed to it only in proportion to the amount received by the FCM's other customers, potentially resulting in losses to the Portfolio.

The Portfolio will segregate liquid, high quality assets in connection with its use of options and futures contracts to the extent required by the staff of the Securities and Exchange Commission. Securities held in a segregated account cannot be sold while the futures contract or option is outstanding, unless they are replaced with other suitable assets. As a result, there is a possibility that segregation of a large percentage of the Portfolio's assets could impede portfolio management or the Portfolio's ability to meet redemption requests or other current obligations.

For further information about the Portfolio's use of futures and options and a more detailed discussion of associated risks, see Investment Objectives and Policies in the Statement of Additional Information.

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THE PIERPONT FUNDS

THE PIERPONT MONEY MARKET FUND
THE PIERPONT TAX EXEMPT MONEY MARKET FUND
THE PIERPONT TREASURY MONEY MARKET FUND
THE PIERPONT SHORT TERM BOND FUND
THE PIERPONT BOND FUND
THE PIERPONT TAX EXEMPT BOND FUND

THE PIERPONT NEW YORK TOTAL RETURN BOND FUND
THE PIERPONT DIVERSIFIED FUND

THE PIERPONT EQUITY FUND
THE PIERPONT CAPITAL APPRECIATION FUND
THE PIERPONT INTERNATIONAL EQUITY FUND
THE PIERPONT EMERGING MARKETS EQUITY FUND

STATEMENT OF ADDITIONAL INFORMATION

AUGUST 1, 1995

THIS STATEMENT OF ADDITIONAL INFORMATION IS NOT A PROSPECTUS, BUT CONTAINS ADDITIONAL INFORMATION WHICH SHOULD BE READ IN CONJUNCTION WITH THE PROSPECTUS FOR THE FUND OR FUNDS LISTED ABOVE, AS SUPPLEMENTED FROM TIME TO TIME, WHICH MAY BE OBTAINED UPON REQUEST FROM SIGNATURE BROKER-DEALER SERVICES, INC., ATTENTION: THE PIERPONT FUNDS (800) 847-9487.

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GENERAL

The Pierpont Funds currently consist of twelve funds: The Pierpont

Money Market Fund, The Pierpont Treasury Money Market Fund, The Pierpont Tax Exempt Money Market Fund, The Pierpont Short Term Bond Fund, The Pierpont Bond Fund, The Pierpont Tax Exempt Bond Fund, The Pierpont New York Total Return Bond Fund, The Pierpont Equity Fund, The Pierpont Capital Appreciation Fund, The Pierpont International Equity Fund, The Pierpont Emerging Markets Equity Fund and The Pierpont Diversified Fund (collectively, the "Funds"). Each of the Funds is a series of The Pierpont Funds, an open-end management investment company formed as a Massachusetts business trust (the "Trust"; where appropriate, references to the "Trust" refer to the Trust acting on behalf of a Fund and references to a "Fund" refer to a Fund acting through the Trust).

This Statement of Additional Information describes the financial history, investment objectives and policies, management and operation of each of the Funds to enable investors to select the Funds which best suit their needs. The Pierpont Funds operate through Signature Financial Group, Inc.'s Hub and Spoke(R) financial services method. Formerly, The Pierpont Money Market Fund, The Pierpont Tax Exempt Money Market Fund, The Pierpont Bond Fund, The Pierpont Tax Exempt Bond Fund, The Pierpont Equity Fund, The Pierpont Capital Appreciation Fund, and The Pierpont International Equity Fund operated as free-standing mutual funds and not through Hub and Spoke(R). Where indicated in this Statement of Additional Information, historical information for each of these Funds includes information for their respective predecessor entities.

This Statement of Additional Information provides additional information with respect to the Funds, and should be read in conjunction with the current Prospectus. Capitalized terms not otherwise defined in this Statement of Additional Information have the meanings accorded to them in the Funds' Prospectus. The Funds' executive offices are located at 6 St. James Avenue, Boston, Massachusetts 02116.

INVESTMENT OBJECTIVES AND POLICIES

THE PIERPONT MONEY MARKET FUND (the "Money Market Fund") is designed to be an economical and convenient means of making substantial investments in money market instruments. The Money Market Fund's investment objective is to maximize current income and maintain a high level of liquidity. The Fund attempts to achieve this objective by investing all of its investable assets in The Money Market Portfolio (the "Portfolio"), a diversified open-end management investment company having the same investment objective as the Money Market Fund.

The Portfolio seeks to achieve its investment objective by maintaining a dollar-weighted average portfolio maturity of not more than 90 days and by investing in U.S. dollar denominated securities described in the Prospectus and this Statement of Additional Information that meet certain rating criteria, present minimal credit risk and have effective maturities of not more than thirteen months. The Portfolio's ability to achieve maximum current income is affected by its high quality standards. See "Quality and Diversification Requirements".

THE PIERPONT TAX EXEMPT MONEY MARKET FUND (the "Tax Exempt Money Market Fund") is designed to be an economical and convenient means of making substantial investments in instruments that are exempt from federal income tax. The Tax Exempt Money Market Fund's investment objective is to provide a high level of current income that is exempt from federal income tax and maintain a high level of liquidity. See "Taxes". The Fund attempts to achieve this objective by investing all of its investable assets in The Tax Exempt Money Market Portfolio (the "Portfolio"), a diversified open-end management investment company having the same investment objective as the Tax Exempt Money Market Fund.

The Portfolio attempts to achieve its investment objective by maintaining a dollar-weighted average portfolio maturity of not more than 90 days and by investing in U.S. dollar-denominated securities described in the Prospectus and this Statement of Additional Information that meet certain rating criteria, present minimal credit risks, have effective maturities of not more than thirteen months and earn interest wholly exempt from federal income tax in the opinion of bond counsel for the issuer, but it may invest up to 20% of its total assets in taxable obligations. See "Quality and Diversification Requirements". Interest on these securities may be subject to state and local taxes. For more detailed information regarding tax matters, including the applicability of the alternative minimum tax, see "Taxes".

THE PIERPONT TREASURY MONEY MARKET FUND (the "Treasury Money Market

Fund") is designed to be an economical and convenient means of making substantial investments in short term direct obligations of the U.S. Treasury. The Treasury Money Market Fund's investment objective is to provide current income, maintain a high level of liquidity and preserve capital. The Fund attempts to accomplish this objective by investing all of its investable assets in The Treasury Money Market Portfolio (the "Portfolio"), a diversified open-end management investment company having the same investment objective as the Treasury Money Market Fund.

The Portfolio attempts to achieve its investment objective by maintaining a dollar-weighted average portfolio maturity of not more than 90 days and by investing in U.S. Treasury securities described in the Prospectus and in this Statement of Additional Information that have effective maturities of not more than thirteen months. See "Quality and Diversification Requirements".

THE PIERPONT SHORT TERM BOND FUND (the "Short Term Bond Fund") is designed for investors who place a strong emphasis on conservation of capital but who also want a return greater than that of a money market fund or other very low risk investment vehicles. It is appropriate for investors who do not require the stable net asset value typical of a money market fund but who want less price fluctuation than is typical of a longer-term bond fund. The Short Term Bond Fund's investment objective is to provide a high total return while attempting to limit the likelihood of negative quarterly returns. The Short Term Bond Fund seeks to achieve this high total return to the extent consistent with modest risk of capital and the maintenance of liquidity. The Short Term Bond Fund attempts to achieve its investment objective by investing all of its investable assets in The Short Term Bond Portfolio (the "Portfolio"), a diversified open-end

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management investment company having the same investment objective as the Short Term Bond Fund.

The Portfolio attempts to achieve its investment objective by investing primarily in the corporate and government debt obligations and related securities described in the Prospectus and this Statement of Additional Information.

THE PIERPONT BOND FUND (the "Bond Fund") is designed to be an economical and convenient means of making substantial investments in a broad range of corporate and government debt obligations and related investments of domestic and foreign issuers, subject to certain quality and other restrictions. See "Quality and Diversification Requirements". The Bond Fund's investment objective is to provide a high total return consistent with moderate risk of capital and maintenance of liquidity. Although the net asset value of the Bond Fund will fluctuate, the Bond Fund attempts to conserve the value of its investments to the extent consistent with its objective. The Bond Fund attempts to achieve its objective by investing all of its investable assets in The U.S. Fixed Income Portfolio (the "Portfolio"), a diversified open-end management investment company having the same investment objective as the Bond Fund.

The Portfolio attempts to achieve its investment objective by investing in high grade corporate and government debt obligations and related securities of domestic and foreign issuers described in the Prospectus and this Statement of Additional Information.

INVESTMENT PROCESS

Duration/yield curve management: Morgan's duration decision begins with an analysis of real yields, which its research indicates are generally a reliable indicator of longer term interest rate trends. Other factors Morgan studies in regard to interest rates include economic growth and inflation, capital flows and monetary policy. Based on this analysis, Morgan forms a view of the most likely changes in the level and shape of the yield curve -- as well as the timing of those changes -- and sets the Portfolio's duration and maturity structure accordingly. Morgan typically limits the overall duration of the Portfolio to a range between one year shorter and one year longer than that of the Salomon Brothers Broad Investment Grade Bond Index, the benchmark index.

Sector allocations: Sector allocations are driven by Morgan's fundamental and quantitative analysis of the relative valuation of a broad array of fixed income sectors. Specifically, Morgan utilizes market and credit analysis to assess whether the current risk-adjusted yield spreads of various sectors are likely to widen or narrow. Morgan then overweights (underweights) those sectors its analysis offer the most (least) relative value, basing the

speed and magnitude of these shifts on valuation considerations.

Security selection: Securities are selected by the portfolio manager, with substantial input from Morgan's fixed income analysts and traders. Using quantitative analysis as well as traditional valuation methods, Morgan's applied research analysts aim to optimize security selection within the bounds of the Portfolio's investment objective. In addition, credit analysts -- supported by

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Morgan's equity analysts -- assess the credit worthiness of issuers and counterparties. A dedicated trading desk contributes to security selection by tracking new issuance, monitoring dealer inventories, and identifying attractively priced bonds. The traders also handle all transactions for the Portfolio.

THE PIERPONT TAX EXEMPT BOND FUND (the "Tax Exempt Bond Fund") is designed to be an economical and convenient means of making substantial investments in debt obligations that are exempt from federal income tax. The Tax Exempt Bond Fund's investment objective is to provide a high level of current income exempt from federal income tax consistent with moderate risk of capital and maintenance of liquidity. See "Taxes". The Fund attempts to achieve its investment objective by investing all of its investable assets in The Tax Exempt Bond Portfolio (the "Portfolio"), a diversified open-end management investment company having the same investment objective as the Tax Exempt Bond Fund.

The Portfolio attempts to achieve its investment objective by investing primarily in securities of states, territories and possessions of the United States and their political subdivisions, agencies and instrumentalities, the interest of which is exempt from federal income tax in the opinion of bond counsel for the issuer, but it may invest up to 20% of its total assets in taxable obligations. The Tax Exempt Bond Fund seeks to maintain a current yield that is greater than that obtainable from a portfolio of short term tax exempt obligations, subject to certain quality restrictions. See "Quality and Diversification Requirements".

THE PIERPONT NEW YORK TOTAL RETURN BOND FUND (the "New York Total Return Bond Fund") is designed to be an economical and convenient means of investing in a portfolio consisting primarily of debt obligations that are exempt from federal and New York State income taxes. The New York Total Return Bond Fund's investment objective is to provide a high after tax total return for New York residents consistent with moderate risk of capital. Total return will consist of income plus capital gains and losses. The Fund attempts to achieve its objective by investing all of its investable assets in The New York Total Return Bond Portfolio (the "Portfolio"), a non-diversified open-end management investment company having the same investment objective as the Fund.

The Portfolio attempts to achieve its investment objective by investing primarily in municipal securities issued by New York State and its political subdivisions and by agencies, authorities and instrumentalities of New York and its political subdivisions. These securities earn income exempt from federal and New York State and local income taxes but, in certain circumstances, may be subject to alternative minimum tax. In addition, the Portfolio may invest in municipal securities issued by states other than New York, by territories and possessions of the United States and by the District of Columbia and their political subdivisions, agencies and instrumentalities. These securities earn income exempt from federal income taxes but, in certain circumstances, may be subject to alternative minimum tax. In order to seek to enhance the Portfolio's after tax return, the Portfolio may also invest in securities which earn income subject to New York and/or federal income taxes. These securities include

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U.S. government securities, corporate securities and municipal securities issued on a taxable basis.

THE PIERPONT DIVERSIFIED FUND (the "Diversified Fund") is designed for investors who wish to invest for long term objectives such as retirement and who seek to attain real appreciation in their investments over the long term, but with somewhat less price fluctuation than a portfolio consisting solely of equity securities. The Diversified Fund's investment objective is to provide a

high total return from a diversified portfolio of equity and fixed income securities. The Fund attempts to achieve its investment objective by investing all of its investable assets in The Diversified Portfolio, a diversified open-end management investment company having the same investment objective as the Diversified Fund.

The following discussion supplements the information regarding the investment objective of each of the Funds and the policies to be employed to achieve this objective by their corresponding Portfolios as set forth above and in the Prospectus. The investment objective of each Fund and its corresponding Portfolio is identical. Accordingly, references below to a Fund also include the Fund's corresponding Portfolio; similarly, references to a Portfolio also include the corresponding Fund that invests in the Portfolio unless the context requires otherwise.

THE PIERPONT EQUITY FUND (the "Equity Fund") is designed for investors who want an actively managed portfolio of selected equity securities that seeks to outperform the S&P 500 Index. The Equity Fund's investment objective is to provide a high total return from a portfolio of selected equity securities. The Fund attempts to achieve its investment objective by investing all of its investable assets in The Selected U.S. Equity Portfolio (the "Portfolio"), a diversified open-end management investment company having the same investment objective as the Equity Fund.

In normal circumstances, at least 65% of the Portfolio's net assets will be invested in equity securities consisting of common stocks and other securities with equity characteristics comprised of preferred stock, warrants, rights, convertible securities, trust certifications, limited partnership interests and equity participations (collectively, "Equity Securities"). The Portfolio's primary equity investments are the common stock of large and medium sized U.S. corporations and, to a limited extent, similar securities of foreign corporations.

INVESTMENT PROCESS

Fundamental Research: Morgan's 20 domestic equity analysts, each an industry specialist with an average of 13 years of experience, follow 700 predominantly large- and medium-sized U.S. companies -- 500 of which form the universe for the Portfolio's investments. Their research goal is to forecast normalized, longer term earnings and dividends for the most attractive companies among those they cover. In doing this, they may work in concert with Morgan's international equity analysts in order to gain a broader perspective for evaluating industries and companies in today's global economy.

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Systematic valuation: The analysts' forecasts are converted into comparable expected returns by a dividend discount model, which calculates those expected returns by comparing a company's current stock price with the "fair value" price forecasted by its estimated long term earnings power. Within each sector, companies are ranked by their expected return and grouped into quintiles: those with the highest expected returns (Quintile 1) are deemed the most undervalued relative to their long-term earnings power, while those with the lowest expected returns (Quintile 5) are deemed the most overvalued.

Disciplined portfolio construction: A diversified portfolio is constructed using disciplined buy and sell rules. Purchases are concentrated among first- quintile stocks; the specific names selected reflect the portfolio manager's judgement concerning the soundness of the underlying forecasts, the likelihood that the perceived misvaluation will be corrected within a reasonable time frame and the magnitude of the risks versus the rewards. Once a stock falls into the third quintile -- because its price has risen or its fundamentals have deteriorated -- it generally becomes a sales candidate. The portfolio manager seeks to hold sector weightings close to those of the S&P 500 Index, reflecting Morgan's belief that its research has the potential to add value at the individual stock level, but not at the sector level. Sector neutrality is also seen as a way to help protect the portfolio from macroeconomic risks, and -- together with diversification -- represents an important element of Morgan's risk control strategy. Morgan's dedicated trading desk handles all transactions for the Portfolio.

THE PIERPONT CAPITAL APPRECIATION FUND (the "Capital Appreciation Fund") is designed for investors who are willing to assume the somewhat higher risk of investing in small companies in order to seek a higher return over time than might be expected from a portfolio of stocks of large companies. The Capital Appreciation Fund's investment objective is to provide a high total return from portfolio of Equity Securities of small companies. The Fund attempts to achieve its investment objective by investing all of its investable assets in

The U.S. Small Company Portfolio (the "Portfolio"), a diversified open-end management investment company having the same investment objective as the Capital Appreciation Fund.

The Portfolio attempts to achieve its investment objective by investing primarily in the common stock of small U.S. companies included in the Russell 2500 Index, which is composed of 2,500 common stocks of U.S. companies with market capitalizations ranging between \$100 million and \$1.5 billion.

INVESTMENT PROCESS

Fundamental Research: Morgan's 20 domestic equity analysts -- each an industry specialist with an average of 13 years of experience -- continuously monitor the small cap stocks in their respective sectors with the aim of identifying companies that exhibit superior financial strength and operating returns. Meetings with management and on-site visits play a key role in shaping their assessments. Their research goal is to forecast normalized, long-term

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earnings and dividends for the most attractive small cap companies among those they monitor -- a universe that generally contains a total of 300-350 names. Because Morgan's analysts follow both the larger and smaller companies in their industries -- in essence, covering their industries from top to bottom -- they are able to bring broad perspective to the research they do on both.

Systematic valuation: The analysts' forecasts are converted into comparable expected returns by Morgan's dividend discount model, which calculates those returns by comparing a company's current stock price with the "fair value" price forecasted by its estimated long-term earnings power. Within each industry, companies are ranked by their expected returns and grouped into quintiles: those with the highest expected returns (Quintile 1) are deemed the most undervalued relative to their long-term earnings power, while those with the lowest investment returns (Quintile 5) are deemed the most overvalued.

Disciplined portfolio construction: A diversified portfolio is constructed using disciplined buy and sell rules. Purchases are concentrated among the stocks in the top two quintiles of the rankings: the specific names selected reflect the portfolio manager's judgement concerning the soundness of the underlying forecasts, the likelihood that the perceived misevaluation will soon be corrected and the magnitude of the risks versus the rewards. Once a stock falls into the third quintile -- because its price has risen or its fundamentals have deteriorated -- it generally becomes a sales candidate. The portfolio manager seeks to hold sector weightings close to those of the Russell 2500 Index, the Portfolio's benchmark, reflecting Morgan's belief that its research has the potential to add value at the individual stock level, but not at the sector level. Sector neutrality is also seen as a way to help to protect the portfolio from macroeconomic risks, and -- together with diversification -- represents an important element of Morgan's investment strategy.

THE PIERPONT INTERNATIONAL EQUITY FUND (the "International Equity Fund") is designed for investors with a long term investment horizon who want to diversify their portfolios by investing in an actively managed portfolio of non-U.S. securities that seeks to outperform the Morgan Stanley Europe, Australia and Far East Index (the "EAFE Index"). The International Equity Fund's investment objective is to provide a high total return from a portfolio of Equity Securities of foreign corporations. The Fund attempts to achieve its investment objective by investing all of its investable assets in The Non-U.S. Equity Portfolio (the "Portfolio"), a diversified open-end management investment company having the same investment objective as the International Equity Fund.

The Portfolio seeks to achieve its investment objective by investing primarily in the Equity Securities of foreign corporations. Under normal circumstances, the Portfolio expects to invest at least 65% of its total assets in such securities. The Portfolio does not intend to invest in U.S. securities (other than money market instruments), except temporarily, when

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extraordinary circumstances prevailing at the same time in a significant number of developed foreign countries render investments in such countries inadvisable.

INVESTMENT PROCESS

Country allocation: Morgan's country allocation decision begins with a forecast of equity risk premiums, which provide a valuation signal by measuring the relative attractiveness of stocks versus bonds. Using a proprietary approach, Morgan calculates this risk premium for each of the nations in the Portfolio's universe, determines the extent of its deviation -- if any -- from its historical norm, and then rank countries according to the size of those deviations. Countries with high (low) rankings are overweighted (underweighted) in comparisons to the EAFE Index to reflect the above-average (below-average) attractiveness of their stock markets. In determining weightings, Morgan analyzes a quantity of qualitative factors as well -- including the liquidity, earnings momentum and interest rate climate of the market at hand. These qualitative assessments can change the magnitude but not the direction of the country allocations called for by the risk premium forecast. Morgan places limits on the total size of the Portfolio's country over- and under-weightings relative to the EAFE Index.

Stock selection: Morgan's 44 international equity analysts, each an industry and country specialist, forecast normalized earnings and dividend payouts for roughly 1,000 non-U.S. companies -- taking a long-term perspective rather than the short time frame common to consensus estimates. These forecasts are converted into comparable expected returns by a dividend discount model, and then companies are ranked from most to least attractive by industry and country. A diversified portfolio is constructed using disciplined buy and sell rules. The portfolio manager's objective is to concentrate the purchases in the top third of the rankings, and to keep sector weightings close to those of the EAFE Index, the Fund's benchmark. Once a stock falls into the bottom third of the rankings, it generally becomes a sales candidate. Where available, warrants and convertibles may be purchased instead of common stock if they are deemed a more attractive means of investing in an undervalued company.

Currency management: Currency is actively managed, in conjunction with country and stock allocation, with the goal of protecting and possibly enhancing the Fund's return. Morgan's currency decisions are supported by a proprietary tactical mode which forecasts currency movements based on an analysis of four fundamental factors -- trade balance trends, purchasing power parity, real short-term interest differentials and real bond yields -- plus a technical factor designed to improve the timing of transactions. Combining the output of this model with a subjective assessment of economic political and market factors, Morgan's currency group recommends currency strategies that are implemented in conjunction with the portfolio's investment strategy.

THE PIERPONT EMERGING MARKETS EQUITY FUND (the "Emerging Markets Equity Fund") is designed for investors with a long term investment horizon who want exposure to the rapidly growing emerging markets. The Emerging Markets Equity Fund's investment objective is to provide a high total return from a portfolio of Equity Securities of companies in emerging markets. The

Fund attempts to achieve its investment objective by investing all of its investable assets in The Emerging Markets Equity Portfolio (the "Portfolio"), a diversified open-end management investment company having the same investment objective as the Emerging Markets Equity Fund.

The Portfolio seeks to achieve its investment objective by investing primarily in Equity Securities of emerging markets issuers. Under normal circumstances, the Portfolio expects to invest at least 65% of its total assets in such securities. The Portfolio does not intend to invest in U.S. securities (other than money market instruments), except temporarily, when extraordinary circumstances prevailing at the same time in a significant number of emerging markets countries render investments in such countries inadvisable.

INVESTMENT PROCESS

Country allocation: Morgan's country allocation decision begins with a forecast of the expected return of each market in the Portfolio's universe. These expected returns are calculated using a proprietary valuation method that is forward looking in nature rather than based on historical data. Morgan then evaluates these expected returns from two different perspectives: first, it identifies countries that have high real expected returns relative to their own history and other nations in their universe. Second, it identifies those countries that it expects will provide high returns relative to their currency risk. Countries that rank highly on one or both of these scores are overweighted relative to the Fund's benchmark, The IFC Investable Index, while those that rank poorly are underweighted. To help contain risk, Morgan places limits on the total size of the Portfolio's country over- and under-weightings.

Stock selection: Morgan's 12 emerging market equity analysts -- each an

industry specialist -- monitor a universe of approximately 900 companies in these countries, developing forecasts of earnings and cash flows for the most attractive among them. Companies are ranked from most to least attractive based on this research, and then a diversified portfolio is constructed using disciplined buy and sell rules. The portfolio manager's objective is to concentrate the Portfolio's holdings in the stocks deemed most undervalued, and to keep sector weightings relatively close to those of the index. Stocks are generally held until they fall into the bottom half of Morgan's rankings.

MONEY MARKET INSTRUMENTS

As discussed in the Prospectus, each Fund may invest in money market instruments to the extent consistent with its investment objective and policies. A description of the various types of money market instruments that may be purchased by the Funds appears below. See "Quality and Diversification Requirements".

U.S. TREASURY SECURITIES. Each of the Funds may invest in direct obligations of the U.S. Treasury, including Treasury bills, notes and bonds, all of which are backed as to principal and interest payments by the full faith and credit of the United States.

ADDITIONAL U.S. GOVERNMENT OBLIGATIONS. Each of the Funds, except the Treasury Money Market Fund, may invest in obligations issued or guaranteed by U.S. Government agencies or instrumentalities. These obligations may or may not be backed by the "full faith and credit" of the United States. In the case of securities not backed by the full faith and credit of the United States, each Fund must look principally to the federal agency issuing or guaranteeing the obligation for ultimate repayment, and may not be able to assert a claim against the United States itself in the event the agency or instrumentality does not meet its commitments. Securities in which each Fund, except the Treasury Money Market Fund, may invest that are not backed by the full faith and credit of the United States include, but are not limited to, obligations of the Tennessee Valley Authority, the Federal Home Loan Mortgage Corporation and the U.S. Postal Service, each of which has the right to borrow from the U.S. Treasury to meet its obligations, and obligations of the Federal Farm Credit System and the Federal Home Loan Banks, both of whose obligations may be satisfied only by the individual credits of each issuing agency. Securities which are backed by the full faith and credit of the United States include obligations of the Government National Mortgage Association, the Farmers Home Administration, and the Export-Import Bank.

FOREIGN GOVERNMENT OBLIGATIONS. Each of the Funds, except the Tax Exempt Money Market Fund, the Treasury Money Market Fund, the Tax Exempt Bond Fund and the New York Total Return Bond Fund, subject to its applicable investment policies, may also invest in short-term obligations of foreign sovereign governments or of their agencies, instrumentalities, authorities or political subdivisions. These securities may be denominated in the U.S. dollar or, in the case of the Short Term Bond, Bond, Equity, Capital Appreciation, International Equity, Emerging Markets Equity or Diversified Funds, in another currency. See "Foreign Investments".

BANK OBLIGATIONS. Each of the Funds, except the Treasury Money Market Fund, unless otherwise noted in the Prospectus or below, may invest in negotiable

certificates of deposit, time deposits and bankers' acceptances of (i) banks, savings and loan associations and savings banks which have more than \$2 billion in total assets (the "Asset Limitation") and are organized under the laws of the United States or any state, (ii) foreign branches of these banks or of foreign banks of equivalent size (Euros) and (iii) U.S. branches of foreign banks of equivalent size (Yankees). The Tax Exempt Money Market, Tax Exempt Bond and New York Total Return Bond Funds may not invest in obligations of foreign branches of foreign banks and the Asset Limitation is not applicable to the International Equity or Emerging Markets Equity Funds. See "Foreign Investments". The Funds will not invest in obligations for which the Advisor, or any of its affiliated persons, is the ultimate obligor or accepting bank. Each of the Funds, other than the Tax Exempt Money Market, Treasury Money Market, Tax Exempt Bond and New

York Total Return Bond Funds, may also invest in obligations of international banking institutions designated or supported by national governments to promote economic reconstruction, development or trade between nations (e.g., the European Investment Bank, the Inter-American Development Bank, or the World Bank).

COMMERCIAL PAPER. Each of the Funds (except the Treasury Money Market Fund) may invest in commercial paper, including master demand obligations. Master demand obligations are obligations that provide for a periodic adjustment in the interest rate paid and permit daily changes in the amount borrowed. Master demand obligations are governed by agreements between the issuer and Morgan Guaranty Trust Company of New York acting as agent, for no additional fee, in its capacity as investment advisor to the Portfolios and as fiduciary for other clients for whom it exercises investment discretion. The monies loaned to the borrower come from accounts managed by the Advisor or its affiliates, pursuant to arrangements with such accounts. Interest and principal payments are credited to such accounts. The Advisor, acting as a fiduciary on behalf of its clients, has the right to increase or decrease the amount provided to the borrower under an obligation. The borrower has the right to pay without penalty all or any part of the principal amount then outstanding on an obligation together with interest to the date of payment. Since these obligations typically provide that the interest rate is tied to the Federal Reserve commercial paper composite rate, the rate on master demand obligations is subject to change. Repayment of a master demand obligation to participating accounts depends on the ability of the borrower to pay the accrued interest and principal of the obligation on demand which is continuously monitored by the Portfolios' Advisor. Since master demand obligations typically are not rated by credit rating agencies, the Funds may invest in such unrated obligations only if at the time of an investment the obligation is determined by the Advisor to have a credit quality which satisfies the Fund's quality restrictions. See "Quality and Diversification Requirements". Although there is no secondary market for master demand obligations, such obligations are considered by the Funds to be liquid because they are payable upon demand. The Funds do not have any specific percentage limitation on investments in master demand obligations.

REPURCHASE AGREEMENTS. Each of the Funds may enter into repurchase agreements with brokers, dealers or banks that meet the credit guidelines approved by the Funds' Trustees. In a repurchase agreement, a Fund buys a security from a seller that has agreed to repurchase the same security at a

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mutually agreed upon date and price. The resale price normally is in excess of the purchase price, reflecting an agreed upon interest rate. This interest rate is effective for the period of time the Fund is invested in the agreement and is not related to the coupon rate on the underlying security. A repurchase agreement may also be viewed as a fully collateralized loan of money by a Fund to the seller. The period of these repurchase agreements will usually be short, from overnight to one week, and at no time will the Funds invest in repurchase agreements for more than thirteen months. The securities which are subject to repurchase agreements, however, may have maturity dates in excess of thirteen months from the effective date of the repurchase agreement. The Treasury Money Market Fund will only enter into repurchase agreements involving U.S. Treasury securities. The Funds will always receive securities as collateral whose market value is, and during the entire term of the agreement remains, at least equal to 100% of the dollar amount invested by the Funds in each agreement plus accrued interest, and the Funds will make payment for such securities only upon physical delivery or upon evidence of book entry transfer to the account of the Custodian. The Money Market, Tax Exempt Money Market, and Treasury Money Markets Funds will be fully collateralized within the meaning of paragraph (a)(3) of Rule 2a-7 under the Investment Company Act of 1940, as amended (the "1940 Act"). If the seller defaults, a Fund might incur a loss if the value of the collateral securing the repurchase agreement declines and might incur disposition costs in connection with liquidating the collateral. In addition, if bankruptcy proceedings are commenced with respect to the seller of the security, realization upon disposal of the collateral by a Fund may be delayed or limited.

Each of the Funds (other than the Treasury Money Market Fund) may make investments in other debt securities with remaining effective maturities of not more than thirteen months, including without limitation corporate and foreign bonds, asset-backed securities and other obligations described in the Prospectus or this Statement of Additional Information. The Tax Exempt Money Market and Tax Exempt Bond Funds may not invest in foreign bonds or asset-backed securities.

CORPORATE BONDS AND OTHER DEBT SECURITIES

As discussed in the Prospectus, the Bond, Short Term Bond, New York Total Return Bond and Diversified Funds may invest in bonds and other debt securities of domestic and (except for the New York Total Return Bond Fund)

foreign issuers to the extent consistent with their investment objectives and policies. A description of these investments appears in the Prospectus and below. See "Quality and Diversification Requirements". For information on short-term investments in these securities, see "Money Market Instruments".

ASSET-BACKED SECURITIES. Asset-backed securities directly or indirectly represent a participation interest in, or are secured by and payable from, a stream of payments generated by particular assets such as motor vehicle or credit card receivables. Payments of principal and interest may be guaranteed up to certain amounts and for a certain time period by a letter of credit issued by a financial institution unaffiliated with the entities issuing the securities. The asset-backed securities in which a Fund may invest are subject to the Fund's overall credit requirements. However, asset-backed securities, in general, are subject to certain risks. Most of these risks are related to limited interests

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in applicable collateral. For example, credit card debt receivables are generally unsecured and the debtors are entitled to the protection of a number of state and federal consumer credit laws, many of which give such debtors the right to set off certain amounts on credit card debt thereby reducing the balance due. Additionally, if the letter of credit is exhausted, holders of asset-backed securities may also experience delays in payments or losses if the full amounts due on underlying sales contracts are not realized. Because asset-backed securities are relatively new, the market experience in these securities is limited and the market's ability to sustain liquidity through all phases of the market cycle has not been tested.

TAX EXEMPT OBLIGATIONS

As discussed in the Prospectus, the Tax Exempt Money Market, Tax Exempt Bond and New York Total Return Bond Funds and, in certain circumstances, the Bond and Short Term Bond Funds, may invest in tax exempt obligations to the extent consistent with each Fund's investment objective and policies. A description of the various types of tax exempt obligations which may be purchased by the Funds appears in the Prospectus and below. See "Quality and Diversification Requirements".

MUNICIPAL BONDS. Municipal bonds are debt obligations issued by the states, territories and possessions of the United States and the District of Columbia, by their political subdivisions and by duly constituted authorities and corporations. For example, states, territories, possessions and municipalities may issue municipal bonds to raise funds for various public purposes such as airports, housing, hospitals, mass transportation, schools, water and sewer works. They may also issue municipal bonds to refund outstanding obligations and to meet general operating expenses. Public authorities issue municipal bonds to obtain funding for privately operated facilities, such as housing and pollution control facilities, for industrial facilities or for water supply, gas, electricity or waste disposal facilities.

Municipal bonds may be general obligation or revenue bonds. General obligation bonds are secured by the issuer's pledge of its full faith, credit and taxing power for the payment of principal and interest. Revenue bonds are payable from revenues derived from particular facilities, from the proceeds of a special excise tax or from other specific revenue sources. They are not generally payable from the general taxing power of a municipality.

MUNICIPAL NOTES. Municipal notes are subdivided into three categories of short-term obligations: municipal notes, municipal commercial paper and municipal demand obligations.

Municipal notes are short-term obligations with a maturity at the time of issuance ranging from six months to five years. The principal types of municipal notes include tax anticipation notes, bond anticipation notes, revenue anticipation notes, grant anticipation notes and project notes. Notes sold in anticipation of collection of taxes, a bond sale, or receipt of other revenues are usually general obligations of the issuing municipality or agency.

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Municipal commercial paper typically consists of very short-term unsecured negotiable promissory notes that are sold to meet seasonal working capital or interim construction financing needs of a municipality or agency.

While these obligations are intended to be paid from general revenues or refinanced with long-term debt, they frequently are backed by letters of credit, lending agreements, note repurchase agreements or other credit facility agreements offered by banks or institutions.

Municipal demand obligations are subdivided into two types: variable rate demand notes and master demand obligations.

Variable rate demand notes are tax exempt municipal obligations or participation interests that provide for a periodic adjustment in the interest rate paid on the notes. They permit the holder to demand payment of the notes, or to demand purchase of the notes at a purchase price equal to the unpaid principal balance, plus accrued interest either directly by the issuer or by drawing on a bank letter of credit or guaranty issued with respect to such note. The issuer of the municipal obligation may have a corresponding right to prepay at its discretion the outstanding principal of the note plus accrued interest upon notice comparable to that required for the holder to demand payment. The variable rate demand notes in which each Fund may invest are payable, or are subject to purchase, on demand usually on notice of seven calendar days or less. The terms of the notes provide that interest rates are adjustable at intervals ranging from daily to six months, and the adjustments are based upon the prime rate of a bank or other appropriate interest rate index specified in the respective notes. Variable rate demand notes are valued at amortized cost; no value is assigned to the right of each Fund to receive the par value of the obligation upon demand or notice.

Master demand obligations are tax exempt municipal obligations that provide for a periodic adjustment in the interest rate paid and permit daily changes in the amount borrowed. The interest on such obligations is, in the opinion of counsel for the borrower, exempt from federal income tax. For a description of the attributes of master demand obligations, see "Money Market Instruments" above. Although there is no secondary market for master demand obligations, such obligations are considered by each Fund to be liquid because they are payable upon demand. The Funds have no specific percentage limitations on investments in master demand obligations.

The Tax Exempt Money Market Fund may purchase securities of the type described above if they have effective maturities within thirteen months. As required by regulation of the Securities and Exchange Commission (the "SEC"), this means that on the date of acquisition the final stated maturity (or if called for redemption, the redemption date) must be within thirteen months or the maturity must be deemed to be no more than thirteen months because of a maturity shortening mechanism, such as a variable interest rate, coupled with a conditional or unconditional right to resell the investment to the issuer or a third party. See "Variable Rate Demand Notes" and "Puts". A substantial portion of the Tax Exempt Money Market Fund's portfolio is subject to maturity shortening mechanisms consisting of variable interest rates coupled with unconditional

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rights to resell the securities to the issuers either directly or by drawing on a domestic or foreign bank letter of credit or other credit support arrangement. See "Foreign Investments".

PUTS. The Tax Exempt Money Market, Tax Exempt Bond and New York Total Return Bond Funds may purchase without limit municipal bonds or notes together with the right to resell the bonds or notes to the seller at an agreed price or yield within a specified period prior to the maturity date of the bonds or notes. Such a right to resell is commonly known as a "put". The aggregate price for bonds or notes with puts may be higher than the price for bonds or notes without puts. Consistent with each Fund's investment objective and subject to the supervision of the Trustees, the purpose of this practice is to permit each Fund to be fully invested in tax exempt securities while preserving the necessary liquidity to purchase securities on a when-issued basis, to meet unusually large redemptions, and to purchase at a later date securities other than those subject to the put. The principal risk of puts is that the writer of the put may default on its obligation to repurchase. The Advisor will monitor each writer's ability to meet its obligations under puts.

Puts may be exercised prior to the expiration date in order to fund obligations to purchase other securities or to meet redemption requests. These obligations may arise during periods in which proceeds from sales of Fund shares and from recent sales of portfolio securities are insufficient to meet obligations or when the funds available are otherwise allocated for investment. In addition, puts may be exercised prior to the expiration date in order to take advantage of alternative investment opportunities or in the event the Advisor revises its evaluation of the credit worthiness of the issuer of the underlying security. In determining whether to exercise puts prior to their expiration date

and in selecting which puts to exercise, the Advisor considers the amount of cash available to each Fund, the expiration dates of the available puts, any future commitments for securities purchases, alternative investment opportunities, the desirability of retaining the underlying securities in each Fund's portfolio and the yield, quality and maturity dates of the underlying securities.

The Tax Exempt Money Market Fund values any municipal bonds and notes which are subject to puts at amortized cost. No value is assigned to the put. The cost of any such put is carried as an unrealized loss from the time of purchase until it is exercised or expires. The Tax Exempt Bond and New York Total Return Bond Funds value any municipal bonds and notes subject to puts with remaining maturities of less than 60 days by the amortized cost method. If the Tax Exempt Bond and New York Total Return Bond Funds were to invest in municipal bonds and notes with maturities of 60 days or more that are subject to puts separate from the underlying securities, the puts and the underlying securities would be valued at fair value as determined in accordance with procedures established by the Board of Trustees. The Board of Trustees would, in connection with the determination of the value of a put, consider, among other factors, the credit worthiness of the writer of the put, the duration of the put, the dates on which or the periods during which the put may be exercised and the applicable rules and regulations of the SEC. Prior to investing in such securities, the Tax Exempt Bond and New York Total Return Bond Funds, if deemed

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necessary based upon the advice of counsel, will apply to the SEC for an exemptive order, which may not be granted, relating to the valuation of such securities.

Since the value of the put is partly dependent on the ability of the put writer to meet its obligation to repurchase, each Fund's policy is to enter into put transactions only with municipal securities dealers who are approved by the Funds' Advisor. Each dealer will be approved on its own merits, and it is each Fund's general policy to enter into put transactions only with those dealers which are determined to present minimal credit risks. In connection with such determination, the Trustees will review regularly the Advisor's list of approved dealers, taking into consideration, among other things, the ratings, if available, of their equity and debt securities, their reputation in the municipal securities markets, their net worth, their efficiency in consummating transactions and any collateral arrangements, such as letters of credit, securing the puts written by them. Commercial bank dealers normally will be members of the Federal Reserve System, and other dealers will be members of the National Association of Securities Dealers, Inc. or members of a national securities exchange. In the case of the Tax Exempt Bond and New York Total Return Bond Funds, other put writers will have outstanding debt rated Aa or better by Moody's Investors Service, Inc. ("Moody's") or AA or better by Standard & Poor's Corporation ("Standard & Poor's"), or will be of comparable quality in the Advisor's opinion or such put writers' obligations will be collateralized and of comparable quality in the Advisor's opinion. The Trustees have directed the Advisor not to enter into put transactions with any dealer which in the judgment of the Advisor becomes more than a minimal credit risk. In the event that a dealer should default on its obligation to repurchase an underlying security, the Funds are unable to predict whether all or any portion of any loss sustained could subsequently be recovered from such dealer.

The Trust has been advised by counsel that the Funds will be considered the owner of the securities subject to the puts so that the interest on the securities is tax exempt income to the Funds. Such advice of counsel is based on certain assumptions concerning the terms of the puts and the attendant circumstances.

EQUITY INVESTMENTS

As discussed in the Prospectus, the Portfolios for the Equity, Capital Appreciation, International Equity and Emerging Markets Equity Funds and the equity portion of the Diversified Fund (collectively, the "Equity Portfolios") invest primarily in Equity Securities. The Equity Securities in which the Equity Portfolios invest include those listed on any domestic or foreign securities exchange or traded in the over-the-counter market as well as certain restricted or unlisted securities. A discussion of the various types of equity investments which may be purchased by these Portfolios appears in the Prospectus and below. See "Quality and Diversification Requirements".

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EQUITY SECURITIES. The Equity Securities in which the Equity Portfolios may invest may or may not pay dividends and may or may not carry voting rights. Common stock occupies the most junior position in a company's capital structure.

The convertible securities in which the Equity Portfolios may invest include any debt securities or preferred stock which may be converted into common stock or which carry the right to purchase common stock. Convertible securities entitle the holder to exchange the securities for a specified number of shares of common stock, usually of the same company, at specified prices within a certain period of time.

The terms of any convertible security determine its ranking in a company's capital structure. In the case of subordinated convertible debentures, the holders' claims on assets and earnings are subordinated to the claims of other creditors, and are senior to the claims of preferred and common shareholders. In the case of convertible preferred stock, the holders' claims on assets and earnings are subordinated to the claims of all creditors and are senior to the claims of common shareholders.

WARRANTS

The Equity Portfolios may invest in warrants, which entitle the holder to buy common stock from the issuer at a specific price (the strike price) for a specific period of time. The strike price of warrants sometimes is much lower than the current market price of the underlying securities, yet warrants are subject to similar price fluctuations. As a result, warrants may be more volatile investments than the underlying securities.

Warrants do not entitle the holder to dividends or voting rights with respect to the underlying securities and do not represent any rights in the assets of the issuing company. Also, the value of the warrant does not necessarily change with the value of the underlying securities and a warrant ceases to have value if it is not exercised prior to the expiration date.

FOREIGN INVESTMENTS

The International Equity and Emerging Markets Equity Funds make substantial investments in foreign countries. The Money Market, Bond, Short Term Bond, Equity, Capital Appreciation and Diversified Funds may invest in certain foreign securities. The Bond, Short Term Bond, Equity, Capital Appreciation and Diversified Funds do not expect to invest more than 25%, 25%, 30%, 30% and 30%, respectively, of their total assets at the time of purchase in securities of foreign issuers. All investments of the Money Market Fund must be U.S. dollar-denominated. The Equity, Capital Appreciation Funds do not expect more than 10% of their respective foreign investments to be in securities which are not listed on a national securities exchange or which are not denominated or principally traded in the U.S. dollar. In the case of the Money Market, Bond and

Short Term Bond Funds, any foreign commercial paper must not be subject to foreign withholding tax at the time of purchase. Foreign investments may be made directly in securities of foreign issuers or in the form of American Depositary Receipts ("ADRs") and European Depositary Receipts ("EDRs"). Generally, ADRs and EDRs are receipts issued by a bank or trust company that evidence ownership of underlying securities issued by a foreign corporation and that are designed for use in the domestic, in the case of ADRs, or European, in the case of EDRs, securities markets.

Since investments in foreign securities may involve foreign currencies, the value of a Fund's assets as measured in U.S. dollars may be affected favorably or unfavorably by changes in currency rates and in exchange control regulations, including currency blockage. The Short Term Bond, Bond, Equity, Capital Appreciation, International Equity, Emerging Markets Equity and Diversified Funds may enter into forward commitments for the purchase or sale of foreign currencies in connection with the settlement of foreign securities transactions or to manage the Funds' currency exposure related to foreign investments. The Funds will not enter into such commitments for speculative purposes.

For a description of the risks associated with investing in foreign securities, see "Additional Investment Information and Risk Factors" in the

Prospectus. To the extent that the Tax Exempt Money Market, Tax Exempt Bond and New York Total Return Bond Funds invest in municipal bonds and notes backed by credit support arrangements with foreign financial institutions, the risks associated with investing in foreign securities may be relevant to these Funds.

INVESTING IN JAPAN. Investing in Japanese securities may involve the risks associated with investing in foreign securities generally. In addition, because it invests in Japan, The International Equity Portfolio will be subject to the general economic and political conditions in Japan.

Share prices of companies listed on Japanese stock exchanges and on the Japanese OTC market reached historical peaks (which were later referred to as the "bubble") as well as historically high trading volumes in 1989 and 1990. Since then, stock prices in both markets decreased significantly, with listed stock prices reaching their lowest levels in the third quarter of 1992 and OTC stock prices reaching their lowest levels in the fourth quarter of 1992. During the period from January 1, 1989 through December 31, 1994, the highest Nikkei stock average and Nikkei OTC average were 38,915.87 and 4,149.20, respectively, and the lowest for each were 14,309.41 and 1,099.32, respectively. There can be no assurance that additional market corrections will not occur.

The common stocks of many Japanese companies continue to trade at high price earnings ratios in comparison with those in the United States, even after the recent market decline. Differences in accounting methods make it difficult to compare the earnings of Japanese companies with those of companies in other countries, especially the United States.

Since The International Equity Portfolio invests in securities denominated in yen, changes in exchange rates between the U.S. dollar and the yen affect the

U.S. dollar value of The International Equity Portfolio's assets. Such rate of exchange is determined by forces of supply and demand on the foreign exchange markets. These forces are in turn affected by the international balance of payments and other economic, political and financial conditions, government intervention, speculation and other factors. See Foreign Currency Exchange Transactions.

Japanese securities held by The International Equity Portfolio are not registered with the SEC nor are the issuers thereof subject to its reporting requirements. There may be less publicly available information about issuers of Japanese securities than about U.S. companies and such issuers may not be subject to accounting, auditing and financial reporting standards and requirements comparable to those to which U.S. companies are subject.

Although the Japanese economy has grown substantially over the past four decades, recently the rate of growth had slowed substantially. During 1991, 1992 and 1993, the Japanese economy grew at rates of 4.3%, 1.1% and 0.1%, respectively, as measured by real gross domestic product.

Japan's success in exporting its products has generated a sizeable trade surplus. Such trade surplus has caused tensions at times between Japan and some of its trading partners. In particular, Japan's trade relations with the United States have recently been the subject of discussion and negotiation between the two nations. The United States has imposed certain measures designed to address trade issues in specific industries. These measures and similar measures in the future may adversely affect the performance of The International Equity Portfolio.

Japan's economy has typically exhibited low inflation and low interest rates. There can be no assurance that low inflation and low interest rates will continue, and it is likely that a reversal of such factors would adversely affect the Japanese economy. Moreover, the Japanese economy may differ, favorably or unfavorably, from the U.S. economy in such respects as growth of gross national product, rate of inflation, capital reinvestment, resources, self-sufficiency and balance of payments position.

Japan has a parliamentary form of government. In 1993 a coalition government was formed which, for the first time since 1955, did not include the Liberal Democratic Party. Since mid-1993, there have been several changes in leadership in Japan. What, if any, effect the current political situation will have on prospective regulatory reforms of the economy in Japan cannot be predicted. Recent and future developments in Japan and neighboring Asian countries may lead to changes in policy that might adversely affect The International Equity Portfolio.

ADDITIONAL INVESTMENTS

WHEN-ISSUED AND DELAYED DELIVERY SECURITIES. Each of the Portfolios may purchase securities on a when-issued or delayed delivery basis. For example, delivery of and payment for these securities can take place a month or more after the date of the purchase commitment. The purchase price and the interest rate

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payable, if any, on the securities are fixed on the purchase commitment date or at the time the settlement date is fixed. The value of such securities is subject to market fluctuation and no interest accrues to a Portfolio until settlement takes place. At the time a Portfolio makes the commitment to purchase securities on a when-issued or delayed delivery basis, it will record the transaction, reflect the value each day of such securities in determining its net asset value and, if applicable, calculate the maturity for the purposes of average maturity from that date. At the time of settlement a when-issued security may be valued at less than the purchase price. To facilitate such acquisitions, each Portfolio will maintain with the Custodian a segregated account with liquid assets, consisting of cash, U.S. Government securities or other appropriate securities, in an amount at least equal to such commitments. On delivery dates for such transactions, each Portfolio will meet its obligations from maturities or sales of the securities held in the segregated account and/or from cash flow. If a Portfolio chooses to dispose of the right to acquire a when-issued security prior to its acquisition, it could, as with the disposition of any other portfolio obligation, incur a gain or loss due to market fluctuation. It is the current policy of each Portfolio not to enter into when-issued commitments exceeding in the aggregate 15% of the market value of the Portfolio's total assets, less liabilities other than the obligations created by when-issued commitments.

INVESTMENT COMPANY SECURITIES. Securities of other investment companies may be acquired by each of the Funds and their corresponding Portfolios to the extent permitted under the 1940 Act. These limits require that, as determined immediately after a purchase is made, (i) not more than 5% of the value of a Fund's total assets will be invested in the securities of any one investment company, (ii) not more than 10% of the value of its total assets will be invested in the aggregate in securities of investment companies as a group, and (iii) not more than 3% of the outstanding voting stock of any one investment company will be owned by a Fund, provided however, that a Fund may invest all of its investable assets in an open-end investment company that has the same investment objective as the Fund (its corresponding Portfolio). As a shareholder of another investment company, a Fund would bear, along with other shareholders, its PRO RATA portion of the other investment company's expenses, including advisory fees. These expenses would be in addition to the advisory and other expenses that a Fund bears directly in connection with its own operations.

REVERSE REPURCHASE AGREEMENTS. Each of the Portfolios may enter into reverse repurchase agreements. In a reverse repurchase agreement, a Portfolio sells a security and agrees to repurchase the same security at a mutually agreed upon date and price. The Portfolio for the Treasury Money Market Fund will only enter into reverse repurchase agreements involving Treasury securities. For purposes of the 1940 Act it is also considered as the borrowing of money by the Portfolio and, therefore, a form of leverage. The Portfolios will invest the proceeds of borrowings under reverse repurchase agreements. In addition, a Portfolio will enter into a reverse repurchase agreement only when the interest income to be earned from the investment of the proceeds is greater than the interest expense of the transaction. A Portfolio will not invest the proceeds of a reverse repurchase agreement for a period which exceeds the duration of the reverse repurchase agreement. A Portfolio may not

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enter into reverse repurchase agreements exceeding in the aggregate one-third of the market value of its total assets, less liabilities other than the obligations created by reverse repurchase agreements. Each Portfolio will establish and maintain with the Custodian a separate account with a segregated portfolio of securities in an amount at least equal to its purchase obligations under its reverse repurchase agreements. If interest rates rise during the term of a reverse repurchase agreement, entering into the reverse repurchase agreement may have a negative impact on the Money Market, Tax Exempt Money Market and Treasury Money Market Funds' ability to maintain a net asset value of \$1.00 per share.

MORTGAGE DOLLAR ROLL TRANSACTIONS. The Portfolios for the Short Term Bond Fund and the Bond Fund may engage in mortgage dollar roll transactions with respect to mortgage securities issued by the Government National Mortgage Association, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. In a mortgage dollar roll transaction, the Portfolio sells a mortgage backed security and simultaneously agrees to repurchase a similar security on a specified future date at an agreed upon price. During the roll period, the Portfolio will not be entitled to receive any interest or principal paid on the securities sold. The Portfolio is compensated for the lost interest on the securities sold by the difference between the sales price and the lower price for the future repurchase as well as by the interest earned on the reinvestment of the sales proceeds. The Portfolio may also be compensated by receipt of a commitment fee. When the Portfolio enters into a mortgage dollar roll transaction, liquid assets in an amount sufficient to pay for the future repurchase are segregated with the Custodian. Mortgage dollar roll transactions are considered reverse repurchase agreements for purposes of the Portfolio's investment restrictions.

LOANS OF PORTFOLIO SECURITIES. Each of the Portfolios may lend its securities if such loans are secured continuously by cash or equivalent collateral or by a letter of credit in favor of the Portfolio at least equal at all times to 100% of the market value of the securities loaned, plus accrued interest. While such securities are on loan, the borrower will pay the Portfolio any income accruing thereon. Loans will be subject to termination by the Portfolios in the normal settlement time, generally five business days after notice, or by the borrower on one day's notice. Borrowed securities must be returned when the loan is terminated. Any gain or loss in the market price of the borrowed securities which occurs during the term of the loan inures to a Portfolio and its respective investors. The Portfolios may pay reasonable finders' and custodial fees in connection with a loan. In addition, a Portfolio will consider all facts and circumstances including the credit worthiness of the borrowing financial institution, and no Portfolio will make any loans in excess of one year. The Portfolios will not lend their securities to any officer, Trustee, Director, employee or other affiliate of the Portfolios, the Advisor or the Distributor, unless otherwise permitted by applicable law.

PRIVATELY PLACED AND CERTAIN UNREGISTERED SECURITIES. The Portfolios for each of the Funds (except the Treasury Money Market Fund) may invest in privately

placed, restricted, Rule 144A or other unregistered securities as described in the Prospectus.

As to illiquid investments, a Portfolio is subject to a risk that should the Portfolio decide to sell them when a ready buyer is not available at a price the Portfolio deems representative of their value, the value of the Portfolio's net assets could be adversely affected. Where an illiquid security must be registered under the Securities Act of 1933, as amended (the "1933 Act") before it may be sold, a Portfolio may be obligated to pay all or part of the registration expenses, and a considerable period may elapse between the time of the decision to sell and the time the Portfolio may be permitted to sell a security under an effective registration statement. If, during such a period, adverse market conditions were to develop, a Portfolio might obtain a less favorable price than prevailed when it decided to sell.

SYNTHETIC VARIABLE RATE INSTRUMENTS. The Portfolios for the Tax Exempt Bond, New York Total Return Bond and Tax Exempt Money Market Funds may invest in certain synthetic variable rate instruments as described in the Prospectus. In the case of some types of instruments credit enhancement is not provided, and if certain events, which may include (a) default in the payment of principal or interest on the underlying bond, (b) downgrading of the bond below investment grade or (c) a loss of the bond's tax exempt status, occur, then (i) the put will terminate, (ii) the risk to a Fund will be that of holding a long-term bond, and (iii) in the case of the Tax Exempt Money Market Fund, the disposition of the bond may be required which could be at a loss.

QUALITY AND DIVERSIFICATION REQUIREMENTS

Each of the Funds, except the New York Total Return Bond Fund, intends to meet the diversification requirements of the 1940 Act. To meet these requirements, 75% of the assets of these Funds is subject to the following

fundamental limitations: (1) the Fund may not invest more than 5% of its total assets in the securities of any one issuer, except obligations of the U.S. Government, its agencies and instrumentalities, and (2) the Fund may not own more than 10% of the outstanding voting securities of any one issuer. As for the other 25% of the Fund's assets not subject to the limitation described above, there is no limitation on investment of these assets under the 1940 Act, so that all of such assets may be invested in securities of any one issuer, subject to the limitation of any applicable state securities laws, or with respect to the Money Market and Treasury Money Market Funds, as described below. Investments not subject to the limitations described above could involve an increased risk to a Fund should an issuer, or a state or its related entities, be unable to make interest or principal payments or should the market value of such securities decline.

Although the New York Total Return Bond Fund is not limited by the diversification requirements of the 1940 Act

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, the Fund will comply with the diversification requirements imposed by the Internal Revenue Code of 1986, as amended (the "Code"), for qualification as a regulated investment company. To meet these requirements, the Fund must diversify its holdings so that, with respect to 50% of the Fund's assets, no more than 5% of its assets are invested in the securities of any one issuer other than the U.S. Government at the close of each quarter of the Fund's taxable year. The Fund may with respect to the remaining 50% of its assets, invest up to 25% of its assets in the securities of any one issuer (except this limitation does not apply to U.S. Government Securities).

With respect to the Tax Exempt Money Market and Tax Exempt Bond Funds, for purposes of diversification and concentration under the 1940 Act, identification of the issuer of municipal bonds or notes depends on the terms and conditions of the obligation. With respect to the New York Total Return Bond Fund, for purposes of diversification under the Code and concentration under the 1940 Act, identification of the issuer of municipal bonds or notes also depends on the terms and conditions of the obligation. If the assets and revenues of an agency, authority, instrumentality or other political subdivision are separate from those of the government creating the subdivision and the obligation is backed only by the assets and revenues of the subdivision, such subdivision is regarded as the sole issuer. Similarly, in the case of an industrial development revenue bond or pollution control revenue bond, if the bond is backed only by the assets and revenues of the nongovernmental user, the nongovernmental user is regarded as the sole issuer. If in either case the creating government or another entity guarantees an obligation, the guaranty is regarded as a separate security and treated as an issue of such guarantor. Since securities issued or guaranteed by states or municipalities are not voting securities, there is no limitation on the percentage of a single issuer's securities which a Fund may own so long as it does not invest more than 5% of its total assets that are subject to the diversification limitation in the securities of such issuer, except obligations issued or guaranteed by the U.S. Government. Consequently, the Funds may invest in a greater percentage of the outstanding securities of a single issuer than would an investment company which invests in voting securities. See "Investment Restrictions".

MONEY MARKET FUND. In order to attain the Money Market Fund's objective of maintaining a stable net asset value, the Portfolio for the Money Market Fund will (i) limit its investment in the securities (other than U.S. Government securities) of any one issuer to no more than 5% of its assets, measured at the time of purchase, except for investments held for not more than three business days (subject, however, to the investment restriction No. 4 set forth under "Investment Restrictions" below); and (ii) limit investments to securities that present minimal credit risks and securities (other than U.S. Government securities) that are rated within the highest short-term rating category by at least two nationally recognized statistical rating organizations ("NRSROs") or by the only NRSRO that has rated the security. Securities which originally had a maturity of over one year are subject to more complicated, but generally similar rating requirements. A description of illustrative credit ratings is set forth in Appendix A attached to this Statement of Additional Information. The Portfolio may also purchase unrated securities that are of comparable quality to

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the rated securities described above. Additionally, if the issuer of a particular security has issued other securities of comparable priority and

security and which have been rated in accordance with (ii) above, that security will be deemed to have the same rating as such other rated securities.

In addition, the Board of Trustees has adopted procedures which (i) require the Board of Trustees to approve or ratify purchases by the Portfolio of securities (other than U.S. Government securities) that are rated by only one NRSRO or that are unrated; (ii) require the Portfolio to maintain a dollar-weighted average portfolio maturity of not more than 90 days and to invest only in securities with a remaining maturity of not more than thirteen months; and (iii) require the Portfolio, in the event of certain downgradings of or defaults on portfolio holdings, to dispose of the holding, subject in certain circumstances to a finding by the Trustees that disposing of the holding would not be in the Portfolio's best interest.

TAX EXEMPT MONEY MARKET FUND. In order to attain the Tax Exempt Money Market Fund's objective of maintaining a stable net asset value, the Portfolio for the Tax Exempt Money Market Fund will limit its investments to securities that present minimal credit risks and securities (other than New York State municipal notes) that are rated within the highest rating assigned to short-term debt securities (or, in the case of New York State municipal notes, within one of the two highest ratings assigned to short-term debt securities) by at least two NRSROs or by the only NRSRO that has rated the security. Securities which originally had a maturity of over one year are subject to more complicated, but generally similar rating requirements. The Portfolio may also purchase unrated securities that are of comparable quality to the rated securities described above. Additionally, if the issuer of a particular security has issued other securities of comparable priority and security and which have been rated in accordance with the criteria described above that security will be deemed to have the same rating as such other rated securities.

In addition, the Board of Trustees has adopted procedures which (i) require the Portfolio to maintain a dollar-weighted average portfolio maturity of not more than 90 days and to invest only in securities with a remaining maturity of not more than thirteen months and (ii) require the Portfolio, in the event of certain downgrading of or defaults on portfolio holdings, to dispose of the holding, subject in certain circumstances to a finding by the Trustees that disposing of the holding would not be in the Portfolio's best interest.

The credit quality of variable rate demand notes and other municipal obligations is frequently enhanced by various credit support arrangements with domestic or foreign financial institutions, such as letters of credit, guarantees and insurance, and these arrangements are considered when investment quality is evaluated. The rating of credit-enhanced municipal obligations by a NRSRO may be based primarily or exclusively on the credit support arrangement.

TREASURY MONEY MARKET FUND. In order to attain its objective of maintaining a stable net asset value, the Treasury Money Market Fund will limit its investments to direct obligations of the U.S. Treasury including Treasury bills, notes and bonds with remaining maturities of thirteen

months or less at the time of purchase and will maintain a dollar-weighted average portfolio maturity of not more than 90 days.

SHORT TERM BOND, BOND, AND DIVERSIFIED FUNDS. The Short Term Bond and Bond Funds, and the fixed income portion of the Diversified Fund, invest principally in a diversified portfolio of "high grade" and "investment grade" securities. Investment grade debt is rated, on the date of investment, within the four highest ratings of Moody's, currently Aaa, Aa, A and Baa, or of Standard & Poor's, currently AAA, AA, A and BBB, while high grade debt is rated, on the date of the investment, within the two highest of such ratings. The Bond Fund may also invest up to 5% of its total assets in securities which are "below investment grade". Such securities must be rated, on the date of investment, Ba by Moody's or BB by Standard & Poor's. The Funds may invest in debt securities which are not rated or other debt securities to which these ratings are not applicable, if in the opinion of the Advisor, such securities are of comparable quality to the rated securities discussed above. In addition, at the time the Funds invest in any commercial paper, bank obligation or repurchase agreement, the issuer must have outstanding debt rated A or higher by Moody's or Standard & Poor's, the issuer's parent corporation, if any, must have outstanding commercial paper rated Prime-1 by Moody's or A-1 by Standard & Poor's, or if no such ratings are available, the investment must be of comparable quality in the Advisor's opinion.

TAX EXEMPT BOND FUND. The Tax Exempt Bond Fund invests principally in a diversified portfolio of "high grade" and "investment grade" tax exempt securities. On the date of investment (i) municipal bonds must be rated within the three highest ratings of Moody's, currently Aaa, Aa and A, or of Standard &

Poor's, currently AAA, AA, and A, (ii) municipal notes must be rated MIG-1 by Moody's or SP-1 by Standard & Poor's (or, in the case of New York State municipal notes, MIG-1 or MIG-2 by Moody's or SP-1 or SP-2 by Standard & Poor's) and (iii) municipal commercial paper must be rated Prime-1 by Moody's or A-1 by Standard & Poor's or, if not rated by either Moody's or Standard & Poor's, issued by an issuer either (a) having an outstanding debt issue rated A or higher by Moody's or Standard & Poor's or (b) having comparable quality in the opinion of the Advisor. The Fund may invest in other tax exempt securities which are not rated if, in the opinion of the Advisor, such securities are of comparable quality to the rated securities discussed above. In addition, at the time the Fund invests in any commercial paper, bank obligation or repurchase agreement, the issuer must have outstanding debt rated A or higher by Moody's or Standard & Poor's, the issuer's parent corporation, if any, must have outstanding commercial paper rated Prime-1 by Moody's or A-1 by Standard & Poor's, or if no such ratings are available, the investment must be of comparable quality in the Advisor's opinion.

NEW YORK TOTAL RETURN BOND FUND. The New York Total Return Bond Fund invests principally in a diversified portfolio of "investment grade" tax exempt securities. An investment grade bond is rated, on the date of investment within the four highest ratings of Moody's, currently Aaa, Aa, A and Baa or of Standard & Poor's, currently AAA, AA, A and BBB, while high grade debt is rated, on the date of the investment within the two highest of such ratings. Investment grade municipal notes are rated, on the date of investment, MIG-1 or MIG-2 by Standard & Poor's or SP-1 and SP-2 by Moody's. Investment grade municipal commercial

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paper is rated, on the date of investment, Prime 1 or Prime 2 by Moody's and A-1 or A-2 by Standard & Poor's. The New York Total Return Bond Fund may also invest up to 5% of its total assets in securities which are "below investment grade". Such securities must be rated, on the date of investment, Ba by Moody's or BB by Standard & Poor's. The New York Total Return Bond Fund may invest in debt securities which are not rated or other debt securities to which these ratings are not applicable, if in the opinion of the Advisor, such securities are of comparable quality to the rated securities discussed above. In addition, at the time the Fund invests in any taxable commercial paper, bank obligation or repurchase agreement, the issuer must have outstanding debt rated A or higher by Moody's or Standard & Poor's, the issuer's parent corporation, if any, must have outstanding commercial paper rated Prime-1 by Moody's or A-1 by Standard & Poor's, or if no such ratings are available, the investment must be of comparable quality in the Advisor's opinion.

EQUITY, CAPITAL APPRECIATION, INTERNATIONAL EQUITY, EMERGING MARKETS EQUITY AND DIVERSIFIED FUNDS. The Equity, Capital Appreciation, International Equity, Emerging Markets Equity and Diversified Funds may invest in convertible debt securities, for which there are no specific quality requirements. In addition, at the time the Fund invests in any commercial paper, bank obligation or repurchase agreement, the issuer must have outstanding debt rated A or higher by Moody's or Standard & Poor's, the issuer's parent corporation, if any, must have outstanding commercial paper rated Prime-1 by Moody's or A-1 by Standard & Poor's, or if no such ratings are available, the investment must be of comparable quality in the Advisor's opinion. At the time the Fund invests in any other short-term debt securities, they must be rated A or higher by Moody's or Standard & Poor's, or if unrated, the investment must be of comparable quality in the Advisor's opinion.

In determining suitability of investment in a particular unrated security, the Advisor takes into consideration asset and debt service coverage, the purpose of the financing, history of the issuer, existence of other rated securities of the issuer, and other relevant conditions, such as comparability to other issuers.

OPTIONS AND FUTURES TRANSACTIONS

EXCHANGE TRADED AND OVER-THE-COUNTER OPTIONS. All options purchased or sold by the Portfolios will be traded on a securities exchange or will be purchased or sold by securities dealers (over-the-counter or OTC options) that meet credit worthiness standards approved by the Portfolio's Board of Trustees. While exchange-traded options are obligations of the Options Clearing Corporation, in the case of OTC options, a Portfolio relies on the dealer from which it purchased the option to perform if the option is exercised. Thus, when a Portfolio purchases an OTC option, it relies on the dealer from which it purchased the option to make or take delivery of the underlying securities. Failure by the dealer to do so would result in the loss of the premium paid by the Portfolio as well as loss of the expected benefit of the transaction.

The staff of the SEC has taken the position that, in general, purchased OTC options and the underlying securities used to cover written OTC options are illiquid securities. However, a Portfolio may treat as liquid the underlying securities used to cover written OTC options, provided it has arrangements with certain qualified dealers who agree that the Portfolio may repurchase any option it writes for a maximum price to be calculated by a predetermined formula. In these cases, the OTC option itself would only be considered illiquid to the extent that the maximum repurchase price under the formula exceeds the intrinsic value of the option.

FUTURES CONTRACTS AND OPTIONS ON FUTURES CONTRACTS. The Portfolios permitted to enter into futures and options transactions may purchase or sell (write) futures contracts and purchase put and call options, including put and call options on futures contracts. In addition, the Portfolios for the Emerging Markets Equity and Diversified Funds may sell (write) put and call options, including options on futures. Futures contracts obligate the buyer to take and the seller to make delivery at a future date of a specified quantity of a financial instrument or an amount of cash based on the value of a securities index. Currently, futures contracts are available on various types of fixed-income securities, including but not limited to U.S. Treasury bonds, notes and bills, Eurodollar certificates of deposit and on indexes of fixed income securities and indexes of equity securities.

Unlike a futures contract, which requires the parties to buy and sell a security or make a cash settlement payment based on changes in a financial instrument or securities index on an agreed date, an option on a futures contract entitles its holder to decide on or before a future date whether to enter into such a contract. If the holder decides not to exercise its option, the holder may close out the option position by entering into an offsetting transaction or may decide to let the option expire and forfeit the premium thereon. The purchaser of an option on a futures contract pays a premium for the option but makes no initial margin payments or daily payments of cash in the nature of "variation" margin payments to reflect the change in the value of the underlying contract as does a purchaser or seller of a futures contract.

The seller of an option on a futures contract receives the premium paid by the purchaser and may be required to pay initial margin. Amounts equal to the initial margin and any additional collateral required on any options on futures contracts sold by a Portfolio are paid by the Portfolio into a segregated account, in the name of the Futures Commission Merchant, as required by the 1940 Act and the SEC's interpretations thereunder.

COMBINED POSITIONS. The Portfolios permitted to purchase and write options may do so in combination with each other, or in combination with futures or forward contracts, to adjust the risk and return characteristics of the overall position. For example, certain Portfolios may purchase a put option and write a call option on the same underlying instrument, in order to construct a combined position whose risk and return characteristics are similar to selling a futures contract. Another possible combined position would involve writing a call option at one strike price and buying a call option at a lower price, in order to reduce the risk of the written call option in the event of a substantial price increase.

Because combined options positions involve multiple trades, they result in higher transaction costs and may be more difficult to open and close out.

CORRELATION OF PRICE CHANGES. Because there are a limited number of types of exchange-traded options and futures contracts, it is likely that the standardized options and futures contracts available will not match a Portfolio's current or anticipated investments exactly. A Portfolio may invest in options and futures contracts based on securities with different issuers, maturities, or other characteristics from the securities in which it typically invests, which involves a risk that the options or futures position will not track the performance of the Portfolio's other investments.

Options and futures contracts prices can also diverge from the prices of their underlying instruments, even if the underlying instruments match the Portfolio's investments well. Options and futures contracts prices are affected by such factors as current and anticipated short term interest rates, changes in volatility of the underlying instrument, and the time remaining until expiration of the contract, which may not affect security prices the same way. Imperfect correlation may also result from differing levels of demand in the options and

futures markets and the securities markets, from structural differences in how options and futures and securities are traded, or from imposition of daily price fluctuation limits or trading halts. A Portfolio may purchase or sell options and futures contracts with a greater or lesser value than the securities it wishes to hedge or intends to purchase in order to attempt to compensate for differences in volatility between the contract and the securities, although this may not be successful in all cases. If price changes in a Portfolio's options or futures positions are poorly correlated with its other investments, the positions may fail to produce anticipated gains or result in losses that are not offset by gains in other investments.

LIQUIDITY OF OPTIONS AND FUTURES CONTRACTS. There is no assurance a liquid market will exist for any particular option or futures contract at any particular time even if the contract is traded on an exchange. In addition, exchanges may establish daily price fluctuation limits for options and futures contracts and may halt trading if a contract's price moves up or down more than the limit in a given day. On volatile trading days when the price fluctuation limit is reached or a trading halt is imposed, it may be impossible for a Portfolio to enter into new positions or close out existing positions. If the market for a contract is not liquid because of price fluctuation limits or otherwise, it could prevent prompt liquidation of unfavorable positions, and could potentially require a Portfolio to continue to hold a position until delivery or expiration regardless of changes in its value. As a result, the Portfolio's access to other assets held to cover its options or futures positions could also be impaired. (See "Exchange Traded and Over-the-Counter Options" above for a discussion of the liquidity of options not traded on an exchange.)

POSITION LIMITS. Futures exchanges can limit the number of futures and options on futures contracts that can be held or controlled by an entity. If an adequate exemption cannot be obtained, a Portfolio or the Advisor may be required to reduce the size of its futures and options positions or may not be able to trade a certain futures or options contract in order to avoid exceeding such limits.

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ASSET COVERAGE FOR FUTURES CONTRACTS AND OPTIONS POSITIONS. The Portfolios intend to comply with Section 4.5 of the regulations under the Commodity Exchange Act, which limits the extent to which a Portfolio can commit assets to initial margin deposits and option premiums. In addition, the Portfolios will comply with guidelines established by the SEC with respect to coverage of options and futures contracts by mutual funds, and if the guidelines so require, will set aside appropriate liquid assets in a segregated custodial account in the amount prescribed. Securities held in a segregated account cannot be sold while the futures contract or option is outstanding, unless they are replaced with other suitable assets. As a result, there is a possibility that segregation of a large percentage of a Portfolio's assets could impede portfolio management or the Portfolio's ability to meet redemption requests or other current obligations.

RISK MANAGEMENT

The Portfolios for the New York Total Return Bond, Diversified and Emerging Markets Equity Funds may employ non-hedging risk management techniques. Examples of such strategies include synthetically altering the duration of a portfolio or the mix of securities in a portfolio. For example, if the Advisor wishes to extend maturities in a fixed income portfolio in order to take advantage of an anticipated decline in interest rates, but does not wish to purchase the underlying long term securities, it might cause the Portfolio to purchase futures contracts on long term debt securities. Similarly, if the Advisor wishes to decrease fixed income securities or purchase equities, it could cause the Portfolio to sell futures contracts on debt securities and purchase futures contracts on a stock index. Such non-hedging risk management techniques are not speculative, but because they involve leverage include, as do all leveraged transactions, the possibility of losses as well as gains that are greater than if these techniques involved the purchase and sale of the securities themselves rather than their synthetic derivatives.

SPECIAL FACTORS AFFECTING THE NEW YORK TOTAL RETURN BOND FUND. The New York Total Return Bond Fund intends to invest a high proportion of its assets in municipal obligations of the State of New York and its political subdivisions, municipalities, agencies, instrumentalities and public authorities. Payment of interest and preservation of principal is dependent upon the continuing ability of New York issuers and/or obligators of state, municipal and public authority debt obligations to meet their obligations thereunder.

The fiscal stability of New York State is related, at least in part, to the fiscal stability of its localities and authorities. Various State agencies, authorities and localities have issued large amounts of bonds and notes either guaranteed or supported by the State through lease-purchase arrangements, other contractual arrangements or moral obligation provisions. While debt service is normally paid out of revenues generated by projects of such State agencies, authorities and localities, the State has had to provide special assistance in recent years, in some cases of a recurring nature, to enable such agencies, authorities and localities to meet their financial obligations and, in some cases, to prevent or cure defaults. To the extent State agencies and local governments require State assistance to meet their financial obligations, the

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ability of the State to meet its own obligations as they become due or to obtain additional financing could be adversely affected.

For further information concerning New York municipal obligations, see Appendix B to this Statement of Additional Information. The summary set forth above and in Appendix B is included for the purpose of providing a general description of New York State and New York City credit and financial conditions. This summary is based on information from an official statement of New York general obligation municipal obligations and does not purport to be complete.

PORTFOLIO TURNOVER

Set forth below are the portfolio turnover rates for the Portfolios corresponding to the Funds. A rate of 100% indicates that the equivalent of all of the Portfolio's assets have been sold and reinvested in a year. High portfolio turnover may result in the realization of substantial net capital gains or losses. To the extent net short term capital gains are realized, any distributions resulting from such gains are considered ordinary income for federal income tax purposes. See "Taxes" below.

THE SHORT TERM BOND PORTFOLIO (SHORT TERM BOND FUND) -- For the fiscal year ended October 31, 1994: 230%

THE TAX EXEMPT BOND PORTFOLIO (TAX EXEMPT BOND FUND) -- For the fiscal year ended August 31, 1994: 32.57%

THE NEW YORK TOTAL RETURN BOND PORTFOLIO (NEW YORK TOTAL RETURN BOND FUND)
- -- For the period April 11, 1994 (commencement of operations) through March 31, 1995: 63%

THE U.S. FIXED INCOME PORTFOLIO (BOND FUND) -- For the fiscal year ended October 31, 1994: 234%

THE SELECTED U.S. EQUITY PORTFOLIO (EQUITY FUND) -- For the period July 19, 1993 (commencement of operations) through May 31, 1994: 76%

THE U.S. SMALL COMPANY PORTFOLIO (CAPITAL APPRECIATION FUND) -- For the period July 19, 1993 (commencement of operations) through May 31, 1994: 97%

THE NON-U.S. EQUITY PORTFOLIO (INTERNATIONAL EQUITY FUND) -- For the fiscal year ended October 31, 1994: 56%

THE EMERGING MARKETS EQUITY PORTFOLIO (EMERGING MARKETS EQUITY FUND) -- For the fiscal year ended October 31, 1994: 27.48%

THE DIVERSIFIED PORTFOLIO (DIVERSIFIED FUND) -- For the period July 8, 1993 (commencement of operations) through June 30, 1994: 115%

INVESTMENT RESTRICTIONS

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The investment restrictions of each Fund and its corresponding Portfolio are identical, unless otherwise specified. Accordingly, references below to a Fund also include the Fund's corresponding Portfolio unless the context requires otherwise; similarly, references to a Portfolio also include its corresponding Fund unless the context requires otherwise.

The investment restrictions below have been adopted by the Trust with respect to each Fund and by each corresponding Portfolio. Except where otherwise noted, these investment restrictions are "fundamental" policies which, under the 1940 Act, may not be changed without the vote of a majority of the outstanding voting securities of the Fund or Portfolio, as the case may be. A "majority of the outstanding voting securities" is defined in the 1940 Act as the lesser of (a) 67% or more of the voting securities present at a meeting if the holders of more than 50% of the outstanding voting securities are present or represented by proxy, or (b) more than 50% of the outstanding voting securities. The percentage limitations contained in the restrictions below apply at the time of the purchase of securities. Whenever a Fund is requested to vote on a change in the fundamental investment restrictions of its corresponding Portfolio, the Trust will hold a meeting of Fund shareholders and will cast its votes as instructed by the Fund's shareholders.

The MONEY MARKET FUND and its corresponding PORTFOLIO may not:

1. Acquire any illiquid securities, such as repurchase agreements with more than seven days to maturity or fixed time deposits with a duration of over seven calendar days, if as a result thereof, more than 10% of the market value of the Fund's total assets would be in investments which are illiquid;
2. Enter into reverse repurchase agreements exceeding in the aggregate one-third of the market value of the Fund's total assets, less liabilities other than obligations created by reverse repurchase agreements;
3. Borrow money, except from banks for extraordinary or emergency purposes and then only in amounts not to exceed 10% of the value of the Fund's total assets, taken at cost, at the time of such borrowing. Mortgage, pledge, or hypothecate any assets except in connection with any such borrowing and in amounts not to exceed 10% of the value of the Fund's net assets at the time of such borrowing. The Fund will not purchase securities while borrowings exceed 5% of the Fund's total assets; provided, however, that the Fund may increase its interest in an open-end management investment company with the same investment objective and restrictions as the Fund while such borrowings are outstanding. This borrowing provision is included to facilitate the orderly sale of portfolio securities, for example, in the event of

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abnormally heavy redemption requests, and is not for investment purposes and shall not apply to reverse repurchase agreements;

4. Purchase the securities or other obligations of any one issuer if, immediately after such purchase, more than 5% of the value of the Fund's total assets would be invested in securities or other obligations of any one such issuer; provided, however, that the Fund may invest all or part of its investable assets in an open-end management investment company with the same investment objective and restrictions as the Fund. This limitation shall not apply to issues of the U.S. Government, its agencies or instrumentalities and to permitted investments of up to 25% of the Fund's total assets;
5. Purchase the securities or other obligations of issuers conducting their principal business activity in the same industry if, immediately after such purchase, the value of its investment in such industry would exceed 25% of the value of the Fund's total assets; provided, however, that the Fund may invest all or part of its investable assets in an open-end management investment company with the same investment objective and restrictions as the Fund. For purposes of industry concentration, there is no percentage limitation with respect to investments in U.S. Government securities, negotiable certificates of deposit, time deposits, and bankers' acceptances of U.S. branches of U.S. banks;
6. Make loans, except through purchasing or holding debt obligations, or entering into repurchase agreements, or loans of portfolio securities in accordance with the Fund's investment objective and policies (see "Investment Objectives and Policies");
7. Purchase or sell puts, calls, straddles, spreads, or any combination thereof, real estate, commodities, or commodity contracts or interests in oil, gas, or mineral exploration or development programs. However, the Fund may purchase bonds or commercial paper issued by companies

which invest in real estate or interests therein including real estate investment trusts;

8. Purchase securities on margin, make short sales of securities, or maintain a short position, provided that this restriction shall not be deemed to be applicable to the purchase or sale of when-issued securities or of securities for delivery at a future date;
9. Acquire securities of other investment companies, except as permitted by the 1940 Act; or
10. Act as an underwriter of securities.

The TAX EXEMPT MONEY MARKET FUND and its corresponding PORTFOLIO may not:

1. Borrow money, except from banks for temporary, extraordinary or emergency purposes and then only in amounts up to 10% of the value of the Fund's total assets, taken at cost at the time of such borrowing; or mortgage, pledge or hypothecate any assets except in connection with any such borrowing in

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amounts up to 10% of the value of the Fund's net assets at the time of such borrowing. The Fund will not purchase securities while borrowings exceed 5% of the Fund's total assets, provided, however, that the Fund may increase its interest in an open-end management investment company with the same investment objective and restrictions as the Fund's while such borrowings are outstanding. This borrowing provision, for example, facilitates the orderly sale of portfolio securities in the event of abnormally heavy redemption requests or in the event of redemption requests during periods of tight market supply. This provision is not for leveraging purposes;

2. Invest more than 25% of its total assets in securities of governmental units located in any one state, territory, or possession of the United States. The Fund may invest more than 25% of its total assets in industrial development and pollution control obligations whether or not the users of facilities financed by such obligations are in the same industry;¹
3. Purchase industrial revenue bonds if, as a result of such purchase, more than 5% of total Fund assets would be invested in industrial revenue bonds where payment of principal and interest are the responsibility of companies with fewer than three years of operating history;
4. Purchase the securities or other obligations of any one issuer if, immediately after such purchase, more than 5% of the value of the Fund's total assets would be invested in securities or other obligations of any one such issuer, provided, however, that the Fund may invest all or part of its investable assets in an open-end management investment company with the same investment objective and restrictions as the Fund's. Each state and each political subdivision, agency or instrumentality of such state and each multi-state agency of which such state is a member will be a separate issuer if the security is backed only by the assets and revenues of that issuer. If the security is guaranteed by another entity, the guarantor will be deemed to be the issuer.² This limitation shall not apply to securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities or to permitted investments of up to 25% of the Fund's total assets;
5. Make loans, except through the purchase or holding of debt obligations, repurchase agreements, or loans of portfolio securities in accordance with the Fund's investment objective and policies (see "Investment Objectives and Policies");

¹Pursuant to an interpretation of the staff of the SEC, the Fund may not invest more than 25% of its assets in industrial development bonds in projects of similar type or in the same state. The Fund shall comply with this interpretation until such time as it may be modified by the staff or the SEC. ²For purposes of interpretation of Investment Restriction No. 4 "guaranteed by another entity" includes credit substitutions, such as letters of credit or insurance, unless the Advisor determines that the security meets the Fund's credit standards without regard to the credit substitution.

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6. Purchase or sell puts, calls, straddles, spreads, or any combination thereof except to the extent that securities subject to a demand obligation, stand-by commitments and puts may be purchased (see "Investment Objectives and Policies"); real estate; commodities; commodity contracts; or interests in oil, gas, or mineral exploration or development programs. However, the Fund may purchase municipal bonds, notes or commercial paper secured by interests in real estate;
7. Purchase securities on margin, make short sales of securities, or maintain a short position, provided that this restriction shall not be deemed to be applicable to the purchase or sale of when-issued securities or of securities for delayed delivery;
8. Acquire securities of other investment companies, except as permitted by the 1940 Act; or
9. Act as an underwriter of securities.

The TREASURY MONEY MARKET FUND and its corresponding PORTFOLIO may not:

1. Enter into reverse repurchase agreements which together with any other borrowing exceeds in the aggregate one-third of the market value of the Fund's or the Portfolio's total assets, less liabilities other than the obligations created by reverse repurchase agreements;
2. Borrow money (not including reverse repurchase agreements), except from banks for temporary or extraordinary or emergency purposes and then only in amounts up to 10% of the value of the Fund's or the Portfolio's total assets, taken at cost at the time of such borrowing (and provided that such borrowings and reverse repurchase agreements do not exceed in the aggregate one-third of the market value of the Fund's and the Portfolio's total assets less liabilities other than the obligations represented by the bank borrowings and reverse repurchase agreements). Mortgage, pledge, or hypothecate any assets except in connection with any such borrowing and in amounts up to 10% of the value of the Fund's or the Portfolio's net assets at the time of such borrowing. The Fund or the Portfolio will not purchase securities while borrowings exceed 5% of the Fund's or the Portfolio's total assets, respectively; provided, however, that the Fund may increase its interest in an open-end management investment company with the same investment objective and restrictions as the Fund while such borrowings are outstanding. This borrowing provision is included to facilitate the orderly sale of portfolio securities, for example, in the event of abnormally heavy redemption requests, and is not for investment purposes;
3. Purchase the securities or other obligations of any one issuer if, immediately after such purchase, more than 5% of the value of the Fund's or the Portfolio's total assets would be invested in securities or other obligations of any one such issuer; provided, however, that the Fund may invest all or part of its investable assets in an open-end management investment company with the same investment objective and restrictions as

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the Fund. This limitation also shall not apply to issues of the U.S. Government and repurchase agreements related thereto;

4. Purchase the securities or other obligations of issuers conducting their principal business activity in the same industry if, immediately after such purchase, the value of its investment in such industry would exceed 25% of the value of the Fund's or the Portfolio's total assets; provided, however, that the Fund may invest all or part of its assets in an open-end management investment company with the same investment objective and restrictions as the Fund. For purposes of industry concentration, there is no percentage limitation with respect to investments in U.S. Government securities and repurchase agreements related thereto;
5. Make loans, except through purchasing or holding debt obligations, repurchase agreements, or loans of portfolio securities in accordance with the Fund's or the Portfolio's investment objective and policies (see "Investment Objectives and Policies");

6. Purchase or sell puts, calls, straddles, spreads, or any combination thereof, real estate, commodities, or commodity contracts or interests in oil, gas, or mineral exploration or development programs;
7. Purchase securities on margin, make short sales of securities, or maintain a short position, provided that this restriction shall not be deemed to be applicable to the purchase or sale of when-issued securities or of securities for delivery at a future date;
8. Acquire securities of other investment companies, except as permitted by the 1940 Act or in connection with a merger, consolidation, reorganization, acquisition of assets or an offer of exchange; provided, however, that nothing in this investment restriction shall prevent the Trust from investing all or part of the Fund's assets in an open-end management investment company with the same investment objective and restrictions as the Fund; or
9. Act as an underwriter of securities.

The SHORT TERM BOND FUND and its corresponding PORTFOLIO may not:

1. Purchase securities or other obligations of issuers conducting their principal business activity in the same industry if, immediately after such purchase the value of its investments in such industry would exceed 25% of the value of the Fund's total assets; provided, however, that the Fund may invest all or part of its investable assets in an open-end management investment company with the same investment objective and restrictions as the Fund's. For purposes of industry concentration, there is no percentage limitation with respect to investments in U.S. Government securities;
2. Purchase the securities or other obligations of any one issuer if, immediately after such purchase, more than 5% of the value of the Fund's total assets would be invested in securities or other obligations of any one

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such issuer; provided, however, that the Fund may invest all or part of its investable assets in an open-end management investment company with the same investment objective and restrictions as the Fund's. This limitation shall not apply to securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities or to permitted investments of up to 25% of the Fund's total assets;

3. Purchase the securities of an issuer if, immediately after such purchase, the Fund owns more than 10% of the outstanding voting securities of such issuer; provided, however, that the Fund may invest all or part of its investable assets in an open-end management investment company with the same investment objective and restrictions as the Fund's. This limitation shall not apply to permitted investments of up to 25% of the Fund's total assets;
4. Borrow money (not including reverse repurchase agreements), except from banks for temporary or extraordinary or emergency purposes and then only in amounts up to 30% of the value of the Fund's or the Portfolio's total assets, taken at cost at the time of such borrowing (and provided that such borrowings and reverse repurchase agreements do not exceed in the aggregate one-third of the market value of the Fund's and the Portfolio's total assets less liabilities other than the obligations represented by the bank borrowings and reverse repurchase agreements). The Fund will not mortgage, pledge, or hypothecate any assets except in connection with any such borrowing and in amounts not to exceed 30% of the value of the Fund's or the Portfolio's net assets at the time of such borrowing. The Fund or the Portfolio will not purchase securities while borrowings exceed 5% of the Fund's total assets; provided, however, that the Fund may increase its interest in an open-end management investment company with the same investment objective and restrictions as the Fund's while such borrowings are outstanding. Collateral arrangements for premium and margin payments in connection with the Fund's hedging activities are not deemed to be a pledge of assets;
5. Issue any senior security, except as appropriate to evidence indebtedness which constitutes a senior security and which the Fund is permitted to incur pursuant to Investment Restriction No. 4 and except that the Fund may enter into reverse repurchase agreements, provided that the aggregate of senior securities, including reverse repurchase agreements, shall not exceed one-third of the market value of the Fund's

total assets, less liabilities other than obligations created by reverse repurchase agreements. The Fund's arrangements in connection with its hedging activities as described in "Investment Objectives and Policies" shall not be considered senior securities for purposes hereof;

6. Make loans, except through the purchase or holding of debt obligations (including privately placed securities) or the entering into of repurchase agreements, or loans of portfolio securities in accordance with the Fund's investment objective and policies;
7. Purchase or sell puts, calls, straddles, spreads, or any combination thereof, real estate, commodities, or commodity contracts, except for the Fund's interests in hedging activities as described under "Investment

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Objectives and Policies"; or interests in oil, gas, or mineral exploration or development programs. However, the Fund may purchase securities or commercial paper issued by companies which invest in real estate or interests therein, including real estate investment trusts, and purchase instruments secured by real estate or interests therein;

8. Purchase securities on margin, make short sales of securities, or maintain a short position in securities, except to obtain such short-term credit as necessary for the clearance of purchases and sales of securities; provided that this restriction shall not be deemed to be applicable to the purchase or sale of when-issued securities or delayed delivery securities;
9. Acquire securities of other investment companies, except as permitted by the 1940 Act or in connection with a merger, consolidation, reorganization, acquisition of assets or an offer of exchange; provided, however, that nothing in this investment restriction shall prevent the Trust from investing all or part of the Fund's assets in an open-end management investment company with the same investment objective and restrictions as the Fund; or
10. Act as an underwriter of securities.

The BOND FUND and its corresponding PORTFOLIO may not:

1. Borrow money, except from banks for extraordinary or emergency purposes and then only in amounts up to 30% of the value of the Fund's total assets, taken at cost at the time of such borrowing and except in connection with reverse repurchase agreements permitted by Investment Restriction No. 8. Mortgage, pledge, or hypothecate any assets except in connection with any such borrowing in amounts up to 30% of the value of the Fund's net assets at the time of such borrowing. The Fund will not purchase securities while borrowings (including reverse repurchase agreements) exceed 5% of the Fund's total assets; provided, however, that the Fund may increase its interest in an open-end management investment company with the same investment objective and restrictions as the Fund's while such borrowings are outstanding. This borrowing provision facilitates the orderly sale of portfolio securities, for example, in the event of abnormally heavy redemption requests. This provision is not for investment purposes. Collateral arrangements for premium and margin payments in connection with the Fund's hedging activities are not deemed to be a pledge of assets;
2. Purchase the securities or other obligations of any one issuer if, immediately after such purchase, more than 5% of the value of the Fund's total assets would be invested in securities or other obligations of any one such issuer; provided, however, that the Fund may invest all or part of its investable assets in an open-end management investment company with the same investment objective and restrictions as the Fund's. This limitation shall not apply to securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities or to permitted investments of up to 25% of the Fund's total assets;

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3. Purchase the securities of an issuer if, immediately after such purchase, the Fund owns more than 10% of the outstanding voting

securities of such issuer; provided, however, that the Fund may invest all or part of its investable assets in an open-end management investment company with the same investment objective and restrictions as the Fund's. This limitation shall not apply to permitted investments of up to 25% of the Fund's total assets;

4. Purchase securities or other obligations of issuers conducting their principal business activity in the same industry if, immediately after such purchase the value of its investments in such industry would exceed 25% of the value of the Fund's total assets; provided, however, that the Fund may invest all or part of its investable assets in an open-end management investment company with the same investment objective and restrictions as the Fund's. For purposes of industry concentration, there is no percentage limitation with respect to investments in U.S. Government securities;
5. Make loans, except through the purchase or holding of debt obligations (including privately placed securities) or the entering into of repurchase agreements, or loans of portfolio securities in accordance with the Fund's investment objective and policies;
6. Purchase or sell puts, calls, straddles, spreads, or any combination thereof, real estate, commodities, commodity contracts, except for the Fund's interest in hedging activities as described under "Investment Objectives and Policies"; or interests in oil, gas, or mineral exploration or development programs. However, the Fund may purchase debt obligations secured by interests in real estate or issued by companies which invest in real estate or interests therein including real estate investment trusts;
7. Purchase securities on margin, make short sales of securities, or maintain a short position in securities, except in the course of the Fund's hedging activities, unless at all times when a short position is open the Fund owns an equal amount of such securities; provided that this restriction shall not be deemed to be applicable to the purchase or sale of when-issued securities or delayed delivery securities;
8. Issue any senior security, except as appropriate to evidence indebtedness which constitutes a senior security and which the Fund is permitted to incur pursuant to Investment Restriction No. 1 and except that the Fund may enter into reverse repurchase agreements, provided that the aggregate of senior securities, including reverse repurchase agreements, shall not exceed one-third of the market value of the Fund's total assets, less liabilities other than obligations created by reverse repurchase agreements. The Fund's arrangements in connection with its hedging activities as described in "Investment Objectives and Policies" shall not be considered senior securities for purposes hereof;
9. Acquire securities of other investment companies, except as permitted by the 1940 Act; or
10. Act as an underwriter of securities.

The TAX EXEMPT BOND FUND and its corresponding PORTFOLIO may not:

1. Borrow money, except from banks for extraordinary or emergency purposes and then only in amounts up to 10% of the value of the Fund's total assets, taken at cost at the time of such borrowing; or mortgage, pledge, or hypothecate any assets except in connection with any such borrowing in amounts up to 10% of the value of the Fund's net assets at the time of such borrowing. The Fund will not purchase securities while borrowings exceed 5% of the Fund's total assets; provided, however, that the Fund may increase its interest in an open-end management investment company with the same investment objective and restrictions as the Fund's while such borrowings are outstanding. This borrowing provision facilitates the orderly sale of portfolio securities, for example, in the event of abnormally heavy redemption requests. This provision is not for investment purposes. Collateral arrangements for premium and margin payments in connection with the Fund's hedging activities are not deemed to be a pledge of assets;
2. Purchase securities or other obligations of any one issuer if, immediately after such purchase, more than 5% of the value of the Fund's

total assets would be invested in securities or other obligations of any one such issuer; provided, however, that the Fund may invest all or part of its investable assets in an open-end management investment company with the same investment objective and restrictions as the Fund's. Each state and each political subdivision, agency or instrumentality of such state and each multi-state agency of which such state is a member will be a separate issuer if the security is backed only by the assets and revenue of that issuer. If the security is guaranteed by another entity, the guarantor will be deemed to be the issuer.¹ This limitation shall not apply to securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities or to permitted investments of up to 25% of the Fund's total assets;

3. Invest more than 25% of its total assets in securities of governmental units located in any one state, territory, or possession of the United States. The Fund may invest more than 25% of its total assets in industrial developments and pollution control obligations whether or not the users of facilities financed by such obligations are in that same industry;²
4. Purchase industrial revenue bonds if, as a result of such purchase, more than 5% of total Fund assets would be invested in industrial revenue bonds

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¹ For purposes of interpretation of Investment Restriction No. 2 "guaranteed by another entity" includes credit substitutions, such as letters of credit or insurance, unless the Advisor determines that the security meets the Fund's credit standards without regard to the credit substitution. ²Pursuant to an interpretation of the staff of the SEC, the Fund may not invest more than 25% of its assets in industrial development bonds in projects of similar type or in the same state. The Fund shall comply with this interpretation until such time as it may be modified by the staff of the SEC.

where payment of principal and interest are the responsibility of companies with fewer than three years of operating history (including predecessors);

5. Make loans, except through the purchase or holding of debt obligations (including privately placed securities) or the entering into of repurchase agreements, or loans of portfolio securities in accordance with the Fund's investment objective and policies (see "Investment Objectives and Policies");
6. Purchase or sell puts, calls, straddles, spreads, or any combination thereof except to the extent that securities subject to a demand obligation, stand-by commitments and puts may be purchased (see "Investment Objectives and Policies"); real estate; commodities; commodity contracts, except for the Fund's interests in hedging activities as described under "Investment Objectives and Policies"; or interests in oil, gas, or mineral exploration or development programs. However, the Fund may purchase municipal bonds, notes or commercial paper secured by interests in real estate;
7. Purchase securities on margin, make short sales of securities, or maintain a short position, except in the course of the Fund's hedging activities, unless at all times when a short position is open the Fund owns an equal amount of such securities or owns securities which, without payment of any further consideration, are convertible into or exchangeable for securities of the same issue as, and equal in amount to, the securities sold short; provided that this restriction shall not be deemed to be applicable to the purchase or sale of when-issued or delayed delivery securities;
8. Issue any senior security, except as appropriate to evidence indebtedness which the Fund is permitted to incur pursuant to Investment Restriction No. 1. The Fund's arrangements in connection with its hedging activities as described in "Investment Objectives and Policies" shall not be considered senior securities for purposes hereof;
9. Acquire securities of other investment companies, except as permitted by the 1940 Act; or
10. Act as an underwriter of securities.

Unless Sections 8(b)(1) and 13(a) of the 1940 Act or any SEC or SEC staff interpretations thereof, are amended or modified, the NEW YORK TOTAL RETURN BOND FUND and its corresponding PORTFOLIO may not:

1. Purchase any security if, as a result, more than 25% of the value of the Fund's total assets would be invested in securities of issuers having their principal business activities in the same industry. This limitation shall not apply to obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities;
2. Borrow money, except that the Fund may (i) borrow money from banks for temporary or emergency purposes (not for leveraging purposes) and (ii) enter

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into reverse repurchase agreements for any purpose; provided that (i) and (ii) in total do not exceed 33 1/3% of the value of the Fund's total assets (including the amount borrowed) less liabilities (other than borrowings). If at any time any borrowings come to exceed 33 1/3% of the value of the Fund's total assets, the Fund will reduce its borrowings within three business days to the extent necessary to comply with the 33 1/3% limitation;

3. Make loans to other persons, except through the purchase of debt obligations, loans of portfolio securities, and participation in repurchase agreements;
4. Purchase or sell physical commodities or contracts thereon, unless acquired as a result of the ownership of securities or instruments, but the Fund may purchase or sell futures contracts or options (including options on futures contracts, but excluding options or futures contracts on physical commodities) and may enter into foreign currency forward contracts;
5. Purchase or sell real estate, but the Fund may purchase or sell securities that are secured by real estate or issued by companies (including real estate investment trusts) that invest or deal in real estate;
6. Underwrite securities of other issuers, except to the extent the Fund, in disposing of portfolio securities, may be deemed an underwriter within the meaning of the 1933 Act;
7. Issue senior securities, except as permitted under the 1940 Act or any rule, order or interpretation thereunder; or
8. Notwithstanding any other investment restriction of the Fund, the Fund may invest all of its investable assets in an open-end management investment company having the same investment objective and restrictions as the Fund.

The DIVERSIFIED FUND and its corresponding PORTFOLIO may not:

1. Purchase the securities or other obligations of issuers conducting their principal business activity in the same industry if, immediately after such purchase the value of its investments in such industry would exceed 25% of the value of the Fund's total assets; provided, however, that the Fund may invest all or part of its investable assets in an open-end management investment company with the same investment objective and restrictions as the Fund's. For purposes of industry concentration, there is no percentage limitation with respect to investments in U.S. Government securities;

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2. Purchase the securities or other obligations of any one issuer if, immediately after such purchase, more than 5% of the value of the Fund's total assets would be invested in securities or other obligations of any

one such issuer; provided, however, that the Fund may invest all or part of its investable assets in an open-end management investment company with the same investment objective and restrictions as the Fund's. This limitation shall not apply to securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities or to permitted investments of up to 25% of the Fund's total assets;

3. Purchase the securities of an issuer if, immediately after such purchase, the Fund owns more than 10% of the outstanding voting securities of such issuer; provided, however, that the Fund may invest all or part of its investable assets in an open-end management investment company with the same investment objective and restrictions as the Fund's. This limitation shall not apply to permitted investments of up to 25% of the Fund's total assets;
4. Borrow money (not including reverse repurchase agreements), except from banks for temporary or extraordinary or emergency purposes and then only in amounts up to 30% of the value of the Fund's or the Portfolio's total assets, taken at cost at the time of such borrowing (and provided that such borrowings and reverse repurchase agreements do not exceed in the aggregate one-third of the market value of the Fund's and the Portfolio's total assets less liabilities other than the obligations represented by the bank borrowings and reverse repurchase agreements). The Fund will not mortgage, pledge, or hypothecate any assets except in connection with any such borrowing and in amounts not to exceed 30% of the value of the Fund's or the Portfolio's net assets at the time of such borrowing. The Fund or the Portfolio will not purchase securities while borrowings exceed 5% of the Fund's total assets; provided, however, that the Fund may increase its interest in an open-end management investment company with the same investment objective and restrictions as the Fund's while such borrowings are outstanding. This borrowing provision is included to facilitate the orderly sale of portfolio securities, for example, in the event of abnormally heavy redemption requests, and is not for investment purposes. Collateral arrangements for premium and margin payments in connection with the Fund's use of futures contracts and options are not deemed to be a pledge of assets;
5. Issue any senior security, except as appropriate to evidence indebtedness which constitutes a senior security and which the Fund is permitted to incur pursuant to Investment Restriction No. 4 and except that the Fund may enter

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into reverse repurchase agreements, provided that the aggregate of senior securities, including reverse repurchase agreements, shall not exceed one-third of the market value of the Fund's total assets, less liabilities other than obligations created by reverse repurchase agreements. The Fund's arrangements in connection with its use of futures contracts and options shall not be considered senior securities for purposes hereof ;

6. Make loans, except through the purchase or holding of debt obligations (including privately placed securities), or the entering into of repurchase agreements, or loans of portfolio securities in accordance with the Fund's investment objective and policies (see "Investment Objectives and Policies");
7. Purchase or sell commodities or commodity contracts, but this restriction shall not prohibit the Fund from purchasing or selling futures contracts or options (including options on futures contracts, but excluding options or futures contracts on physical commodities) or entering into foreign currency forward contracts; or purchase or sell real estate or interests in oil, gas, or mineral exploration or development programs. However, the Fund may purchase securities or commercial paper issued by companies which invest in real estate or interests therein, including real estate investment trusts , and purchase instruments secured by real estate or interests therein;
8. Purchase securities on margin, make short sales of securities, or maintain a short position in securities, except to obtain such short term credit as necessary for the clearance of purchases and sales of securities, provided that this restriction shall not be deemed to be applicable to the purchase or sale of when-issued securities or delayed delivery securities or to restrict the Fund's use of futures contracts or options;
9. Acquire securities of other investment companies, except as permitted by the 1940 Act or in connection with a merger, consolidation,

reorganization, acquisition of assets or an offer of exchange; provided, however, that nothing in this investment restriction shall prevent the Trust from investing all or part of the Fund's assets in an open-end management investment company with the same investment objective and restrictions as the Fund; or

10. Act as an underwriter of securities .

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Each of the EQUITY FUND and the CAPITAL APPRECIATION FUND and their corresponding PORTFOLIOS may not:

1. Purchase the securities or other obligations of issuers conducting their principal business activity in the same industry if, immediately after such purchase the value of its investments in such industry would exceed 25% of the value of the Fund's total assets; provided, however, that the Fund may invest all or part of its investable assets in an open-end management investment company with the same investment objective and restrictions as the Fund's. For purposes of industry concentration, there is no percentage limitation with respect to investments in U.S. Government securities;
2. Borrow money, except from banks for extraordinary or emergency purposes and then only in amounts not to exceed 10% of the value of the Fund's total assets, taken at cost, at the time of such borrowing. Mortgage, pledge, or hypothecate any assets except in connection with any such borrowing and in amounts not to exceed 10% of the value of the Fund's net assets at the time of such borrowing. The Fund will not purchase securities while borrowings exceed 5% of the Fund's total assets; provided, however, that the Fund may increase its interest in an open-end management investment company with the same investment objective and restrictions as the Fund's while such borrowings are outstanding. This borrowing provision is included to facilitate the orderly sale of portfolio securities, for example, in the event of abnormally heavy redemption requests, and is not for investment purposes. Collateral arrangements for premium and margin payments in connection with the Fund's hedging activities are not deemed to be a pledge of assets;
3. Purchase the securities or other obligations of any one issuer if, immediately after such purchase, more than 5% of the value of the Fund's total assets would be invested in securities or other obligations of any one such issuer; provided, however, that the Fund may invest all or part of its investable assets in an open-end management investment company with the same investment objective and restrictions as the Fund's. This limitation shall not apply to issues of the U.S. Government, its agencies or instrumentalities and to permitted investments of up to 25% of the Fund's total assets;

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4. Purchase the securities of an issuer if, immediately after such purchase, the Fund owns more than 10% of the outstanding voting securities of such issuer; provided, however, that the Fund may invest all or part of its investable assets in an open-end management investment company with the same investment objective and restrictions as the Fund's

;

5. Make loans, except through the purchase or holding of debt obligations (including privately placed securities), or the entering into of repurchase agreements, or loans of portfolio securities in accordance

with the Fund's investment objective and policies (see "Investment Objectives and Policies");

6. Purchase or sell puts, calls, straddles, spreads, or any combination thereof, real estate, commodities, or commodity contracts, except for the Fund's interests in hedging activities as described under "Investment Objectives and Policies"; or interests in

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oil, gas, or mineral exploration or development programs. However, the Fund may purchase securities or commercial paper issued by companies which invest in real estate or interests therein, including real estate investment trusts ;

7. Purchase securities on margin, make short sales of securities, or maintain a short position , except in the course of the Fund's hedging activities, provided that this restriction shall not be deemed to be applicable to the purchase or sale of when-issued securities or delayed delivery securities ;
8. Acquire securities of other investment companies, except as permitted by the 1940 Act;
9. Act as an underwriter of securities ;
10. Issue any senior security, except as appropriate to evidence indebtedness which the Fund is permitted to incur pursuant to Investment Restriction No. 2. The Fund's arrangements in connection with its hedging activities as described in "Investment Objectives and Policies" shall not be considered senior securities for purposes hereof; or
11. Purchase any equity security if, as a result, the Fund would then have more than 5% of its total assets invested in securities of companies (including predecessors) that have been in continuous operation for fewer than three years.

The INTERNATIONAL EQUITY FUND and its corresponding PORTFOLIO may not:

1. Borrow money, except from banks for extraordinary or emergency purposes and then only in amounts up to 30% of the value of the Fund's net assets at the time of borrowing, and except in connection with reverse repurchase agreements and then only in amounts up to 33 1/3% of the value of the Fund's net assets; or purchase securities while borrowings, including reverse repurchase agreements, exceed 5% of the Fund's total assets; provided, however, that the Fund may increase its interest in an open-end management investment company with the same investment objective and restrictions as the Fund's while such borrowings are outstanding. The Fund will not mortgage, pledge, or hypothecate any assets except in connection with any such borrowing and in amounts not to exceed 30% of the value of the Fund's net assets at the time of such borrowing;
2. Purchase the securities or other obligations of any one issuer if, immediately after such purchase, more than 5% of the value of the Fund's total assets would be invested in securities or other obligations of any one such issuer; provided, however, that the Fund may invest all or part of its investable assets in an open-end management investment company with the same investment objective and restrictions as the Fund's. This limitation shall not apply to securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities or to permitted investments of up to 25% of the Fund's total assets;
3. Purchase the securities of an issuer if, immediately after such purchase, the Fund owns more than 10% of the outstanding voting securities of such issuer; provided, however, that the Fund may invest all or part of its investable assets in an open-end management investment company with the same investment objective and restrictions

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as the Fund's. This limitation shall not apply to permitted investments of up to 25% of the Fund's total assets;

4. Purchase the securities or other obligations of issuers conducting their principal business activity in the same industry if, immediately after such purchase, the value of its investments in such industry would exceed 25% of the value of the Fund's total assets; provided, however, that the Fund may invest all or part of its investable assets in an open-end management investment company with the same investment objective and restrictions as the Fund's. For purposes of industry concentration, there is no percentage limitation with respect to investments in U.S. Government securities;
5. Make loans, except through the purchase or holding of debt obligations (including restricted securities), or the entering into of repurchase agreements, or loans of portfolio securities in accordance with the Fund's investment objective and policies, see "Additional Investment Information" in the Prospectus and "Investment Objectives and Policies" in this Statement of Additional Information;
6. Purchase or sell puts, calls, straddles, spreads, or any combination thereof, real property, including limited partnership interests, commodities, or commodity contracts, except for the Fund's interests in hedging and foreign exchange activities as described under "Additional Investment Information" in the Prospectus; or interests in oil, gas, mineral or other exploration or development programs or leases. However, the Fund may purchase securities or commercial paper issued by companies that invest in real estate or interests therein including real estate investment trusts;
7. Purchase securities on margin, make short sales of securities, or maintain a short position in securities, except to obtain such short-term credit as necessary for the clearance of purchases and sales of securities, provided that this restriction shall not be deemed to apply to the purchase or sale of when-issued securities or delayed delivery securities;
8. Acquire securities of other investment companies, except as permitted by the 1940 Act;

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9. Act as an underwriter of securities, except insofar as the Fund may be deemed to be an underwriter under the 1933 Act by virtue of disposing of portfolio securities; or
10. Issue any senior security, except as appropriate to evidence indebtedness which the Fund is permitted to incur pursuant to Investment Restriction No. 1. The Fund's arrangements in connection with its hedging activities as described in "Additional Investment Information" in the Prospectus shall not be considered senior securities for purposes hereof.

Unless Sections 8(b)(1) and 13(a) of the 1940 Act, or any SEC or SEC staff interpretations thereof, are amended or modified, the EMERGING MARKETS EQUITY FUND and its corresponding PORTFOLIO may not:

1. Purchase any security if, as a result, more than 25% of the value of the Fund's total assets would be invested in securities of issuers having their principal business activities in the same industry. This limitation shall not apply to obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities;
2. Borrow money, except that the Fund may (i) borrow money from banks for temporary or emergency purposes (not for leveraging purposes) and (ii) enter into reverse repurchase agreements for any purpose; provided that (i) and (ii) in total do not exceed 33 1/3% of the value of the Fund's total assets (including the amount borrowed) less liabilities (other than borrowings). If at any time any borrowings come to exceed 33 1/3% of the value of the Fund's total assets, the Fund will reduce its borrowings within three business days to the extent necessary to comply with the 33 1/3% limitation;
3. With respect to 75% of its total assets, purchase any security if, as a result, (a) more than 5% of the value of the Fund's total assets would be invested in securities or other obligations of any one issuer; or (b)

the Fund would hold more than 10% of the outstanding voting securities of that issuer. This limitation shall not apply to Government securities (as defined in the 1940 Act);

4. Make loans to other persons, except through the purchase of debt obligations, loans of portfolio securities, and participation in repurchase agreements;
5. Purchase or sell physical commodities or contracts thereon, unless acquired as a result of the ownership of securities or instruments, but the Fund may purchase or sell futures contracts or options (including options on futures contracts, but excluding options or futures contracts on physical commodities) and may enter into foreign currency forward contracts;
6. Purchase or sell real estate, but the Fund may purchase or sell securities that are secured by real estate or issued by companies (including real estate investment trusts) that invest or deal in real estate;

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7. Underwrite securities of other issuers, except to the extent the Fund, in disposing of portfolio securities, may be deemed an underwriter within the meaning of the 1933 Act;
8. Issue senior securities, except as permitted under the 1940 Act or any rule, order or interpretation thereunder; and
9. Notwithstanding any other investment restriction of the Fund, the Fund may invest all of its investable assets in an open-end management investment company having the same investment objective and restrictions as the Fund.

NON-FUNDAMENTAL INVESTMENT RESTRICTIONS - TAX EXEMPT MONEY MARKET FUND AND TREASURY MONEY MARKET FUND. The investment restriction described below is not a fundamental policy of these Funds or their corresponding Portfolios and may be changed by their respective Trustees. This non-fundamental investment policy requires that each such Fund may not:

(i) acquire any illiquid securities, such as repurchase agreements with more than seven days to maturity or fixed time deposits with a duration of over seven calendar days, if as a result thereof, more than 10% of the market value of the Fund's total assets would be in investments that are illiquid.

NON-FUNDAMENTAL INVESTMENT RESTRICTIONS - SHORT TERM BOND FUND, TAX EXEMPT BOND FUND, BOND FUND, EQUITY FUND, CAPITAL APPRECIATION FUND, INTERNATIONAL EQUITY FUND AND DIVERSIFIED FUND. The investment restriction described below is not a fundamental policy of these Funds or their corresponding Portfolios and may be changed by their respective Trustees. This non-fundamental investment policy requires that each such Fund may not:

(i) acquire any illiquid securities, such as repurchase agreements with more than seven days to maturity or fixed time deposits with a duration of over seven calendar days, if as a result thereof, more than 15% of the market value of the Fund's total assets would be in investments that are illiquid.

NON-FUNDAMENTAL INVESTMENT RESTRICTIONS - NEW YORK TOTAL RETURN BOND FUND. The investment restrictions described below are not fundamental policies of the New York Total Return Bond Fund and its corresponding Portfolio and may be changed by their Trustees. These non-fundamental investment policies require that the New York Total Return Bond Fund and its corresponding Portfolio may not:

(i) Acquire securities of other investment companies, except as permitted by the 1940 Act or any rule, order or interpretation thereunder, or in connection with a merger, consolidation, reorganization, acquisition of assets or an offer of exchange;

(ii) Acquire any illiquid securities, such as repurchase agreements with more than seven days to maturity or fixed time deposits with a duration of over seven calendar days, if as a result thereof, more than 15% of the market value of the Fund's total assets would be in investments that are illiquid;

(iii) Sell any security short, unless it owns or has the right to obtain securities equivalent in kind and amount to the securities sold or unless it covers such short sales as required by the current rules or positions of the SEC or its staff. Transactions in futures contracts and options shall not constitute selling securities short; or

(iv) Purchase securities on margin, but the Fund may obtain such short term credits as may be necessary for the clearance of transactions.

NON-FUNDAMENTAL INVESTMENT RESTRICTIONS - INTERNATIONAL EQUITY FUND AND DIVERSIFIED FUND. The investment restrictions described below are not fundamental policies of these Funds or their corresponding Portfolios and may be changed by their respective Trustees. These non-fundamental investment policies require that each such Fund may not:

(i) purchase any equity security if, as a result, the Fund would then have more than 5% of its total assets invested in securities of companies (including predecessors) that have been in continuous operation for fewer than three years;

(ii) invest in warrants (other than warrants acquired by the Fund as part of a unit or attached to securities at the time of purchase) if, as a result, the investments (valued at the lower of cost or market) would exceed 5% of the value of the Fund's net assets or if, as a result, more than 2% of the Fund's net assets would be invested in warrants not listed on a recognized U.S. or foreign stock exchange, to the extent permitted by applicable state securities laws; or

(iii) invest in any securities issued by an issuer any of whose officers, directors, trustees or security holders is an officer or Trustee of the Trust, or is an officer of the Investment Advisor, if after the Portfolio's purchase of the securities of such issuer, one or more of such persons owns beneficially more than 1/2 of 1% of the shares or securities, or both, all taken at market value, of such issuer, and such persons owning more than 1/2 of 1% of such shares or securities together own beneficially more than 5% of such shares or securities, or both, all taken at market value.

NON-FUNDAMENTAL INVESTMENT RESTRICTIONS - EQUITY FUND AND CAPITAL APPRECIATION FUND. The investment restrictions described below are not fundamental policies of these Funds or their corresponding Portfolios and may be changed by their respective Trustees. These non-fundamental investment policies require that each such Fund may not:

(i) invest in warrants (other than warrants acquired by the Fund as part of a unit or attached to securities at the time of purchase) if, as a result, the investments (valued at the lower of cost or market) would exceed 5% of the value of the Fund's net assets or if, as a result, more than 2% of the Fund's net assets would be invested in warrants not listed on a recognized U.S. or foreign stock exchange, to the extent permitted by applicable state securities laws; or

(ii) invest in any securities issued by an issuer any of whose officers, directors, trustees or security holders is an officer or Trustee of the Trust, or is an officer of the Investment Advisor, if after the Portfolio's purchase of the securities of such issuer, one or more of such persons owns beneficially more than 1/2 of 1% of the shares or securities, or both, all taken at market value, of such issuer, and such persons owning more than 1/2 of 1% of such shares or securities together own beneficially more than 5% of such shares or securities, or both, all taken at market value.

NON-FUNDAMENTAL INVESTMENT RESTRICTIONS - EQUITY FUND, CAPITAL APPRECIATION FUND AND DIVERSIFIED FUND. The investment restrictions described below are not fundamental policies of these Funds or their corresponding Portfolios and may be changed by their respective Trustees. These non-fundamental investment policies require that each such Fund may not:

(i) invest in real estate limited partnership interests; or

(ii) invest in oil, gas or other mineral leases.

NON-FUNDAMENTAL INVESTMENT RESTRICTIONS - EMERGING MARKETS EQUITY FUND.

The investment restrictions described below are not fundamental policies of the Emerging Markets Equity Fund and its corresponding Portfolio and may be changed by their Trustees. These non-fundamental investment policies require that the Emerging Markets Equity Fund and its corresponding Portfolio may not:

(i) Acquire securities of other investment companies, except as permitted by the 1940 Act or any rule, order or interpretation thereunder, or in connection with a merger, consolidation, reorganization, acquisition of assets or an offer of exchange;

(ii) Acquire any illiquid securities, such as repurchase agreements with more than seven days to maturity or fixed time deposits with a duration of over seven calendar days, if as a result thereof, more than 15% of the market value of the Fund's total assets would be in investments that are illiquid;

(iii) Purchase any security if, as a result, the Fund would then have more than 5% of its total assets invested in securities of companies (including predecessors) that have been in continuous operation for fewer than three years;

(iv) Invest in warrants (other than warrants acquired by the Fund as part of a unit or attached to securities at the time of purchase) if, as a result, the investments (valued at the lower of cost or market) would exceed 5% of the value of the Fund's net assets or if, as a result, more than 2% of the Fund's net assets would be invested in warrants not listed on a recognized U.S. or foreign stock exchange, to the extent permitted by applicable state securities laws;

(v) Sell any security short, unless it owns or has the right to obtain securities equivalent in kind and amount to the securities sold or unless

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it covers such short sales as required by the current rules or positions of the SEC or its staff. Transactions in futures contracts and options shall not constitute selling securities short;

(vi) Purchase securities on margin, but the Fund may obtain such short term credits as may be necessary for the clearance of transactions;

(vii) Purchase or retain securities of any issuer if, to the knowledge of the Fund, any of the Fund's officers or Trustees or any officer of the Portfolio's investment adviser individually owns more than 1/2 of 1% of the issuer's outstanding securities and such persons owning more than 1/2 of 1% of such securities together beneficially own more than 5% of such securities, all taken at market; or

(viii) Invest in real estate limited partnerships or purchase interests in oil, gas or mineral exploration or development programs or leases.

ALL FUNDS. There will be no violation of any investment restriction if that restriction is complied with at the time the relevant action is taken notwithstanding a later change in market value of an investment, in net or total assets, in the securities rating of the investment, or any other later change.

TRUSTEES AND OFFICERS

The Trustees of the Trust, who are also the Trustees of each of the Portfolios, their business addresses, and their principal occupations during the past five years are set forth below.

TRUSTEES

FREDERICK S. ADDY--Trustee; Retired; Executive Vice President and Chief Financial Officer from January 1990 to April 1994, Amoco Corporation; Director, Ensearch Corp. (natural gas), since 1994. His address is 19129 RR 2147 W. Horseshoe Bay, TX 78654.

WILLIAM G. BURNS--Trustee; Retired; Limited Partner, Galen Partners L.P. and Vice Chairman, Galen Associates, since 1990; Chief Executive Officer, Galen

Associates and General Partner, Galen Partners L.P., until 1991. His address is 4241 S.W. Parkgate Blvd., Palm City, FL 34990.

ARTHUR C. ESCHENLAUER--Trustee; Retired; Senior Vice President, Morgan Guaranty Trust Company of New York until 1987. His address is 14 Alta Vista Drive, RD #2, Princeton, NJ 08540.

MATTHEW HEALEY (*)--Trustee; Chairman and Chief Executive Officer, The Pierpont Funds and The JPM Institutional Funds; Chairman, Pierpont Group, Inc., since 1989; Chairman and Chief Executive Officer, Execution Services, Inc. until October 1991. His address is Pine Tree Club Estates, 10286 Saint Andrew Road, Boynton Beach, FL 33436.

MICHAEL P. MALLARDI--Trustee; Senior Vice President, Capital Cities/ABC, Inc., President, Broadcast Group, since 1986. His address is 77 West 66th Street, New York, NY 10017.

(*) Mr. Healey is an "interested person" of the Trust and each Portfolio as that term is defined in the 1940 Act.

The Trustees of the Trust are the same as the Trustees of each of the Portfolios. In accordance with applicable state requirements, a majority of the disinterested Trustees have adopted written procedures reasonably appropriate to deal with potential conflicts of interest arising from the fact that the same individuals are Trustees of the Trust, each of the Portfolios and The JPM Institutional Funds, up to and including creating a separate board of trustees.

Each Trustee is paid an annual fee as follows for serving as Trustee of the Trust, each of the Portfolios, The Series Portfolio, and The JPM Institutional Funds, and is reimbursed for expenses incurred in connection with service as a Trustee. The compensation paid to the Trustees in calendar 1994 is set forth below. The Trustees may hold various other directorships unrelated to these funds.

<TABLE>
<CAPTION>

	AGGREGATE COMPENSATION FROM THE TRUST DURING 1994 -----	PENSION OR RETIREMENT BENEFITS ACCRUED AS PART OF FUND EXPENSES -----	ESTIMATED ANNUAL BENEFITS UPON RETIREMENT -----	TOTAL COMPENSATION FROM THE TRUST, THE JPM INSTITUTIONAL FUNDS AND CORRESPONDING PORTFOLIOS PAID TO TRUSTEES DURING 1994 -----
<S>	<C>	<C>	<C>	<C>
Frederick S. Addy, Trustee	\$21,721	None	None	\$55,000
William G. Burns, Trustee	\$21,721	None	None	\$55,000
Arthur C. Eschenlauer, Trustee	\$21,721	None	None	\$55,000
Matthew Healey, Trustee (*), Chairman and Chief Executive Officer	\$21,721	None	None	\$55,000
Michael P. Mallardi, Trustee	\$21,721	None	None	\$55,000

<FN>

(*) During 1994, Pierpont Group, Inc. paid Mr. Healey, in his role as Chairman of Pierpont Group, Inc., compensation in the amount of \$130,000, contributed \$19,500 to a defined contribution plan on his behalf and paid \$20,000 in insurance premiums for his benefit.

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As of April 1, 1995 the annual fee paid to each Trustee for serving as a Trustee of the Trust each of the Portfolios, The Series Portfolio and The JPM Institutional Funds was adjusted to \$65,000.

The Trustees , in addition to reviewing actions of the Trust's and the

Portfolios' various service providers, decide upon matters of general policy. On January 15, 1994 each of the Portfolios and the Trust entered into a Fund Services Agreement with Pierpont Group, Inc. to assist the Trustees in exercising their overall supervisory responsibilities over the affairs of the

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Portfolios and the Trust. Pierpont Group, Inc. was organized in July 1989 to provide services for The Pierpont Family of Funds, and the Trustees are the equal and sole shareholders of Pierpont Group, Inc. The Trust and the Portfolios have agreed to pay Pierpont Group, Inc. a fee in an amount representing its reasonable costs in performing these services. These costs are periodically reviewed by the Trustees.

The aggregate fees paid to Pierpont Group, Inc. by each Fund and its corresponding Portfolio during their respective fiscal years completed after January 15, 1994 are set forth below:

MONEY MARKET FUND--For the fiscal year ended November 30, 1994: \$302,195. THE MONEY MARKET PORTFOLIO--For the fiscal year ended November 30, 1994: \$246,089.

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TAX EXEMPT MONEY MARKET FUND -- For the fiscal year ended August 31, 1994: \$175,737.
THE TAX EXEMPT MONEY MARKET PORTFOLIO -- For the fiscal year ended August 31, 1994: \$79,046.

TREASURY MONEY MARKET FUND -- For the fiscal year ended October 31, 1994: \$16,086.
THE TREASURY MONEY MARKET PORTFOLIO -- For the fiscal year ended October 31, 1994: \$17,104.

SHORT TERM BOND -- For the fiscal year ended October 31, 1994: \$952. THE SHORT TERM BOND PORTFOLIO -- For the fiscal year ended October 31, 1994: \$4,545.

TAX EXEMPT BOND FUND -- For the fiscal year ended August 31, 1994: \$80,810. THE TAX EXEMPT BOND PORTFOLIO -- For the fiscal year ended August 31, 1994: \$35,243.

NEW YORK TOTAL RETURN BOND FUND -- For the period April 11, 1994 through March 31, 1995: \$2,847. THE NEW YORK TOTAL RETURN BOND PORTFOLIO -- For the period April 11, 1994 through March 31, 1995: \$4,140.

BOND FUND -- For the fiscal year ended October 31, 1994: \$15,491. THE U.S. FIXED INCOME PORTFOLIO -- For the fiscal year ended October 31, 1994: \$23,028.

EQUITY FUND -- For the period July 19, 1993 through May 31, 1994: \$48,660. THE SELECTED U.S. EQUITY PORTFOLIO -- For the period July 19, 1993 through May 31, 1994: \$20,385.

CAPITAL APPRECIATION FUND -- For the period July 19, 1993 through May 31, 1994: \$47,244.
THE U.S. SMALL COMPANY PORTFOLIO -- For the period July 19, 1993 through May 31, 1994: \$33,435.

INTERNATIONAL EQUITY FUND -- For the fiscal year ended October 31, 1994: \$27,503.
THE NON-U.S. EQUITY PORTFOLIO -- For the fiscal year ended October 31, 1994: \$32,512.

EMERGING MARKETS EQUITY FUND -- For the fiscal year ended October 31, 1994:

\$4,331.
THE EMERGING MARKETS EQUITY PORTFOLIO -- For the fiscal year ended October 31,
1994: \$42,764.

DIVERSIFIED FUND -- For the period July 8, 1993 through June 30, 1994: \$247. THE
DIVERSIFIED PORTFOLIO -- For the period July 8, 1993 through June 30, 1994:
\$3,434.

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The Trust's and Portfolios' executive officers (listed below), other than the Chief Executive Officer, are provided and compensated by Signature Broker- Dealer Services, Inc. ("SBDS"), a wholly owned subsidiary of Signature Financial Group, Inc. ("Signature"). The officers conduct and supervise the business operations of the Trust and the Portfolios. The Trust and the Portfolios have no employees.

OFFICERS

The officers of the Trust and the Portfolios and their principal occupations during the past five years are set forth below. Unless otherwise specified, each officer holds the same position with the Trust and each Portfolio. The business address of each of the officers unless otherwise noted is Signature Broker-Dealer Services, Inc., 6 St. James Avenue, Boston, Massachusetts 02116.

MATTHEW HEALEY; Chief Executive Officer; Chairman, Pierpont Group, Inc., since 1989; Chairman and Chief Executive Officer, Execution Services, Inc. until October 1991. His address is Pine Tree Club Estates, 10286 Saint Andrews Road, Boynton Beach, FL 33436.

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PHILIP W. COOLIDGE; President; Chairman, Chief Executive Officer and President, Signature since December 1988 and SBDS since April 1989.

JAMES B. CRAVER; Treasurer and Secretary; Senior Vice President and General Counsel, Signature since January 1991; Secretary, SBDS since February 1991; Partner, Baker & Hostetler prior to January 1991.

DAVID G. DANIELSON; Assistant Treasurer; Assistant Manager, Signature since May 1991; Graduate Student, Northeastern University from April 1990 to March 1991.

LINDA T. GIBSON; Assistant Secretary; Legal Counsel and Assistant Secretary, Signature since June 1991; Assistant Secretary, SBDS since November 1992; law student, Boston University School of Law prior to May 1992.

JAMES E. HOOLAHAN; Vice President; Senior Vice President, Signature since December 1989.

SUSAN JAKUBOSKI; Assistant Secretary and Assistant Treasurer of the Portfolios only; Manager and Senior Fund Administrator, SFG and Signature (Cayman) (since August 1994); Assistant Treasurer, SBDS (since September 1994); Fund Compliance Administrator, Concord Financial Group, Inc. (from November 1990 to August 1994); Senior Fund Accountant, Neuberger & Berman Management

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Incorporated (since prior to 1990). Her address is P.O. Box 2494, Elizabethan Square, George Town, Grand Cayman, Cayman Islands, B.W.I.

JAMES S. LELKO; Assistant Treasurer; Assistant Manager, Signature since January 1993; Senior Tax Compliance Accountant, Putnam Companies since prior to December 1992.

THOMAS M. LENZ; Assistant Secretary; Vice President and Associate General Counsel, Signature since November 1989; Assistant Secretary, SBDS since February 1991.

MOLLY S. MUGLER; Assistant Secretary; Legal Counsel and Assistant Secretary, Signature since December 1988; Assistant Secretary, SBDS since April 1989.

ANDRES E. SALDANA; Assistant Secretary; Legal Counsel and Assistant Secretary, Signature since November 1992; Assistant Secretary, SBDS since September 1993; Attorney, Ropes & Gray from September 1990 to November 1992.

DANIEL E. SHEA; Assistant Treasurer; Assistant Manager of Fund Administration, Signature since November 1993; Supervisor and Senior Technical Advisor, Putnam Investments since prior to 1990.

Messrs. Coolidge, Craver, Danielson, Hoolahan, Lelko, Lenz, Saldana and Shea and Mss. Gibson, Mugler and Jakuboski hold similar positions for other investment companies for which SBDS or an affiliate serves as principal underwriter.

INVESTMENT ADVISOR

The investment advisor to the Portfolios is Morgan Guaranty Trust Company of New York, a wholly-owned subsidiary of J.P. Morgan & Co. Incorporated ("J.P. Morgan"), a bank holding company organized under the laws of the State of Delaware. Morgan, whose principal offices are at 60 Wall Street, New York, New York 10260, is a New York trust company which conducts a general banking and trust business. Morgan is subject to regulation by the New York State Banking Department and is a member bank of the Federal Reserve System. Through offices in New York City and abroad, Morgan offers a wide range of services, primarily to governmental, institutional, corporate and high net worth individual customers in the United States and throughout the world.

J.P. Morgan, through the Advisor and other subsidiaries, acts as investment advisor to individuals, governments, corporations, employee benefit plans, mutual funds and other institutional investors with combined assets under management of \$150 billion (of which the Advisor advises over \$30 billion).

J.P. Morgan has a long history of service as adviser, underwriter and lender to an extensive roster of major companies and as a financial advisor to national governments. The firm, through its predecessor firms, has been in business for over a century and has been managing investments since 1913.

The basis of Morgan's investment process is fundamental investment research as the firm believes that fundamentals should determine an asset's value over the long term. J.P. Morgan currently employs over 100 full time research analysts, among the largest research staffs in the money management industry, in its investment management divisions located in New York, London, Tokyo, Frankfurt, Melbourne and Singapore to cover companies, industries and countries on site. In addition, the investment management divisions employ approximately 300 capital market researchers, portfolio managers and traders. The conclusions of the equity analysts' fundamental research is quantified into a set of projected returns for individual companies through the use of a dividend discount model. These returns are projected for 2 to 5 years to enable analysts to take a longer term view. These returns, or normalized earnings, are used to establish relative values among stocks in each industrial sector. These values may not be the same as the markets' current valuations of these companies. This provides the basis of ranking the attractiveness of the companies in an industry according to five distinct quintiles or rankings. This

ranking is one of the factors considered in determining the stocks purchased and sold in each sector. The Advisor's fixed income investment process is based on analysis of real rates, sector diversification and quantitative and credit analysis.

The investment advisory services the Advisor provides to the Portfolios are not exclusive under the terms of the Advisory Agreements. The Advisor is free to and does render similar investment advisory services to others. The Advisor serves as investment advisor to personal investors and other investment companies and acts as fiduciary for trusts, estates and employee benefit plans. Certain of the assets of trusts and estates under management are invested in common trust funds for which the Advisor serves as trustee. The accounts which are managed or advised by the Advisor have varying investment objectives and the Advisor invests assets of such accounts in investments substantially similar to, or the same as, those which are expected to constitute the principal investments of the Portfolios. Such accounts are supervised by officers and employees of the Advisor who may also be acting in similar capacities for the Portfolios. See "Portfolio Transactions".

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Sector weightings are generally similar to a fund's benchmark with the emphasis on security selection as the method to achieve investment performance superior to the benchmark. The benchmarks for the Portfolios in which the Funds invest are currently: The Money Market Portfolio and The Treasury Money Market Portfolio--IBC/Donoghue's Money Fund Average; The Tax Exempt Money Market Portfolio--IBC/Donoghue's Tax Exempt Money Fund Average; The Short Term Bond Portfolio--Merrill Lynch 1-3 Year Treasury Index; The U.S. Fixed Income Portfolio--Salomon Brothers Broad Investment Grade Bond Index; The Tax Exempt Bond Portfolio--Lehman Brothers Quality Intermediate Municipal Bond Index; The New York Total Return Bond Portfolio--Lehman Brothers 1-15 Year Municipal Bond Index; The Selected U.S. Equity Portfolio--S&P 500 Index; The U.S. Small Company Portfolio--Russell 2500 Index; The Non-U.S. Equity Portfolio--EAFE Index; The Emerging Markets Equity Portfolio--IFC Emerging Markets Index; The Diversified Portfolio--diversified benchmark (52% S&P 500, 35% Solomon Brothers Broad Investment Grade Bond, 3% Russell 2000 and 10% EAFE indexes).

J.P. Morgan Investment Management Inc., a wholly-owned subsidiary of J.P. Morgan, is a registered investment adviser under the Investment Advisers Act of 1940, as amended, which manages employee benefit funds of corporations, labor unions and state and local governments and the accounts of other institutional investors, including investment companies. Certain of the assets of employee benefit accounts under its management are invested in commingled pension trust funds for which the Advisor serves as trustee. J.P. Morgan Investment Management Inc. advises the Advisor on investment of the commingled pension trust funds.

The Portfolios are managed by officers of the Advisor who, in acting for their customers, including the Portfolios, do not discuss their investment decisions with any personnel of J.P. Morgan or any personnel of other divisions of the Advisor or with any of its affiliated persons, with the exception of J.P. Morgan Investment Management Inc. See "Portfolio Transactions" below for a description of services provided to the Portfolios by J.P. Morgan Investment Management Inc.

As compensation for the services rendered and related expenses such as salaries of advisory personnel borne by the Advisor under the Advisory Agreements, the Portfolio corresponding to each Fund has agreed to pay the Advisor a fee, which is computed daily and may be paid monthly, equal to the annual rates of each Portfolio's average daily net assets shown below.

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MONEY MARKET: 0.20% of net assets up to \$1 billion and 0.10% of net assets in excess of \$1 billion

TAX EXEMPT MONEY MARKET: 0.20% of net assets up to \$1 billion and 0.10% of net assets in excess of \$1 billion

TREASURY MONEY MARKET: 0.20% of net assets up to \$1 billion and 0.10% of net

assets in excess of \$1 billion

SHORT TERM BOND: 0.25%

U.S. FIXED INCOME: 0.30%

TAX EXEMPT BOND: 0.30%

NEW YORK TOTAL RETURN BOND: 0.30%

SELECTED U.S. EQUITY: 0.40%

U.S. SMALL COMPANY: 0.60%

NON-U.S. EQUITY: 0.60%

EMERGING MARKETS EQUITY: 1.00%

DIVERSIFIED: 0.55%

The table below sets forth for the predecessor of each Fund listed below (for the indicated fiscal years) the advisory fees, net of fee waivers and reimbursements, paid by the Fund (expressed as an aggregate amount of the Fund's average daily net assets) and the advisory fees waived or reimbursed by Morgan for the Fund (expressed as an aggregate amount), in each case prior to such Fund's reorganization. See "Expenses" in the Prospectus and below for applicable expense limitations.

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Money Market: Nov. 1993 - net amount paid: \$2,244,381; amount waived: \$0.

Money Market: Nov. 1992 - net amount paid: \$3,999,028; amount waived: \$0.

Tax Exempt Money Market: Aug. 1993 - net amount paid: \$1,688,141; amount waived: \$0.

Tax Exempt Money Market: Aug. 1992 - net amount paid: \$1,905,283; amount waived: \$0.

Bond: Oct. 1993 - net amount paid: \$149,804; amount waived: \$25,312.

Bond: Oct. 1992 - net amount paid: \$129,227; amount waived: \$60,229.

Tax Exempt Bond: Aug. 1993 - net amount paid: \$1,035,734; amount waived: \$0.

Tax Exempt Bond: Aug. 1992 - net amount paid: \$930,500; amount waived: \$0.

Equity: May 1993 - net amount paid: \$485,214; amount waived: \$51,158.

Equity: May 1992 - net amount paid: \$194,191; amount waived: \$71,129.

Capital Appreciation: May 1993 - net amount paid: \$434,662; amount waived: \$29,585.

Capital Appreciation: May 1992 - net amount paid: \$214,269; amount waived: \$45,442.

International Equity: May 1993 - net amount paid: \$359,813; amount waived: \$27,018.

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International Equity: May 1992 - net amount paid: \$95,439; amount waived: \$82,266.

Below are set forth for each Fund listed the advisory fees paid by its corresponding Portfolio to Morgan following the Fund's reorganization or

commencement of operations and its corresponding Portfolio's commencement of operations. See "Expenses" in the Prospectus and below for applicable expense limitations.

THE MONEY MARKET PORTFOLIO (Money Market Fund)--For the period July 12, 1993 (commencement of operations) through November 30, 1993: \$1,370,552. For the fiscal year ended November 30, 1994: \$3,423,576.

THE TAX EXEMPT MONEY MARKET PORTFOLIO (Tax Exempt Money Market Fund)--For the period July 12, 1993 (commencement of operations) through August 31, 1993: \$271,454. For the for the fiscal year ended August 31, 1994: \$2,021,476.

THE TREASURY MONEY MARKET PORTFOLIO (Treasury Money Market Fund)--For the period January 4, 1993 (commencement of operations) through October 31, 1993: \$93,370. For the fiscal year ended October 31, 1994: \$339,521.

THE SHORT TERM BOND PORTFOLIO (Short Term Bond Fund)--For the period July 8, 1993 (commencement of operations) through October 31, 1993: \$10,427. For the fiscal year ended October 31, 1994: \$113,379.

THE U.S. FIXED INCOME PORTFOLIO (Bond Fund)--For the period July 12, 1993 (commencement of operations) through October 31, 1993: \$119,488. For the fiscal year ended October 31, 1994: \$699,081.

THE TAX EXEMPT BOND PORTFOLIO (Tax Exempt Bond Fund)--For the period July 12, 1993 (commencement of operations) through August 31, 1993: \$200,272. For the fiscal year ended August 31, 1994: \$1,383,986.

THE NEW YORK TOTAL RETURN BOND PORTFOLIO (New York Total Return Bond Fund) -- For the period April 11, 1994 (commencement of operations) through March 31, 1995: \$120,281.

THE SELECTED U.S. EQUITY PORTFOLIO (Equity Fund)--For the period July 19, 1993 (commencement of operations) through May 31, 1994: \$1,263,048.

THE U.S. SMALL COMPANY PORTFOLIO (Capital Appreciation Fund)--For the period July 19, 1993 (commencement of operations) through May 31, 1994: \$2,912,670.

THE NON-U.S. EQUITY PORTFOLIO (International Equity Fund)--For the period October 4, 1993 (commencement of operations) through October 31, 1993: \$78,550. For the fiscal year ended October 31, 1994: \$1,911,202.

THE EMERGING MARKETS EQUITY PORTFOLIO (Emerging Markets Equity Fund)--For the period November 15, 1993 (commencement of operations) through October 31, 1994: \$4,122,465.

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THE DIVERSIFIED PORTFOLIO (Diversified Fund)--For the period December 15, 1993 (commencement of operations) through June 30, 1994: \$197,026.

The Investment Advisory Agreements provide that they will continue in effect for a period of two years after execution only if specifically approved thereafter annually in the same manner as the Distribution Agreement. See "Administrator and Distributor" below. Each of the Investment Advisory Agreements will terminate automatically if assigned and is terminable at any time without penalty by a vote of a majority of the Portfolio's Trustees or by a vote of the holders of a majority of the Portfolio's outstanding voting securities on 60 days' written notice to the Advisor and by the Advisor on 90 days' written notice to the Portfolio. See "Additional Information".

The Glass-Steagall Act and other applicable laws generally prohibit banks such as Morgan from engaging in the business of underwriting or distributing securities, and the Board of Governors of the Federal Reserve System has issued an interpretation to the effect that under these laws a bank holding company registered under the federal Bank Holding Company Act or certain subsidiaries thereof may not sponsor, organize, or control a registered open-end investment company continuously engaged in the issuance of its shares, such as the Trust. The interpretation does not prohibit a holding company or a subsidiary thereof from acting as investment advisor and custodian to such an investment company. Morgan believes that it may perform the services for the Portfolios contemplated by the Advisory Agreements without violation of the Glass-Steagall Act or other applicable banking laws or regulations. State laws on this issue may differ from the interpretation of relevant federal law, and banks and financial institutions may be required to register as dealers pursuant

to state securities laws. However, it is possible that future changes in either federal or state statutes and regulations concerning the permissible activities of banks or trust companies, as well as further judicial or administrative decisions and interpretations of present and future statutes and regulations, might prevent Morgan from continuing to perform such services for the Portfolios.

If Morgan were prohibited from acting as investment advisor to any Portfolio, it is expected that the Trustees of the Portfolio would recommend to investors that they approve the Portfolio's entering into a new investment advisory agreement with another qualified investment advisor selected by the Trustees.

Morgan also receives compensation from the Trust and the Portfolios in its capacity as Services Agent to them (see "Services Agent") and receives compensation from the Fund as shareholder servicing agent (see "Shareholder Servicing").

ADMINISTRATOR AND DISTRIBUTOR

SBDS serves as the Trust's exclusive Distributor and holds itself available to receive purchase orders for each Fund's shares. In that capacity, SBDS has been granted the right, as agent of the Trust, to solicit and accept orders for the purchase of each Fund's shares in accordance with the terms of the

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Distribution Agreement between the Trust and SBDS. The Distribution Agreement shall continue in effect with respect to each Fund for a period of two years after execution only if it is approved at least annually thereafter (i) by a vote of the holders of a majority of the Fund's outstanding shares or by its Trustees and (ii) by a vote of a majority of the Trustees of the Trust who are not "interested persons" (as defined by the 1940 Act) of the parties to the Distribution Agreement, cast in person at a meeting called for the purpose of voting on such approval (see "Trustees and Officers"). The Distribution Agreement will terminate automatically if assigned by either party thereto and is terminable at any time without penalty by a vote of a majority of the Trustees of the Trust, a vote of a majority of the Trustees who are not "interested persons" of the Trust, or by a vote of the holders of a majority of the Fund's outstanding shares as defined under "Additional Information", in any case without payment of any penalty on not more than 60 days' nor less than 30 days' written notice to the other party. The principal office of SBDS is located at 6 St. James Avenue, Boston, Massachusetts 02116.

SBDS also serves as the Trust's and the Portfolios' Administrator and in that capacity administers and manages all aspects of the Funds' and the Portfolios' day-to-day operations subject to the supervision of the Trustees, except as set forth under Investment Advisor, Services Agent, Custodian, and Shareholder Services. In connection with its responsibilities as Administrator, SBDS (i) furnishes ordinary clerical and related services for day-to-day operations including certain record keeping responsibilities; (ii) takes responsibility for compliance with all applicable federal and state securities and other regulatory requirements including, without limitation, preparing and mailing and filing (but not paying for) registration statements, prospectuses, statements of additional information, and proxy statements and all required reports to the Trust's shareholders, the SEC, the Secretary of The Commonwealth of Massachusetts, and state securities commissions (but not the Trust's federal and state tax returns); (iii) is responsible for the registration of sufficient Fund shares under federal and state securities laws; (iv) takes responsibility for monitoring each Fund's status as a regulated investment company under the Code; and (v) performs such administrative and managerial oversight of the activities of the Trust's and the Portfolios' custodian and transfer agent as the Trustees may direct from time to time.

Under the Trust's Administration Agreement, the annual administration fee rate is calculated based on the aggregate daily net assets of The Pierpont Funds, as well as The JPM Institutional Funds and The JPM Advisor Funds, which are two other families of mutual funds investing in the Portfolios. The fee rate is calculated daily in accordance with the following schedule: 0.040% of the first \$1 billion of these funds' aggregate daily net assets, 0.032% of the next \$2 billion of these funds' aggregate daily net assets, 0.024% of the next \$2 billion of these funds' aggregate daily net assets and 0.016% of these funds' aggregate daily net assets in excess of \$5 billion. This fee rate is then applied to the net assets of each Fund. The Administrator may voluntarily waive a portion of its fees.

Under the Portfolios' Administration Agreements, the annual administration fee rate is calculated based on the aggregate average daily net assets of the Portfolios, as well as all of the other portfolios in which series of The Pierpont Funds and the JPM Advisor Funds invest. The fee rate is calculated daily in accordance with the following schedule: 0.010% of the first \$1 billion of these Portfolios' aggregate daily net assets, 0.008% of the next \$2 billion of these Portfolios' aggregate daily net assets, 0.006% of the next \$2 billion of these Portfolios' aggregate daily net assets and 0.004% of these Portfolios' aggregate daily net assets in excess of \$5 billion. This fee rate is then applied to the net assets of each Portfolio. The Administrator may voluntarily waive a portion of its fees.

Below are set forth for each Fund listed and its corresponding Portfolio the administrative fees paid to the Administrator for the fiscal periods indicated following each Fund's reorganization or commencement of operations and its corresponding Portfolio's commencement of operations. See "Expenses" in the Prospectus and below for applicable expense limitations.

THE MONEY MARKET PORTFOLIO--For the period July 12, 1993 (commencement of operations) through November 30, 1993: \$32,869. For the fiscal year ended November 30, 1994: \$165,519.

MONEY MARKET FUND--For the period July 12, 1993 (commencement of operations) through November 30, 1993: \$341,591. For the fiscal year ended November 30, 1994: \$631,683.

THE TAX EXEMPT MONEY MARKET PORTFOLIO--For the period July 12, 1993 (commencement of operations) through August 31, 1993: \$0. For the fiscal year ended August 31, 1994: \$62,565.

TAX EXEMPT MONEY MARKET FUND--For the period July 12, 1993 (commencement of operations) through August 31, 1993: \$51,665. For the fiscal year ended August 31, 1994: \$306,768.

THE TREASURY MONEY MARKET PORTFOLIO--For the period January 4, 1993 (commencement of operations) through October 31, 1993: \$677. For the fiscal year ended October 31, 1994: \$11,777.

TREASURY MONEY MARKET FUND--For the period January 4, 1993 (commencement of operations) through October 31, 1993: \$17,014. For the fiscal year ended October 31, 1994: \$32,587.

THE SHORT TERM BOND PORTFOLIO--For the period July 8, 1993 (commencement of operations) through October 31, 1993: \$210. For the fiscal year ended October 31, 1994: \$3,149.

SHORT TERM BOND FUND--For the period July 8, 1993 (commencement of operations) through October 31, 1993: \$272. For the fiscal year ended October 31, 1994: \$1,839.

THE U.S. FIXED INCOME PORTFOLIO--For the period July 12, 1993 (commencement of operations) through October 31, 1993: \$950. For the fiscal year ended October 31, 1994: \$16,107.

BOND FUND--For the period July 12, 1993 (commencement of operations) through October 31, 1993: \$10,804. For the fiscal year ended October 31, 1994: \$30,915.

THE TAX EXEMPT BOND PORTFOLIO--For the period July 12, 1993 (commencement of operations) through August 31, 1993: \$0. For the fiscal year ended August 31, 1994: \$28,345.

TAX EXEMPT BOND FUND--For the period July 12, 1993 (commencement of operations) through August 31, 1993: \$25,780. For the fiscal year ended August 31, 1994: \$137,890.

THE NEW YORK TOTAL RETURN BOND PORTFOLIO -- For the period April 11, 1994 (commencement of operations) through March 31, 1995: \$2,563.

NEW YORK TOTAL RETURN BOND FUND -- For the period April 11, 1994 (commencement of operations) through March 31, 1995: \$7,716.

THE SELECTED U.S. EQUITY PORTFOLIO--For the period July 19, 1993 (commencement of operations) through May 31, 1994: \$19,348.

EQUITY FUND--For the period July 19, 1993 (commencement of operations) through May 31, 1994: \$78,201.

THE U.S. SMALL COMPANY PORTFOLIO--For the period July 19, 1993 (commencement of operations) through May 31, 1994: \$30,420.

CAPITAL APPRECIATION FUND--For the period July 19, 1993 (commencement of operations) through May 31, 1994: \$75,401.

THE NON-U.S. EQUITY PORTFOLIO--For the period October 4, 1993 (commencement of operations) through October 31, 1993: \$1,005. For the fiscal year ended October 31, 1994: \$22,024.

INTERNATIONAL EQUITY FUND--For the period October 4, 1993 (commencement of operations) through October 31, 1993: \$3,988. For the fiscal year ended October 31, 1994: \$55,782.

THE EMERGING MARKETS EQUITY PORTFOLIO--For the period November 15, 1993 (commencement of operations) through October 31, 1994: \$30,828.

EMERGING MARKETS EQUITY FUND--For the period November 15, 1993 (commencement of operations) through October 31, 1994: \$11,373.

THE DIVERSIFIED PORTFOLIO--For the period December 15, 1993 (commencement of operations) through June 30, 1994: \$2,423.

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DIVERSIFIED FUND--For the period December 15, 1993 (commencement of operations) through June 30, 1994: \$638.

The Administration Agreements may be renewed or amended by the respective Trustees without a shareholder vote. The Administration Agreements are terminable at any time without penalty by a vote of a majority of the Trustees of the Trust or the Portfolios, as applicable, on not more than 60 days' written notice nor less than 30 days' written notice to the other party. The Administrator may subcontract for the performance of its obligations under the Administration Agreements only if the Trustees approve such subcontract and find the subcontracting party to be qualified to perform the obligations sought to be subcontracted, provided, however, that unless the Trust or the Portfolios, as applicable, expressly agrees in writing, the Administrator shall be fully responsible for the acts and omissions of any subcontractor as it would for its own acts or omissions.

SERVICES AGENT

The Trust, on behalf of each Fund, and the Portfolios have entered into Financial and Fund Accounting Services Agreements with Morgan pursuant to which Morgan provides two types of services to the Funds and the Portfolios. First, Morgan is responsible for certain financial and fund accounting services provided to each Fund and each Portfolio. The services to be provided by Morgan under these agreements include, but are not limited to, monitoring the fund and shareholder accounting activities of the Custodian; assisting the Administrator in preparing tax returns, reviewing financial reports, coordinating annual audits, assisting in the development of budgets, overseeing preparation of tax information for Fund shareholders; monitoring the fund accounting activities and daily partnership allocation; and providing other related services.

Second, Morgan is responsible for the annual costs both to the Funds and to the Portfolios of certain usual and customary expenses incurred by the Funds and the Portfolios (the "expense undertakings"). The expenses covered by the expense undertakings include, but are not limited to, transfer, registrar, and dividend disbursing costs, legal and accounting expenses, the fees of the Administrator, the cost of any liability insurance or fidelity bonds, the compensation and expenses of the Trustees, the expenses of printing and mailing reports, notices, and proxies to Fund shareholders, interest charges, membership dues in the Investment Company Institute, shareholder meeting fees and

registration fees under federal or state securities laws. The Funds and the Portfolios will pay these expenses directly and such amounts will be deducted from the fees to be paid to Morgan under these agreements. If such amounts are more than the amount of Morgan's fees under any of these agreements, Morgan will reimburse the applicable Fund or Portfolio, as appropriate, for such excess amounts.

Under the Trust's Financial and Fund Accounting Services Agreement, the administration and operation expenses of each Fund not covered by the expense undertakings, and for which each Fund is responsible, include the

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fees of Pierpont Group, Inc., shareholder servicing fees, the services agent fee, organization expenses and extraordinary expenses as defined in the agreement, which includes litigation and indemnification expenses and material increases in expenses due to occurrences such as significant increases in the fee schedules of service providers or significant decreases in a Fund's asset level due to changes in tax or other laws or other extraordinary occurrences outside of the ordinary course of a Fund's business. Under the Portfolios' agreements, the administration and operation expenses of the Portfolios not covered by the expense undertakings, and for which the Portfolios are responsible, include the fees of Pierpont Group, Inc., the services agent fee, custodian fees, advisory fees or expenses otherwise incurred in connection with the management and reinvestment of a Portfolio's assets, expenses connected with the execution, recording, and settlement of portfolio security transactions, organization expenses and extraordinary expenses as defined in these agreements (and as set forth above).

The Trust's agreement provides for each Fund to pay Morgan a fee for these services which is computed daily and may be paid monthly at the following annual rates of average daily net assets: Money Market and Tax Exempt Money Market Funds, 0.043%; Treasury Money Market Fund, 0.047%; Bond, Tax Exempt Bond, New York Total Return Bond and Short Term Bond Funds, 0.12% of the first \$100 million and 0.10% thereafter; Equity, Capital Appreciation and Diversified Funds, 0.15% of the first \$100 million and 0.13% thereafter; and International Equity and Emerging Markets Equity Funds, 0.223% of the first \$100 million and 0.2% thereafter. The Portfolios' agreements provide for each of the Portfolios to pay Morgan a fee for these services which is computed daily and may be paid monthly at the following annual rates of average daily net assets: Money Market, Tax Exempt Money Market and Treasury Money Market Portfolios, 0.03%; Short Term Bond Portfolio, 0.05% on the first \$200 million and 0.03% thereafter; U.S. Fixed Income, Tax Exempt Bond, New York Total Return Bond, Selected U.S. Equity, U.S. Small Company and Diversified Portfolios, 0.10% on the first \$200 million, 0.05% on the next \$200 million and 0.03% thereafter; Non-U.S. Equity and Emerging Markets Equity Portfolios, 0.15% on the first \$200 million, 0.10% on the next \$200 million, 0.05% on the next \$200 million and 0.03% thereafter. As noted immediately above, both of these fee levels reflect payments made directly to third parties by each of the Funds and the Portfolios for expenses covered by the expense undertakings, as well as payments to Morgan for services rendered under the agreements. The Trustees regularly review amounts paid to and accounted for by Morgan pursuant to these agreements. Under the agreements, Morgan may delegate one or more of its responsibilities to other entities, including SBDS, at Morgan's expense. The agreements may be terminated at any time, without penalty, by the Trustees or Morgan, in each case on not more than 60 days' nor less than 30 days' written notice to the other party.

Below are set forth for each Fund listed and its corresponding Portfolio the fees paid to Morgan, net of fee waivers and reimbursements, under the Financial and Fund Accounting Services Agreements for the fiscal periods indicated following each Fund's reorganization or commencement of operations and its corresponding Portfolio's commencement of operations. See "Expenses" in the Prospectus and below for applicable expense limitations.

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THE MONEY MARKET PORTFOLIO--For the period July 12, 1993 (commencement of operations) through November 30, 1993: \$193,980. For the fiscal year ended November 30, 1994: \$385,012.

MONEY MARKET FUND--For the period July 12, 1993 (commencement of operations) through November 30, 1993: \$(86,373)*. For the fiscal year ended November 30, 1994: \$(92,422)*.

THE TAX EXEMPT MONEY MARKET PORTFOLIO--For the period July 12, 1993 (commencement of operations) through August 31, 1993: \$(5,756)*. For the fiscal year ended August 31, 1994: \$153,204.

TAX EXEMPT MONEY MARKET FUND--For the period July 12, 1993 (commencement of operations) through August 31, 1993: \$(24,092)*. For the fiscal year ended August 31, 1994: \$(98,653)*.

THE TREASURY MONEY MARKET PORTFOLIO--For the period January 4, 1993 (commencement of operations) through October 31, 1993: \$(30,702)*. For the fiscal year ended October 31, 1994: \$(13,844)*.

TREASURY MONEY MARKET FUND--For the period January 4, 1993 (commencement of operations) through October 31, 1993: \$(74,904)*. For the fiscal year ended October 31, 1994: \$(98,377)*.

THE SHORT TERM BOND PORTFOLIO--For the period July 8, 1993 (commencement of operations) through October 31, 1993 \$(39,290)*. For the fiscal year ended October 31, 1994: \$(22,054)*.

SHORT TERM BOND FUND--For the period July 8, 1993 (commencement of operations) through October 31, 1993: \$(22,474)*. For the fiscal year ended October 31, 1994: \$(75,727)*.

THE U.S. FIXED INCOME PORTFOLIO--for the period July 12, 1993 (commencement of operations) through October 31, 1993: \$7,691. For the fiscal year ended October 31, 1994: \$140,493.

BOND FUND--For the period July 12, 1993 (commencement of operations) through October 31, 1993: \$(20,885)*. For the fiscal year ended October 31, 1994: \$(9,177)*.

THE TAX EXEMPT BOND PORTFOLIO--For the period July 12, 1993 (commencement of operations) through August 31, 1993: \$(1,816)*. For the fiscal year ended August 31, 1994: \$210,795.

TAX EXEMPT BOND FUND--For the period July 12, 1993 (commencement of operations) through August 31, 1993: \$13,305. For the fiscal year ended August 31, 1994: \$179,891.

THE NEW YORK TOTAL RETURN BOND PORTFOLIO -- For the period April 11, 1994 (commencement of operations) through March 31, 1995: \$(11,830)*.

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THE NEW YORK TOTAL RETURN BOND FUND -- For the Period April 11, 1994 (commencement of operations) through March 31, 1995: \$(37,934)*.

THE SELECTED U.S. EQUITY PORTFOLIO--For the period July 19, 1993 (commencement of operations) through May 31, 1994: \$155,348.

EQUITY FUND--For the period July 19, 1993 (commencement of operations) through May 31, 1994: \$113,959.

THE U.S. SMALL COMPANY PORTFOLIO--For the period July 19, 1993 (commencement of operations) through May 31, 1994: \$203,764.

CAPITAL APPRECIATION FUND--For the period July 19, 1993 (commencement of operations) through May 31, 1994: \$72,970.

THE NON-U.S. EQUITY PORTFOLIO--For the period October 4, 1993 (commencement of operations) through October 31, 1993: \$(22,160)*. For the fiscal year ended October 31, 1994: \$327,569.

INTERNATIONAL EQUITY FUND--For the period October 4, 1993 (commencement of operations) through October 31, 1993: \$(46,370)*. For the fiscal year ended October 31, 1994: \$223,806.

THE EMERGING MARKETS EQUITY PORTFOLIO--For the period November 15, 1993 (commencement of operations) through October 31, 1994: \$347,925.

EMERGING MARKETS EQUITY FUND--For the period November 15, 1993 (commencement of operations) through October 31, 1994: \$(37,902)*.

THE DIVERSIFIED PORTFOLIO--For the period December 15, 1993 (commencement of

operations) through June 30, 1994: \$(17,807)*.

DIVERSIFIED FUND--For the period December 15, 1993 (commencement of operations) through June 30, 1994: \$(43,203)*.

(*) Indicates a reimbursement by Morgan for expenses in excess of its fees under a Financial and Fund Accounting Services Agreement. No fees were paid for the fiscal period.

CUSTODIAN

State Street Bank and Trust Company ("State Street"), 225 Franklin Street, Boston, Massachusetts 02101, serves as the Trust's and each of the Portfolio's Custodian and Transfer and Dividend Disbursing Agent. Pursuant to the Custodian Contract with each of the Portfolios, it is responsible for maintaining the books and records of portfolio transactions and holding portfolio securities and cash. In addition, the

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Custodian has entered into subcustodian agreements on behalf of the Portfolios for the Tax Exempt Money Market, Tax Exempt Bond and New York Total Return Bond Funds with Bankers Trust Company for the purpose of holding TENR Notes and with Bank of New York and Chemical Bank, N.A. for the purpose of holding certain variable rate demand notes. In the case of foreign assets held outside the United States, the Custodian employs various subcustodians who were approved by the Trustees of the Portfolios in accordance with the regulations of the SEC. The Custodian maintains portfolio transaction records. As Transfer Agent and Dividend Disbursing Agent, State Street is responsible for maintaining account records detailing the ownership of Fund shares and for crediting income, capital gains and other changes in share ownership to shareholder accounts. Under the terms of the Financial and Fund Accounting Services Agreements between the Trust and Morgan, Morgan is responsible for the usual and customary fees of the Custodian for each Fund (see "Services Agent"); the corresponding Portfolio is responsible for the fees of the Custodian for the Portfolio (see "Services Agent").

SHAREHOLDER SERVICING

The Trust on behalf of each of the Funds has entered into a Shareholder Servicing Agreement with Morgan pursuant to which Morgan acts as shareholder servicing agent for its customers and for other Fund investors who are customers of an Eligible Institution. Under this agreement, Morgan is responsible for performing shareholder account administrative and servicing functions, which includes but is not limited to, answering inquiries regarding account status and history, the manner in which purchases and redemptions of Fund shares may be effected, and certain other matters pertaining to a Fund; assisting customers in designating and changing dividend options, account designations and addresses; providing necessary personnel and facilities to coordinate the establishment and maintenance of shareholder accounts and records with the Funds' transfer agent; transmitting purchase and redemption orders to the Funds' transfer agent and arranging for the wiring or other transfer of funds to and from customer accounts in connection with orders to purchase or redeem Fund shares; verifying purchase and redemption orders, transfers among and changes in accounts; informing the Distributor of the gross amount of purchase orders for Fund shares; and providing other related services.

Under the Shareholder Servicing Agreement, each Fund has agreed to pay Morgan for these services a fee at the following annual rates (expressed as a percentage of the average daily net asset values of Fund shares owned by or for shareholders for whom Morgan is acting as shareholder servicing agent): Money Market and Treasury Money Market Funds, 0.18% of average daily net assets up to \$1.5 billion and 0.15% of such assets thereafter; Tax Exempt Money Market Fund, 0.21%; Short Term Bond, Bond, Tax Exempt Bond and New York Total Return Bond Funds, 0.18%; Equity, Capital Appreciation, International Equity, Emerging Markets Equity and Diversified Funds, 0.25%. Morgan acts as shareholder servicing agent for all shareholders.

Below are set forth for each Fund listed the shareholder servicing fees paid by each Fund to Morgan, net of fee waivers and reimbursements, for the

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fiscal periods indicated following each Fund's reorganization or commencement of operations. See "Expenses" in the Prospectus and below for applicable expense limitations.

MONEY MARKET FUND--For the period July 12, 1993 (commencement of operations) through November 30, 1993: \$1,628,914. For the fiscal year ended November 30, 1994: \$3,701,260.

TAX EXEMPT MONEY MARKET FUND--For the period July 12, 1993 (commencement of operations) through August 31, 1993: \$278,665. For the fiscal year ended August 31, 1994: \$2,121,421.

TREASURY MONEY MARKET FUND--For the period January 4, 1993 (commencement of operations) through October 31, 1993: \$71,617. For the fiscal year ended October 31, 1994: \$200,453.

SHORT TERM BOND FUND--For the period July 8, 1993 (commencement of operations) through October 31, 1993: \$1,437. For the fiscal year ended October 31, 1994: \$11,275.

BOND FUND--For the period July 12, 1993 (commencement of operations) through October 31, 1993: \$53,352. For the fiscal year ended October 31, 1994: \$189,959.

TAX EXEMPT BOND FUND--For the period July 12, 1993 (commencement of operations) through August 31, 1993: \$119,828. For the fiscal year ended August 31, 1994: \$816,408.

NEW YORK TOTAL RETURN BOND FUND -- For the period April 11, 1994 (commencement of operations) through March 31, 1995: \$49,958.

EQUITY FUND--For the period July 19, 1993 (commencement of operations) through May 31, 1994: \$506,629.

CAPITAL APPRECIATION FUND--For the period July 19, 1993 (commencement of operations) through May 31, 1994: \$491,556.

INTERNATIONAL EQUITY FUND--For the period October 4, 1993 (commencement of operations) through October 31, 1993: \$32,604. For the fiscal year ended October 31, 1994: \$476,339.

EMERGING MARKETS EQUITY FUND--For the period November 15, 1993 (commencement of operations) through October 31, 1994: \$92,084.

DIVERSIFIED FUND--For the period December 15, 1993 (commencement of operations) through June 30, 1994: \$5,411.

As discussed under "Investment Advisor", the Glass-Steagall Act and other applicable laws and regulations limit the activities of bank holding companies and certain of their subsidiaries in connection with registered open-end

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investment companies. The activities of Morgan in acting as shareholder servicing agent for Fund shareholders under the Shareholder Servicing Agreement and providing financial and accounting services to the Funds and the Portfolios under the Financial and Fund Accounting Services Agreements and in acting as Advisor to the Portfolios under the Investment Advisory Agreements, may raise issues under these laws. However, Morgan believes that it may properly perform these services and the other activities described in the Prospectus without violation of the Glass-Steagall Act or other applicable banking laws or regulations.

If Morgan were prohibited from providing any of the services under the Shareholder Servicing and Financial and Fund Accounting Services Agreements, the Trustees would seek an alternative provider of such services. In such event, changes in the operation of the Funds or the Portfolios might occur and a shareholder might no longer be able to avail himself or herself of any services then being provided to shareholders by Morgan.

INDEPENDENT ACCOUNTANTS

The independent accountants of the Trust and the Portfolios are Price Waterhouse LLP, 1177 Avenue of the Americas, New York, New York 10036. Price

Waterhouse LLP conducts an annual audit of the financial statements of each of the Funds and the Portfolios, assists in the preparation and/or review of each of the Fund's and the Portfolio's federal and state income tax returns and consults with the Funds and the Portfolios as to matters of accounting and federal and state income taxation. The independent auditors of the predecessors of the Money Market, Tax Exempt Money Market, Bond, Tax Exempt Bond, Equity, Capital Appreciation and International Equity Funds were Ernst & Young LLP, 787 7th Avenue, New York, New York 10019.

EXPENSES

Each Fund is responsible for Morgan's fees as shareholder servicing agent and Services Agent for the Fund, the fees of Pierpont Group, Inc., and any fees or expenses not covered by the Financial and Fund Accounting Services Agreement with the Trust on behalf of the Fund (see "Services Agent" above). In addition, each Portfolio is responsible for Morgan's fees as Investment Advisor and Services Agent for the Portfolio, the fees of the Custodian for the Portfolio, and any fees or expenses not covered by the Financial and Fund Accounting Services Agreement with the Portfolio (see "Services Agent" above).

Morgan has agreed that if in any fiscal year the sum of any Fund's expenses exceeds the limits set by applicable regulations of state securities commissions, the fees payable by the Fund to Morgan for that year shall be reduced as specified by agreement with the Trust on behalf of the Fund. Currently, Morgan believes that the most restrictive expense limitation of state securities commissions limits expenses to 2.5% of the first \$30 million of average net assets, 2% of the next \$70 million of such net assets and 1.5% of such net assets in excess of \$100 million for any fiscal year. For additional information regarding waivers or expense subsidies, see "Management of the Trust and the Portfolio(s)" in the Prospectus.

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The Administrator paid the organization expenses and expenses incurred in the initial offering of shares of the Trust. The organization expenses and expenses incurred in the initial offering of shares of the predecessors to the Money Market, Tax Exempt Money Market, Bond, Tax Exempt Bond, Equity, Capital Appreciation and International Equity Funds were paid by the administrators to these predecessor funds.

PURCHASE OF SHARES

Investors may open Fund accounts and purchase shares as described in the Prospectus under "Purchase of Shares." References in the Prospectus and this Statement of Additional Information to customers of Morgan or an Eligible Institution include customers of their affiliates and references to transactions by customers with Morgan or an Eligible Institution include transactions with their affiliates. Only Fund investors who are using the services of a financial institution acting as shareholder servicing agent pursuant to an agreement with the Trust on behalf of a Fund may make transactions in shares of a Fund.

Each Fund may, at its own option, accept securities in payment for shares. The securities delivered in are valued by the method described in Net Asset Value as of the day the Fund receives the securities. This is a taxable transaction to the shareholder. Securities may be accepted in payment for shares only if they are, in the judgment of Morgan, appropriate investments for the Fund's corresponding Portfolio. In addition, securities accepted in payment for shares must: (i) meet the investment objective and policies of the acquiring Fund's corresponding Portfolio; (ii) be acquired by the applicable Fund for investment and not for resale (other than for resale to the Fund's corresponding Portfolio); (iii) be liquid securities which are not restricted as to transfer either by law or liquidity of market; and (iv) if stock, have a value which is readily ascertainable as evidenced by a listing on a stock exchange, over the counter market or by readily available market quotations from a dealer in such securities. Each Fund reserves the right to accept or reject at its own option any and all securities offered in payment for its shares.

Prospective investors may purchase shares with the assistance of an Eligible Institution, and the Eligible Institution may charge the investor a fee for this service and other services it provides to its customers.

REDEMPTION OF SHARES

Investors may redeem shares as described in the Prospectus under "Redemption of Shares". Shareholders redeeming shares of the Money Market, Tax

Exempt Money Market or Treasury Money Market Funds should be aware that these Funds attempt to maintain a stable net asset value of \$1.00 per share; however, there can be no assurance that they will be able to continue to do so, and in that case the net asset value of the Funds' shares might deviate from \$1.00 per share. Accordingly, a redemption request might result in payment of a dollar amount which differs from the number of shares redeemed. See "Net Asset Value" in the Prospectus and below.

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If the Trust on behalf of a Fund and its corresponding Portfolio determine that it would be detrimental to the best interest of the remaining shareholders of a Fund to make payment wholly or partly in cash, payment of the redemption price may be made in whole or in part by a distribution in kind of securities from the Portfolio, in lieu of cash, in conformity with the applicable rule of the SEC. If shares are redeemed in kind, the redeeming shareholder might incur transaction costs in converting the assets into cash. The method of valuing portfolio securities is described under "Net Asset Value," and such valuation will be made as of the same time the redemption price is determined. The Trust on behalf of all of the Funds and their corresponding Portfolios have elected to be governed by Rule 18f-1 under the 1940 Act pursuant to which the Funds and the corresponding Portfolios are obligated to redeem shares solely in cash up to the lesser of \$250,000 or one percent of the net asset value of the Fund during any 90 day period for any one shareholder. The Trust will redeem Fund shares in kind only if it has received a redemption in kind from the corresponding Portfolio and therefore shareholders of the Fund that receive redemptions in kind will receive securities of the Portfolio. The Portfolios have advised the Trust that the Portfolios will not redeem in kind except in circumstances in which a Fund is permitted to redeem in kind.

FURTHER REDEMPTION INFORMATION. The Trust, on behalf of a Fund, and the Portfolios reserve the right to suspend the right of redemption and to postpone the date of payment upon redemption as follows: (i) for up to seven days, (ii) during periods when the New York Stock Exchange is closed for other than weekends and holidays or when trading on such Exchange is restricted as determined by the SEC by rule or regulation, (iii) during periods in which an emergency, as determined by the SEC, exists that causes disposal by the Portfolio of, or evaluation of the net asset value of, its portfolio securities to be unreasonable or impracticable, or (iv) for such other periods as the SEC may permit.

EXCHANGE OF SHARES

An investor may exchange shares from any Pierpont Fund into any other Pierpont Fund or JPM Institutional Fund, as described under "Exchange of Shares" in the Prospectus. For complete information, the Prospectus as it relates to the Fund into which a transfer is being made should be read prior to the transfer. Requests for exchange are made in the same manner as requests for redemptions. See "Redemption of Shares". Shares of the Fund to be acquired are purchased for settlement when the proceeds from redemption become available. In the case of investors in certain states, state securities laws may restrict the availability of the exchange privilege. The Trust reserves the right to discontinue, alter or limit the exchange privilege at any time.

DIVIDENDS AND DISTRIBUTIONS

Each Fund declares and pays dividends and distributions as described under "Dividends and Distributions" in the Prospectus.

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Net investment income of the Money Market, Tax Exempt Money Market and Treasury Money Market Funds consists of accrued interest or discount and amortized premium, less the accrued expenses of the Fund applicable to that dividend period including the fees payable to Morgan. See "Net Asset Value".

Determination of the net income for Money Market, Tax Exempt Money Market, Treasury Money Market, Short Term Bond, Bond, Tax Exempt Bond and New York Total Return Bond Funds is made at the times described in the Prospectus;

in addition, net investment income for days other than business days is determined at the time net asset value is determined on the prior business day.

NET ASSET VALUE

Each of the Funds computes its net asset value once daily on Monday through Friday as described under "Net Asset Value" in the Prospectus. The net asset value will not be computed on a day in which no orders to purchase or redeem Fund shares have been received or on the day the following legal holidays are observed: New Year's Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day. On days when U.S. trading markets close early in observance of these holidays, the Funds and the Portfolios would expect to close for purchases and redemptions at the same time. The days on which net asset value is determined are the Funds' business days.

The net asset value of each Fund is equal to the value of the Fund's investment in its corresponding Portfolio (which is equal to the Fund's pro rata share of the total investment of the Fund and of any other investors in the Portfolio less the Fund's pro rata share of the Portfolio's liabilities) less the Fund's liabilities. The following is a discussion of the procedures used by the Portfolios corresponding to each Fund in valuing their assets.

MONEY MARKET, TAX EXEMPT MONEY MARKET AND TREASURY MONEY MARKET FUNDS. In the case of the Portfolios for the Money Market, Tax Exempt Money Market and Treasury Money Market Funds, all portfolio securities are valued by the amortized cost method. The purpose of this method of calculation is to attempt to maintain a constant net asset value per share of the Fund of \$1.00. No assurances can be given that this goal can be attained. The amortized cost method of valuation values a security at its cost at the time of purchase and thereafter assumes a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the instrument. If a difference of more than 1/2 of 1% occurs between valuation based on the amortized cost method and valuation based on market value, the Trustees will take steps necessary to reduce such deviation, such as changing the Fund's dividend policy, shortening the average portfolio maturity, realizing gains or losses, or reducing the number of outstanding Fund shares. Any reduction of outstanding shares will be effected by having each shareholder contribute to a Fund's capital the necessary shares on a PRO RATA basis. Each shareholder will be deemed to have agreed to such contribution in these circumstances by his investment in the Funds. See "Taxes".

BOND, TAX EXEMPT BOND, NEW YORK TOTAL RETURN BOND, SHORT TERM BOND AND DIVERSIFIED FUNDS. In the case of the Bond, Tax Exempt Bond, New York Total Return Bond and Short Term Bond Funds, and the fixed income portion of the Diversified Fund, portfolio securities with a maturity of 60 days or more, including securities that are listed on an exchange or traded over the counter, are valued using prices supplied daily by an independent pricing service or services that (i) are based on the last sale price on a national securities exchange or, in the absence of recorded sales, at the readily available closing bid price on such exchange or at the quoted bid price in the over-the-counter market, if such exchange or market constitutes the broadest and most representative market for the security and (ii) in other cases, take into account various factors affecting market value, including yields and prices of comparable securities, indication as to value from dealers and general market conditions. If such prices are not supplied by the Portfolio's independent pricing service, such securities are priced in accordance with procedures adopted by the Trustees. All portfolio securities with a remaining maturity of less than 60 days are valued by the amortized cost method. Securities listed on a foreign exchange are valued at the last quoted sale price available before the time when net assets are valued. Because of the large number of municipal bond issues outstanding and the varying maturity dates, coupons and risk factors applicable to each issuer's books, no readily available market quotations exist for most municipal securities.

Trading in securities in most foreign markets is normally completed before trading in U.S. markets and may also take place on days on which the U.S. markets are closed. If events materially affecting the value of securities occur between the time when the market in which they are traded closes and the time when a Portfolio's net asset value is calculated, such securities will be valued at fair value in accordance with procedures established by and under the general supervision of the Trustees.

EQUITY, CAPITAL APPRECIATION, INTERNATIONAL EQUITY, EMERGING MARKETS EQUITY AND DIVERSIFIED FUNDS. In the case of the Equity Portfolios, the value of

investments listed on a domestic securities exchange, other than options on stock indexes, is based on the last sale prices on the New York Stock Exchange at 4:00 P.M. or, in the absence of recorded sales, at the average of readily available closing bid and asked prices on such exchange. Securities listed on a foreign exchange are valued at the last quoted sale price available before the time when net assets are valued. Unlisted securities are valued at the average of the quoted bid and asked prices in the over-the-counter market. The value of each security for which readily available market quotations exist is based on a decision as to the broadest and most representative market for such security. For purposes of calculating net asset value all assets and liabilities initially expressed in foreign currencies will be converted into U.S. dollars at the prevailing market rates available at the time of valuation.

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Options on stock indexes traded on national securities exchanges are valued at the close of options trading on such exchanges which is currently 4:10 P.M., New York time. Stock index futures and related options, which are traded on commodities exchanges, are valued at their last sales price as of the close of such commodities exchanges which is currently 4:15 P.M., New York time. Securities or other assets for which market quotations are not readily available are valued at fair value in accordance with procedures established by and under the general supervision and responsibility of the Trustees. Such procedures include the use of independent pricing services which use prices based upon yields or prices of securities of comparable quality, coupon, maturity and type; indications as to values from dealers; and general market conditions. Short-term investments which mature in 60 days or less are valued at amortized cost if their original maturity was 60 days or less, or by amortizing their value on the 61st day prior to maturity, if their original maturity when acquired by the Portfolio was more than 60 days, unless this is determined not to represent fair value by the Trustees.

Trading in securities on most foreign exchanges and over-the-counter markets is normally completed before the close of the New York Stock Exchange and may also take place on days on which the New York Stock Exchange is closed. If events materially affecting the value of securities occur between the time when the exchange on which they are traded closes and the time when a Portfolio's net asset value is calculated, such securities will be valued at fair value in accordance with procedures established by and under the general supervision of the Trustees.

PERFORMANCE DATA

From time to time, the Funds may quote performance in terms of yield, actual distributions, total return or capital appreciation in reports, sales literature and advertisements published by the Trust. Current performance information for the Funds may be obtained by calling the number provided on the cover page of this Statement of Additional Information. See "Additional Information" in the Prospectus.

YIELD QUOTATIONS. As required by regulations of the SEC, current yield for the Money Market, Tax Exempt Money Market and Treasury Money Market Funds is computed by determining the net change exclusive of capital changes in the value of a hypothetical pre-existing account having a balance of one share at the beginning of a seven-day calendar period, dividing the net change in account value of the account at the beginning of the period, and multiplying the return over the seven-day period by 365/7. For purposes of the calculation, net change in account value reflects the value of additional shares purchased with dividends from the original share and dividends declared on both the original share and any such additional shares, but does not reflect realized gains or losses or unrealized appreciation or depreciation. Effective yield for the Money Market, Tax Exempt Money Market and Treasury Money Market Funds is computed by annualizing the seven-day return with all dividends reinvested in additional Fund shares. In the case of the Tax Exempt Money Market Fund, the tax equivalent yield is computed by first computing the yield as discussed above. Then the portion of the yield attributable to securities the income of which was exempt

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for federal income tax purposes is determined. This portion of the yield is then divided by one minus the stated assumed federal income tax rate for individuals

and then added to the portion of the yield that is not attributable to securities, the income of which was not tax exempt.

As required by regulations of the SEC, the annualized yield for the Bond, Tax Exempt Bond, New York Total Return Bond and Short Term Bond Funds is computed by dividing each Fund's net investment income per share earned during a 30-day period by the net asset value on the last day of the period. The average daily number of shares outstanding during the period that are eligible to receive dividends is used in determining the net investment income per share. Income is computed by totaling the interest earned on all debt obligations during the period and subtracting from that amount the total of all recurring expenses incurred during the period. The 30-day yield is then annualized on a bond-equivalent basis assuming semi-annual reinvestment and compounding of net investment income, as described under "Additional Information" in the Prospectus.

Historical performance for periods prior to the establishment of the Money Market, Tax Exempt Money Market, Bond, and Tax Exempt Bond Funds will be that of the respective predecessor free-standing fund and will be presented in accordance with applicable SEC staff interpretations.

Below is set forth historical yield information for the Funds or their predecessors for the periods indicated:

MONEY MARKET FUND (11/30/94): 7-day current yield: 5.20%; 7-day effective yield: 5.33%.

TAX EXEMPT MONEY MARKET FUND (8/31/94): 7-day current yield: 2.82%; 7-day tax equivalent yield at 39% tax rate: 4.67%; 7-day effective yield: 2.86%.

TREASURY MONEY MARKET FUND (10/31/94): 7-day current yield: 4.43%; 7-day effective yield: 4.53%.

SHORT TERM BOND FUND (10/31/94): 30-day yield: 5.35%.

BOND FUND (10/31/94): 30-day yield: 5.99%.

TAX EXEMPT BOND FUND (8/31/94): 30-day yield: 4.52%; 30-day tax equivalent yield at 39% tax rate: 7.41%.

NEW YORK TOTAL RETURN BOND FUND (3/31/95): 30-day yield: 4.98%; 30-day tax equivalent yield at 39% tax rate: 8.16%.

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TOTAL RETURN QUOTATIONS. As required by regulations of the SEC, the annualized total return of the Bond, Tax Exempt Bond, New York Total Return Bond, Short Term Bond, Equity, Capital Appreciation, International Equity, Emerging Markets Equity and Diversified Funds for a period is computed by assuming a hypothetical initial payment of \$1,000. It is then assumed that all of the dividends and distributions by the Fund over the period are reinvested. It is then assumed that at the end of the period, the entire amount is redeemed. The annualized total return is then calculated by determining the annual rate required for the initial payment to grow to the amount which would have been received upon redemption.

Aggregate total returns, reflecting the cumulative percentage change over a measuring period, may also be calculated.

Historical performance information for periods prior to the establishment of the Bond, Tax Exempt Bond, Equity, Capital Appreciation and International Equity Funds will be that of the respective predecessor free-standing fund and will be presented in accordance with applicable SEC staff interpretations.

Below is set forth historical return information for the Funds or their predecessors for the periods indicated:

MONEY MARKET FUND (11/30/94): Average annual total return, 1-year: 3.73%; average annual total return, 5-years: 4.95%; average annual total return, commencement of operations(*) to period end: 6.76%; aggregate total return, 1-year: 3.73%; aggregate total return, 5-years: 27.34%; aggregate total return, commencement of operations(*) to period end: 118%.

TAX EXEMPT MONEY MARKET FUND (8/31/94): Average annual total return, 1-year: 2.14%; average annual total return, 5-years: 3.57%; average annual total return, commencement of operations(*) to period end: 4.25%; aggregate total return, 1-year: 2.14%; aggregate total return, 5-years: 18.18%; aggregate total return, commencement of operations(*) to period end: 59.75%.

TREASURY MONEY MARKET FUND (10/31/94): Average annual total return, 1-year: 3.41%; average annual total return, 5-years: N/A; average annual total return, commencement of operations(*) to period end: 3.02%; aggregate total return, 1-year: 3.41%; aggregate total return, 5-years: N/A; aggregate total return, commencement of operations(*) to period end: 5.58%.

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SHORT TERM BOND FUND (10/31/94): Average annual total return, 1-year: 0.61%; average annual total return, 5-years: N/A; average annual total return, commencement of operations(*) to period end: 1.16%; aggregate total return, 1-year: 0.61%; aggregate total return, 5-years: N/A; aggregate total return, commencement of operations(*) to period end: 1.56%.

BOND FUND (10/31/94): Average annual total return, 1-year: (3.50)%; average annual total return, 5-years: 7.47%; average annual total return, commencement of operations(*) to period end: 7.34%; aggregate total return, 1-year: (3.50)%; aggregate total return, 5-years: 43.37%; aggregate total return, commencement of operations(*) to period end: 60.07%.

TAX EXEMPT BOND FUND (8/31/94): Average annual total return, 1-year: 1.35%; average annual total return, 5-years: 7.35%; average annual total return, commencement of operations(*) to period end: 8.10%; aggregate total return, 1-year: 1.35%; aggregate total return, 5-years: 42.54%; aggregate total return, commencement of operations(*) to period end: 115.60%.

NEW YORK TOTAL RETURN BOND FUND (3/31/95): Average annual total return, 1-year: 5.62%; average annual total return, 5-years: N/A; average annual total return, commencement of operations(*) to period end: 5.62%; aggregate total return, 1-year: 5.62%; aggregate total return, 5-years: N/A; aggregate total return, commencement of operations(*) to period end: 5.62%.

DIVERSIFIED FUND (6/30/94): Average annual total return, 1-year: (1.82)%; average annual total return, 5-years: N/A; average annual total return, commencement of operations(*) to period end: (1.82)%; aggregate total return, 1-year: (1.82)%; aggregate total return, 5-years: N/A; aggregate total return, commencement of operations(*) to period end: (1.82)%.

EQUITY FUND (5/31/94): Average annual total return, 1-year: 8.54%; average annual total return, 5-years: 13.29%; average annual total return, commencement of operations(*) to period end: 14.17%; aggregate total return, 1-year: 8.54%; aggregate total return, 5-years: 86.62%; aggregate total return, commencement of operations(*) to period end: 226.1%.

CAPITAL APPRECIATION FUND (5/31/94): Average annual total return, 1-year: 1.14%; average annual total return, 5-years: 9.00%; average annual total return, commencement of operations(*) to period end: 11.94%; aggregate total return, 1-year: 1.14%; aggregate total return, 5-years: 53.85%; aggregate total return, commencement of operations(*) to period end: 173.68%.

INTERNATIONAL EQUITY FUND (10/31/94): Average annual total return, 1-year: 5.73%; average annual total return, 5-years: N/A; average annual total return, commencement of operations(*) to period end: 4.57%; aggregate total return, 1-year: 5.73%; aggregate total return, 5-years: N/A; aggregate total return, commencement of operations(*) to period end: 21.84%.

EMERGING MARKETS EQUITY FUND (10/31/94): Average annual total return, 1-year: 24.30%; average annual total return, 5-years: N/A; average annual total return, commencement of operations(*) to period end: 24.30%; aggregate total return, 1-

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year: 24.30%; aggregate total return, 5-years: N/A; aggregate total return, commencement of operations(*) to period end: 24.30%.

* The Money Market, Tax Exempt Money Market, Treasury Money Market, Short Term Bond, Bond, Tax Exempt Bond, New York Total Return Bond, Diversified, Equity, Capital Appreciation, International Equity, and Emerging Markets Equity Funds commenced operations on October 1, 1982, September 12, 1983, January 4, 1993, July 8, 1993, March 11, 1988, October 3, 1984, April 1, 1994, December 15, 1993, June 27, 1985, June 27, 1985, June 1, 1990, November 15, 1993, respectively.

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GENERAL. A Fund's performance will vary from time to time depending upon market conditions, the composition of its corresponding Portfolio, and its operating expenses. Consequently, any given performance quotation should not be

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considered representative of a Fund's performance for any specified period in the future. In addition, because performance will fluctuate, it may not provide a basis for comparing an investment in a Fund with certain bank deposits or other investments that pay a fixed yield or return for a stated period of time.

Comparative performance information may be used from time to time in advertising the Funds' shares, including data from Lipper Analytical Services, Inc., Micropal, Inc., Ibbotson Associates, Morningstar Inc., the S&P 500 Composite Stock Price Index, the Dow Jones Industrial Average, the Frank Russell Indexes, The EAFE Index, The IFC-JPM Emerging Markets Index and other industry publications. The Money Market and Treasury Money Market Funds may compare their performance to IBC/Donoghue's Money Market fund average and the Tax Exempt Money Market Fund may compare its performance to IBC/Donoghue's Tax Free Money Market fund average, respectively.

In order to illustrate the benefits of balanced investing across asset classes over longer periods of time, the Diversified Fund may use performance data that will be based on the return of, as appropriate, the S&P 500 Index, the Salomon Broad Investment Grade Bond Index, the Frank Russell 2000 and 2500 Indexes, and the EAFE Index. The quoted performance will illustrate what results could have been achieved had the Fund invested specified percentages of the Fund's assets in classes of securities that would have produced a return equal to the relevant index over the time period at issue.

From time to time, the Funds may quote performance in terms of yield, actual distributions, total return, or capital appreciation in reports, sales literature, and advertisements published by the Funds. Current performance information for the Funds may be obtained by calling the number provided on the cover page of this Statement of Additional Information. See "Additional Information" in the Prospectus.

PORTFOLIO TRANSACTIONS

J.P. Morgan Investment Management Inc., acting as agent for Morgan, places orders for all Portfolios for all purchases and sales of portfolio securities. Morgan enters into repurchase agreements and reverse repurchase agreements and executes loans of portfolio securities on behalf of all the Portfolios. See "Investment Objectives and Policies".

Fixed income and debt securities and municipal bonds and notes are generally traded at a net price with dealers acting as principal for their own accounts without a stated commission. The price of the security usually includes profit to the dealers. In underwritten offerings, securities are purchased at a fixed price which includes an amount of compensation to the underwriter, generally referred to as the underwriter's concession or discount. On occasion, certain securities may be purchased directly from an issuer, in which case no commissions or discounts are paid.

MONEY MARKET, TAX EXEMPT MONEY MARKET, TREASURY MONEY MARKET, BOND, SHORT TERM BOND, TAX EXEMPT BOND AND NEW YORK TOTAL RETURN BOND FUNDS. Portfolio transactions for the Portfolios corresponding to the Money Market, Tax Exempt

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Money Market, Treasury Money Market, Bond, Short Term Bond, Tax Exempt Bond and New York Total Return Bond Funds will be undertaken principally to accomplish a Portfolio's objective in relation to expected movements in the general level of interest rates. The Portfolios corresponding to the Money Market, Treasury Money Market, Bond, Tax Exempt Bond, New York Total Return Bond and Short Term Bond Funds may engage in short-term trading consistent with their objectives. The Tax Exempt Money Market Portfolio will not seek profits through short-term trading, but the Portfolio may dispose of any portfolio security prior to its maturity if it believes such disposition is appropriate even if this action realizes profits or losses.

In connection with portfolio transactions for the Portfolios, J.P. Morgan Investment Management Inc. intends to seek best price and execution on a competitive basis for both purchases and sales of securities.

The Portfolios corresponding to the Money Market, Tax Exempt Money Market and Treasury Money Market Funds have a policy of investing only in securities with maturities of less than thirteen months, which policy will result in high portfolio turnovers. The Portfolio corresponding to the Short Term Bond Fund has a policy of maintaining a short duration, which policy will also result in a high portfolio turnover. Since brokerage commissions are not normally paid on investments which the Portfolios make, turnover resulting from such investments should not adversely affect the net asset value or net income of the Portfolios.

EQUITY, CAPITAL APPRECIATION, INTERNATIONAL EQUITY, EMERGING MARKETS EQUITY AND DIVERSIFIED FUNDS. In connection with portfolio transactions for the Equity Portfolios, the overriding objective is to obtain the best possible execution of purchase and sale orders.

In selecting a broker, J.P. Morgan Investment Management Inc. considers a number of factors including: the price per unit of the security; the broker's reliability for prompt, accurate confirmations and on-time delivery of securities; the firm's financial condition; as well as the commissions charged. A broker may be paid a brokerage commission in excess of that which another broker might have charged for effecting the same transaction if, after considering the foregoing factors, J.P. Morgan Investment Management Inc. decides that the broker chosen will provide the best possible execution. J.P. Morgan Investment Management Inc. and Morgan monitor the reasonableness of the brokerage commissions paid in light of the execution received. The Trustees of each Portfolio review regularly the reasonableness of commissions and other transaction costs incurred by the Portfolios in light of facts and circumstances deemed relevant from time to time, and, in that connection, will receive reports from the Advisor and published data concerning transaction costs incurred by institutional investors generally. Research services provided by brokers to which J.P. Morgan Investment Management Inc. has allocated brokerage business in the past include economic statistics and forecasting services, industry and company analyses, portfolio strategy services, quantitative data, and consulting services from economists and political analysts. Research services furnished by brokers are used for the benefit of all the Advisor's clients and not solely or

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necessarily for the benefit of an individual Portfolio. The Advisor believes that the value of research services received is not determinable and does not significantly reduce its expenses. The Portfolios do not reduce their fee to the Advisor by any amount that might be attributable to the value of such services.

The Portfolios or their predecessors corresponding to the Equity, Capital Appreciation, International Equity, Emerging Markets Equity and Diversified Funds paid the following approximate brokerage commissions for the indicated fiscal years:

DIVERSIFIED FUND (June): 1994: \$78,737; 1993: N/A; 1992: N/A.

EQUITY FUND (May): 1994: \$744,676; 1993: \$293,698; 1992: \$182,000.

CAPITAL APPRECIATION FUND (May): 1994: \$1,760,320; 1993: \$142,310; 1992: \$42,000.

INTERNATIONAL EQUITY FUND (October): 1994: \$1,413,238; 1993: \$639,000; 1992: \$157,000.

EMERGING MARKETS EQUITY FUND (October): 1994: \$1,262,905; 1993: N/A; 1992: N/A.

The increases in brokerage commissions reflected above were due to increased portfolio activity and an increase in net investments by shareholders in the Portfolio or its predecessor .

Subject to the overriding objective of obtaining the best possible execution of orders, J.P. Morgan Investment Management Inc. may allocate a portion of a Portfolio's brokerage transactions to affiliates of Morgan. In order for affiliates of Morgan to effect any portfolio transactions for a Portfolio, the commissions, fees or other remuneration received by such affiliates must be reasonable and fair compared to the commissions, fees, or other remuneration paid to other brokers in connection with comparable transactions involving similar securities being purchased or sold on a securities exchange during a comparable period of time. Furthermore, the Trustees of each Portfolio, including a majority of the Trustees who are not "interested persons," have adopted procedures which are reasonably designed to provide that any

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commissions, fees, or other remuneration paid to such affiliates are consistent with the foregoing standard.

Portfolio securities will not be purchased from or through or sold to or through the Portfolios' Administrator, Distributor or Advisor or any "affiliated person" (as defined in the 1940 Act) of the Administrator, Distributor or Advisor when such entities are acting as principals, except to the extent permitted by law. In addition, the Portfolios will not purchase securities during the existence of any underwriting group relating thereto of which the Advisor or an affiliate of the Advisor is a member, except to the extent permitted by law.

On those occasions when Morgan deems the purchase or sale of a security to be in the best interests of a Portfolio as well as other customers including other Portfolios, J.P. Morgan Investment Management Inc. to the extent permitted by applicable laws and regulations, may, but is not obligated to, aggregate the securities to be sold or purchased for a Portfolio with those to be sold or purchased for other customers in order to obtain best execution, including lower brokerage commissions if appropriate. In such event, allocation of the securities so purchased or sold as well as any expenses incurred in the transaction will be made by J.P. Morgan Investment Management Inc. in the manner it considers to be most equitable and consistent with Morgan's fiduciary obligations to a Portfolio. In some instances, this procedure might adversely affect a Portfolio.

If a Portfolio that writes options effects a closing purchase transaction with respect to an option written by it, normally such transaction will be executed by the same broker-dealer who executed the sale of the option. The writing of options by a Portfolio will be subject to limitations established by each of the exchanges governing the maximum number of options in each class

which may be written by a single investor or group of investors acting in concert, regardless of whether the options are written on the same or different exchanges or are held or written in one or more accounts or through one or more brokers. The number of options which a Portfolio may write may be affected by options written by the Advisor for other investment advisory clients. An exchange may order the liquidation of positions found to be in excess of these limits, and it may impose certain other sanctions.

MASSACHUSETTS TRUST

The Trust is a trust fund of the type commonly known as a "Massachusetts business trust" of which each Fund is a separate and distinct series. A copy of the Declaration of Trust for the Trust is on file in the office of the Secretary of The Commonwealth of Massachusetts. The Declaration of Trust and the By-Laws of the Trust are designed to make the Trust similar in most respects to a Massachusetts business corporation. The principal distinction between the two forms concerns shareholder liability described below.

Under Massachusetts law, shareholders of such a trust may, under certain circumstances, be held personally liable as partners for the obligations of the trust which is not the case for a corporation. However, the Trust's Declaration of Trust provides that the shareholders shall not be subject to any personal

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liability for the acts or obligations of any Fund and that every written agreement, obligation, instrument or undertaking made on behalf of any Fund shall contain a provision to the effect that the shareholders are not personally liable thereunder.

No personal liability will attach to the shareholders under any undertaking containing such provision when adequate notice of such provision is given, except possibly in a few jurisdictions. With respect to all types of claims in the latter jurisdictions, (i) tort claims, (ii) contract claims where the provision referred to is omitted from the undertaking, (iii) claims for taxes, and (iv) certain statutory liabilities in other jurisdictions, a shareholder may be held personally liable to the extent that claims are not satisfied by the Fund. However, upon payment of such liability, the shareholder will be entitled to reimbursement from the general assets of the Fund. The Trustees intend to conduct the operations of the Trust in such a way so as to avoid, as far as possible, ultimate liability of the shareholders for liabilities of the Funds.

The Trust's Declaration of Trust further provides that the name of the Trust refers to the Trustees collectively as Trustees, not as individuals or personally, that no Trustee, officer, employee, or agent of a Fund is liable to a Fund or to a shareholder, and that no Trustee, officer, employee, or agent is liable to any third persons in connection with the affairs of a Fund, except as such liability may arise from his or its own bad faith, willful misfeasance, gross negligence or reckless disregard of his or its duties to such third persons. It also provides that all third persons shall look solely to Fund property for satisfaction of claims arising in connection with the affairs of a Fund. With the exceptions stated, the Trust's Declaration of Trust provides that a Trustee, officer, employee, or agent is entitled to be indemnified against all liability in connection with the affairs of a Fund.

The Trust shall continue without limitation of time subject to the provisions in the Declaration of Trust concerning termination by action of the shareholders or by action of the Trustees upon notice to the shareholders.

DESCRIPTION OF SHARES

The Trust is an open-end management investment company organized as a Massachusetts business trust in which each Fund represents a separate series of shares of beneficial interest. See

"Massachusetts Trust".

The Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares (\$0.001 par value) of one or more series and classes within any series and to divide or combine the shares (of any series, if applicable) without changing the proportionate beneficial interest of each shareholder in a Fund (or in the assets of other series, if applicable). To date shares of the twelve series described in this Statement of Additional

Information have been authorized and are available for sale to the public. Each share represents an equal proportional interest in a Fund with each other share. Upon liquidation of a Fund, holders are entitled to share pro rata in the net assets of a Fund available for distribution to such shareholders. See "Massachusetts Trust." Shares of a Fund have no preemptive or conversion rights

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and are fully paid and nonassessable . The rights of redemption and exchange are described in the Prospectus and elsewhere in this Statement of Additional Information.

The shareholders of the Trust are entitled to a full vote for each full share held and to a fractional vote for each fractional share. Subject to the 1940 Act, the Trustees themselves have the power to alter the number and the terms of office of the Trustees, to lengthen their own terms, or to make their terms of unlimited duration subject to certain removal procedures, and appoint their own successors, PROVIDED, HOWEVER, that immediately after such appointment the requisite majority of the Trustees have been elected by the shareholders of the Trust. The voting rights of shareholders are not cumulative so that holders of more than 50% of the shares voting can, if they choose, elect all Trustees being selected while the shareholders of the remaining shares would be unable to elect any Trustees. It is the intention of the Trust not to hold meetings of shareholders annually. The Trustees may call meetings of shareholders for action by shareholder vote as may be required by either the 1940 Act or the Trust's Declaration of Trust.

Shareholders of the Trust have the right, upon the declaration in writing or vote of more than two-thirds of its outstanding shares, to remove a Trustee. The Trustees will call a meeting of shareholders to vote on removal of a Trustee upon the written request of the record holders of 10% of the Trust's shares. In addition, whenever ten or more shareholders of record who have been such for at least six months preceding the date of application, and who hold in the aggregate either shares having a net asset value of at least \$25,000 or at least 1% of the Trust's outstanding shares, whichever is less, shall apply to the Trustees in writing, stating that they wish to communicate with other shareholders with a view to obtaining signatures to request a meeting for the purpose of voting upon the question of removal of any Trustee or Trustees and accompanied by a form of communication and request which they wish to transmit, the Trustees shall within five business days after receipt of such application either: (1) afford to such applicants access to a list of the names and addresses of all shareholders as recorded on the books of the Trust; or (2) inform such applicants as to the approximate number of shareholders of record, and the approximate cost of mailing to them the proposed communication and form of request. If the Trustees elect to follow the latter course, the Trustees, upon the written request of such applicants, accompanied by a tender of the material to be mailed and of the reasonable expenses of mailing, shall, with reasonable promptness, mail such material to all shareholders of record at their addresses as recorded on the books, unless within five business days after such tender the Trustees shall mail to such applicants and file with the SEC, together with a copy of the material to be mailed, a written statement signed by at least a majority of the Trustees to the effect that in their opinion either such material contains untrue statements of fact or omits to state facts necessary to make the statements contained therein not misleading, or would be in violation of applicable law, and specifying the basis of such opinion. After opportunity for hearing upon the objections specified in the written statements filed, the SEC may, and if demanded by the Trustees or by such applicants shall, enter an order either sustaining one or more of such objections or refusing to sustain any of them. If the SEC shall enter an order refusing to sustain any of such objections, or if, after the entry of an order sustaining one or more of such

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objections, the SEC shall find, after notice and opportunity for hearing, that all objections so sustained have been met, and shall enter an order so declaring, the Trustees shall mail copies of such material to all shareholders with reasonable promptness after the entry of such order and the renewal of such tender.

The Trustees have authorized the issuance and sale to the public of shares of twelve series of the Trust. The Trustees have no current intention to create any classes within the initial series or any subsequent series. The Trustees may, however, authorize the issuance of shares of additional series and

the creation of classes of shares within any series with such preferences, privileges, limitations and voting and dividend rights as the Trustees may determine. The proceeds from the issuance of any additional series would be invested in separate, independently managed portfolios with distinct investment objectives, policies and restrictions, and share purchase, redemption and net asset valuation procedures. Any additional classes would be used to distinguish among the rights of different categories of shareholders, as might be required by future regulations or other unforeseen circumstances. All consideration received by the Trust for shares of any additional series or class, and all assets in which such consideration is invested, would belong to that series or class, subject only to the rights of creditors of the Trust and would be subject to the liabilities related thereto. Shareholders of any additional series or class will approve the adoption of any management contract or distribution plan relating to such series or class and of any changes in the investment policies related thereto, to the extent required by the 1940 Act.

For information relating to mandatory redemption of Fund shares or their redemption at the option of the Trust under certain circumstances, see "Redemption of Shares" in the Prospectus.

As of July 2, 1995, the following owned of record or, to the knowledge of management, beneficially owned more than 5% of the outstanding shares of:

Short Term Bond Fund--Estate of A. Marek (7.3%), Barnett Newman Foundation (5.6%), S. P. Marshall and E. F. Waller Trust B (7.3%), E.C. Chang (16.3%); Morgan Guaranty Trust as Agent for L. Johnson IRA 22.4%;

Bond Fund--B. Spitzer (9.6%); Boston & Co. (7.9%);

New York Total Return Bond Fund--
Morgan Guaranty Trust
as agent for G. Attfield (5%), M. Tang (5.1%), J. Simon PAAS account (7.2%), M. Barron (9.5%);

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Diversified Fund--Wheels, Inc. 401K Retirement Savings Plan (8.7%), Gantrade Corporation Retirement Plan (8.2%) ; E.S. Gordon Company 401K (7.4%), New York Zoological Society d/b/a Wildlife Conservation Society (9.9%), Church of St. Joseph (5.2%), S. Ginkel (7.6%);

Unless otherwise noted, the address of each owner listed above is c/o Morgan, 9 West 57th Street, New York, New York 10019. As of the date of this Statement of Additional Information, the officers and Trustees as a group owned less than 1% of the shares of each Fund.

TAXES

Each Fund qualifies and intends to remain qualified as a regulated investment company under Subchapter M of the Code . As a regulated investment company, a Fund must, among other things, (a) derive at least 90% of its gross income from dividends, interest, payments with respect to loans of stock and securities, gains from the sale or other disposition of stock, securities or foreign currency and other income (including but not limited to gains from options, futures, and forward contracts) derived with respect to its business of investing in such stock, securities or foreign currency; (b) derive less than 30% of its gross income from the sale or other disposition of stock, securities, options, futures or forward contracts (other than options, futures or forward contracts on foreign currencies) held less than three months, or foreign currencies (or options, futures or forward contracts on foreign currencies), but only if such currencies (or options, futures or forward contracts on foreign currencies) are not directly related to a Fund's principal business of investing in stocks or securities (or options and futures with respect to stocks or securities); and (c) diversify its holdings so that, at the end of each fiscal quarter, (i) at least 50% of the value of the Fund's total assets is represented by cash, U.S. Government securities, investments in other regulated investment companies and other securities limited, in respect of any one issuer, to an amount not greater than 5% of the Fund's total assets, and 10% of the

outstanding voting securities of such issuer, and (ii) not more than 25% of the value of its total assets is invested in the securities of any one issuer (other than U.S. Government securities). As a regulated investment company, a Fund (as opposed to its shareholders) will not be subject to federal income taxes on the net investment income and capital gains that it distributes to its shareholders, provided that at least 90% of its net investment income and realized net short-term capital gains in excess of net long-term capital losses for the taxable year is distributed.

Under the Code, a Fund will be subject to a 4% excise tax on a portion of its undistributed income if it fails to meet certain distribution requirements by the end of the calendar year. Each Fund intends to make distributions in a timely manner and accordingly does not expect to be subject to the excise tax.

For federal income tax purposes, dividends that are declared by a Fund in October, November or December as of a record date in such month and actually paid

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in January of the following year will be treated as if they were paid on December 31 of the year declared. Therefore, such dividends will generally be taxable to a shareholder in the year declared rather than the year paid.

The Tax Exempt Money Market, Tax Exempt Bond and New York Total Return Bond Funds intend to qualify to pay exempt-interest dividends to their respective shareholders by having, at the close of each quarter of their respective taxable years, at least 50% of the value of their respective total assets consist of tax exempt securities. An exempt-interest dividend is that part of dividend distributions made by the Funds which consists of interest received by the Funds on tax exempt securities. Shareholders will not incur any federal income tax on the amount of exempt-interest dividends received by them from the Funds. In view of each Fund's investment policies, it is expected that a substantial portion of all dividends will be exempt-interest dividends, although the Funds may from time to time realize and distribute net short-term capital gains and may invest limited amounts in taxable securities under certain circumstances. See "Investment Objective(s) and Policies" in the Prospectus.

Distributions of net investment income and realized net short-term capital gains in excess of net long-term capital losses (other than exempt interest dividends) are generally taxable to shareholders of the Funds as ordinary income whether such distributions are taken in cash or reinvested in additional shares. The Equity, Capital Appreciation and Diversified Funds expect that a portion of these distributions to corporate shareholders will be eligible for the dividends-received deduction. Distributions to corporate shareholders of the Money Market, Tax Exempt Money Market, Treasury Money Market, Tax Exempt Bond, New York Total Return Bond, Bond, Short Term Bond, International Equity and Emerging Markets Equity Funds are not eligible for the dividends received deduction. Distributions of net long-term capital gains (i.e., net long-term capital gains in excess of net short-term capital losses) are taxable to shareholders of a Fund as long-term capital gains, regardless of whether such distributions are taken in cash or reinvested in additional shares and regardless of how long a shareholder has held shares in the Fund. See "Taxes" in the Prospectus for a discussion of the federal income tax treatment of any gain or loss realized on the redemption or exchange of a Fund's shares. Additionally, any loss realized on a redemption or exchange of shares of a Fund will be disallowed to the extent the shares disposed of are replaced within a period of 61 days beginning 30 days before such disposition, such as pursuant to reinvestment of a dividend in shares of the Fund.

To maintain a constant \$1.00 per share net asset value, the Trustees of the Money Market, Tax Exempt Money Market and Treasury Money Market Funds may direct that the number of outstanding shares be reduced pro rata. If this adjustment is made, it will reflect the lower market value of portfolio securities and not realized losses. The adjustment may result in a shareholder having more dividend income than net income in his account for a period. When the number of outstanding shares of a Fund is reduced, the shareholder's basis in the shares of the Fund may be adjusted to reflect the difference between taxable income and net dividends actually distributed. This difference may be realized as a capital loss when the shares are liquidated. See "Net Asset Value".

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Gains or losses on sales of portfolio securities will be treated as long-term capital gains or losses if the securities have been held for more than one year except in certain cases where, if applicable, a put is acquired or a call option is written thereon. Other gains or losses on the sale of securities will be short-term capital gains or losses. Gains and losses on the sale, lapse or other termination of options on securities will be treated as gains and losses from the sale of securities. If an option written by a Portfolio lapses or is terminated through a closing transaction, such as a repurchase by the Portfolio of the option from its holder, the Portfolio will realize a short-term capital gain or loss, depending on whether the premium income is greater or less than the amount paid by the Portfolio in the closing transaction. If securities are purchased by a Portfolio pursuant to the exercise of a put option written by it, the Portfolio will subtract the premium received from its cost basis in the securities purchased.

Under the Code, gains or losses attributable to disposition of foreign currency or to foreign currency contracts, or to fluctuations in exchange rates between the time a Portfolio accrues income or receivables or expenses or other liabilities denominated in a foreign currency and the time a Portfolio actually collects such income or pays such liabilities, are treated as ordinary income or ordinary loss. Similarly, gains or losses on the disposition of debt securities held by a Portfolio, if any, denominated in foreign currency, to the extent attributable to fluctuations in exchange rates between the acquisition and disposition dates are also treated as ordinary income or loss.

Forward currency contracts, options and futures contracts entered into by a Portfolio may create "straddles" for U.S. federal income tax purposes and this may affect the character and timing of gains or losses realized by the Portfolio on forward currency contracts, options and futures contracts or on the underlying securities. Straddles may also result in the loss of the holding period of underlying securities for purposes of the 30% of gross income test described above, and therefore, a Portfolio's ability to enter into forward currency contracts, options and futures contracts may be limited.

Certain options, futures and foreign currency contracts held by a Portfolio at the end of each fiscal year will be required to be "marked to market" for federal income tax purposes -- i.e., treated as having been sold at market value. For options and futures contracts, 60% of any gain or loss recognized on these deemed sales and on actual dispositions will be treated as long-term capital gain or loss, and the remainder will be treated as short-term capital gain or loss regardless of how long the Portfolio has held such options or futures. Any gain or loss recognized on foreign currency contracts will be treated as ordinary income.

The Equity Portfolios may invest in Equity Securities of foreign issuers. If a Portfolio purchases shares in certain foreign investment funds (referred to as passive foreign investment companies ("PFICs") under the Code), the Portfolio may be subject to federal income tax on a portion of an "excess distribution" from such foreign investment fund or gain from the disposition of such shares, even though such

income may have to be distributed as a taxable dividend by the Fund to its shareholders. In addition, certain interest charges may be imposed on a Fund or its shareholders in respect of unpaid taxes arising from such distributions or gains. Alternatively, a Fund may each year include in its income and distribute to shareholders a pro rata portion of the foreign investment fund's income, whether or not distributed to the Fund.

Pursuant to proposed regulations, open-end regulated investment companies such as the Portfolios would be entitled to elect to mark to market their stock in certain PFICs. Marking to market in this context means recognizing as gain for each taxable year the excess, as of the end of that year, of the fair market value of each PFIC's stock over the owner's adjusted basis in that stock (including mark to market gains of a prior year for which an election was in effect).

FOREIGN SHAREHOLDERS. Dividends of net investment income and distributions of realized net short-term gains in excess of net long-term losses to a shareholder who, as to the United States, is a nonresident alien individual, fiduciary of a foreign trust or estate, foreign corporation or foreign partnership (a "foreign shareholder") will be subject to U.S. withholding tax at the rate of 30% (or lower treaty rate) unless the dividends are effectively connected with a U.S. trade or business of the shareholder, in

which case the dividends will be subject to tax on a net income basis at the graduated rates applicable to U.S. individuals or domestic corporations. Distributions of net long term capital gains to foreign shareholders will not be subject to U.S. tax unless the distributions are effectively connected with the shareholder's trade or business in the United States or, in the case of a shareholder who is a nonresident alien individual, the shareholder was present in the United States for more than 182 days during the taxable year and certain other conditions are met.

In the case of a foreign shareholder who is a nonresident alien individual and who is not otherwise subject to withholding as described above, a Fund may be required to withhold U.S. federal income tax at the rate of 31% unless IRS Form W-8 is provided. See "Taxes" in the Prospectus. Transfers by gift of shares of a Fund by a foreign shareholder who is a nonresident alien individual will not be subject to U.S. federal gift tax, but the value of shares of the Fund held by such a shareholder at his or her death will be includible in his or her gross estate for U.S. federal estate tax purposes.

FOREIGN TAXES. It is expected that the Equity, Capital Appreciation, International Equity, Emerging Markets Equity and Diversified Funds may be subject to foreign withholding taxes with respect to income received from sources within foreign countries. In the case of the International Equity and Emerging Markets Equity Funds, so long as more than 50% in value of the total assets of the Fund's corresponding Portfolio at the close of any taxable year consists of stock or securities of foreign corporations, the Fund may elect to treat any foreign income taxes paid by it as paid directly by its shareholders. These Funds will make such an election only if they deem it to be in the best interest of their respective shareholders. The Funds will notify their respective shareholders in writing each year if they make the election and of the amount of foreign income taxes, if any, to be treated as paid by the

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shareholders. If a Fund makes the election, each shareholder will be required to include in his income his proportionate share of the amount of foreign income taxes paid by the Fund and will be entitled to claim either a credit (subject to the limitations discussed below) or, if he itemizes deductions, a deduction for his share of the foreign income taxes in computing federal income tax liability. (No deduction will be permitted in computing an individual's alternative minimum tax liability.) A shareholder who is a nonresident alien individual or a foreign corporation may be subject to U.S. withholding tax on the income resulting from the election described in this paragraph, but may not be able to claim a credit or deduction against such U.S. tax for the foreign taxes treated as having been paid by such shareholder. A tax-exempt shareholder will not ordinarily benefit from this election. Shareholders who choose to utilize a credit (rather than a deduction) for foreign taxes will be subject to the limitation that the credit may not exceed the shareholder's U.S. tax (determined without regard to the availability of the credit) attributable to his or her total foreign source taxable income. For this purpose, the portion of dividends and distributions paid by each of the International Equity and Emerging Markets Equity Funds from its foreign source net investment income will be treated as foreign source income. Each of these Funds' gains and losses from the sale of securities will generally be treated as derived from U.S. sources, however, and certain foreign currency gains and losses likewise will be treated as derived from U.S. sources. The limitation on the foreign tax credit is applied separately to foreign source "passive income," such as the portion of dividends received from the Fund which qualifies as foreign source income. In addition, the foreign tax credit is allowed to offset only 90% of the alternative minimum tax imposed on corporations and individuals. Because of these limitations, shareholders may be unable to claim a credit for the full amount of their proportionate shares of the foreign income taxes paid by the International Equity and Emerging Markets Equity Funds.

STATE AND LOCAL TAXES. Each Fund may be subject to state or local taxes in jurisdictions in which the Fund is deemed to be doing business. In addition, the treatment of a Fund and its shareholders in those states which have income tax laws might differ from treatment under the federal income tax laws. Shareholders should consult their own tax advisors with respect to any state or local taxes.

OTHER TAXATION. The Trust is organized as a Massachusetts business trust and, under current law, neither the Trust nor any Fund is liable for any income or franchise tax in The Commonwealth of Massachusetts, provided that the Fund continues to qualify as a regulated investment company under Subchapter M of the Code. The Portfolios are organized as New York trusts. The Portfolios are

not subject to any federal income taxation or income or franchise tax in the State of New York or The Commonwealth of Massachusetts. The investment by a Fund in its corresponding Portfolio does not cause the Fund to be liable for any income or franchise tax in the State of New York.

ADDITIONAL INFORMATION

As used in this Statement of Additional Information and the Prospectus, the term "majority of the outstanding voting securities" means the vote of (i) 67% or more of the Fund's shares or the Portfolio's outstanding

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voting securities present at a meeting, if the holders of more than 50% of the Fund's outstanding shares are present or represented by proxy, or (ii) more than 50% of the Fund's outstanding shares or the Portfolio's outstanding securities, whichever is less.

Telephone calls to the Funds , Morgan or Eligible Institutions as shareholder servicing agent may be tape recorded. With respect to the securities offered hereby, this Statement of Additional Information and the Prospectuses do not contain all the information included in the Trust's Registration Statement filed with the SEC under the 1933 Act and the Trust's and the Portfolios' Registration Statements filed under the 1940 Act. Pursuant to the rules and regulations of the SEC, certain portions have been omitted. The Registration Statements including the exhibits filed therewith may be examined at the office of the SEC in Washington D.C.

Statements contained in this Statement of Additional Information and the Prospectuses concerning the contents of any contract or other document are not necessarily complete, and in each instance, reference is made to the copy of such contract or other document filed as an exhibit to the applicable Registration Statements. Each such statement is qualified in all respects by such reference.

No dealer, salesman or any other person has been authorized to give any information or to make any representations, other than those contained in the Prospectuses and this Statement of Additional Information, in connection with the offer contained therein and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the Trust, the Pierpont Funds or the Distributor. The Prospectus and this Statement of Additional Information do not constitute an offer by any Fund or by the Distributor to sell or solicit any offer to buy any of the securities offered hereby in any jurisdiction to any person to whom it is unlawful for the Fund or the Distributor to make such offer in such jurisdictions.

FINANCIAL STATEMENTS

Each of The Pierpont Funds' current reports to shareholders filed with the SEC pursuant to Section 30(b) of the 1940 Act and Rule 30b2-1 thereunder are hereby incorporated herein by reference. A copy of each such report will be provided, without charge, to each person receiving this Statement of Additional Information.

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APPENDIX A DESCRIPTION OF SECURITY RATINGS

STANDARD & POOR'S

CORPORATE AND MUNICIPAL BONDS

AAA - Debt rated AAA has the highest ratings assigned by Standard & Poor's to a debt obligation. Capacity to pay interest and repay principal is extremely strong.

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

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

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

BB - Debt rated BB is regarded as having less near-term vulnerability to default than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial or economic conditions which could lead to inadequate capacity to meet timely interest and principal payments.

COMMERCIAL PAPER, INCLUDING TAX EXEMPT

A - Issues assigned this highest rating are regarded as having the greatest capacity for timely payment. Issues in this category are further refined with the designations 1, 2, and 3 to indicate the relative degree of safety.

A-1 - This designation indicates that the degree of safety regarding timely payment is very strong.

SHORT-TERM TAX-EXEMPT NOTES

SP-1 - The short-term tax-exempt note rating of SP-1 is the highest rating assigned by Standard & Poor's and has a very strong or strong capacity to pay principal and interest. Those issues determined to possess overwhelming safety characteristics are given a "plus" (+) designation.

SP-2 - The short-term tax-exempt note rating of SP-2 has a satisfactory capacity to pay principal and interest.

A-1

MOODY'S

CORPORATE AND MUNICIPAL BONDS

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

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

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

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

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

COMMERCIAL PAPER, INCLUDING TAX EXEMPT

Prime-1 - Issuers rated Prime-1 (or related supporting institutions) have a superior capacity for repayment of short-term promissory obligations. Prime-1 repayment capacity will normally be evidenced by the following characteristics:

- - Leading market positions in well established industries.
- - High rates of return on funds employed.
- - Conservative capitalization structures with moderate reliance on debt and ample asset protection. - Broad margins in earnings coverage of fixed financial charges and high internal cash generation. - Well established access to a range of financial markets and assured sources of alternate liquidity.

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SHORT-TERM TAX EXEMPT NOTES

MIG-1 - The short-term tax-exempt note rating MIG-1 is the highest rating assigned by Moody's for notes judged to be the best quality. Notes with this rating enjoy strong protection from established cash flows of funds for their servicing or from established and broad-based access to the market for refinancing, or both.

MIG-2 - MIG-2 rated notes are of high quality but with margins of protection not as large as MIG-1.

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APPENDIX B

ADDITIONAL INFORMATION CONCERNING NEW YORK MUNICIPAL OBLIGATIONS

The following information is a summary of special factors affecting investments in New York Municipal Obligations. The sources of payment for such obligations and the marketability thereof may be affected by financial or other difficulties experienced by New York State (the "State") and certain of its municipalities and public authorities. It does not purport to be a complete description and is based on information from official statements relating to securities offerings of New York issuers.

NEW YORK STATE. The financial condition of the State may be affected by various financial, social, economic and political factors. Those factors can be very complex, may vary from fiscal year to fiscal year, and are frequently the result of actions taken not only by the State and its agencies and instrumentalities but also by entities that are not under the control of the State. Adverse developments affecting the State's financing activities, its authorities, the City of New York (the "City") or other localities could adversely affect the State's financial condition.

There are a number of methods by which the State may incur debt. Under the State Constitution, the State may not, with limited exceptions for emergencies, undertake long-term borrowing (I.E., borrowing for more than one year) unless the borrowing is authorized in a specific amount for a single work or purpose by the Legislature and approved by the voters. There is no limitation on the amount of long-term debt that may be so authorized and subsequently incurred by the State. The total amount of long-term State general obligation debt authorized but not issued as of March 31, 1994 was approximately \$2.039 billion.

The State may undertake short-term borrowings without voter approval (i) in anticipation of the receipt of taxes and revenues, by issuing tax and revenue anticipation notes, and (ii) in anticipation of the receipt of proceeds from the sale of duly authorized but unissued bonds, by issuing bond anticipation notes. The State may also, pursuant to specific constitutional authorization, directly guarantee certain obligations of the State of New York's authorities and public benefit corporations ("Authorities"). Payments of debt service on New York State general obligation and New York State-guaranteed bonds and notes are legally enforceable obligations of the State of New York.

The State also employs two other types of long-term financing mechanisms that are State-supported but do not result in general obligations of the State: moral obligation and lease-purchase or contractual-obligation financing.

Payments for principal and interest due on general obligation bonds, interest due on bond anticipation notes and on tax and revenue anticipation notes, and contractual-obligation and lease-purchase payments were \$1.783

billion and \$2.045 billion in the aggregate for the State's 1991-92 and 1992-93 fiscal years, respectively, and were estimated to be \$2.326 billion for the State's 1993-94 fiscal year. These figures do not include the interest payable on either State General Obligation Refunding Bonds issued in July 1992 ("Refunding Bonds") to the extent that such interest is to be paid from an escrow fund established

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with the proceeds of such Refunding Bonds or the State's installment payments relating to the issuance of certificates of participation.

The State has never defaulted on any of its general obligation indebtedness or its obligations under lease-purchase or contractual-obligation financing arrangements and has never been called upon to make any direct payments pursuant to its guarantees. There has never been a default on any moral obligation debt of any Authority.

In 1990, as part of a State fiscal reform program, legislation was enacted creating the New York Local Government Assistance Corporation ("LGAC"), a public benefit corporation empowered to issue long-term obligations to fund certain payments to local governments traditionally funded through New York State's annual seasonal borrowing. The legislation empowered LGAC to issue its bonds and notes in an amount not in excess of \$4.7 billion (exclusive of certain refunding bonds) plus certain other amounts. Over a period of years, the issuance of those long-term obligations, which will be amortized over no more than 30 years, is expected to result in eliminating the need for continuing short-term seasonal borrowing for those purposes. The legislation also imposed a cap on the annual seasonal borrowing of the State at \$4.7 billion, less net proceeds of bonds issued by LGAC and bonds issued to provide for capitalized interest, except in cases where the Governor and the legislative leaders have certified both the need for additional borrowing and provided a schedule for reducing it to the cap. If borrowing above the cap is thus permitted in any fiscal year, it is required by law to be reduced to the cap by the fourth fiscal year after the limit was first exceeded. To date, LGAC has issued its bonds to provide net proceeds of \$3.856 billion and has been authorized to issue its bonds to provide net proceeds of up to an additional \$315 million during the State's 1994-95 fiscal year.

In April 1993, legislation was also enacted providing for significant changes in the long-term financing practices of the State and the Authorities.

The Legislature passed a proposed constitutional amendment that would permit the State, without a voter referendum but within a formula-based cap, to issue revenue bonds, which would be debt of the State secured solely by a pledge of certain State tax receipts (including those allocated to State funds dedicated for transportation purposes), and not by the full faith and credit of the State. In addition, the proposed amendment would require that State debt be incurred only for capital projects included in a multi-year capital financing plan and would prohibit lease-purchase and contractual-obligation financing mechanisms for State facilities. The Governor and the Legislative leaders have indicated that public hearings will be held on the proposed constitutional amendment. Before becoming effective, the proposed constitutional amendment must first be passed again by the next separately elected Legislature and then approved by the voters at a general election, so that it could not become effective until after the general election in November 1995.

On March 26, 1990, S&P downgraded the State's (i) general obligation bonds from "AA-" to "A" and (ii) commercial paper from "A-1+" to "A-1." S&P also downgraded certain of the State's variously rated moral obligation, lease purchase, guaranteed and contractual obligation debt, including debt issued by certain State agencies. On August 27, 1990, S&P affirmed these ratings without

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change. On June 6, 1990, Moody's downgraded the State's general obligation debt from "A1" to "A," confirmed its rating of the State's limited liability lease and contractual obligations at "A," and assigned a rating of "MIG-2" to the State's tax and revenue anticipation notes issued in June 1990 and March 1990. On January 6, 1992, Moody's lowered from "A" to "Baa1" its rating of those New York State bonds that are backed by annual legislative appropriations. The downgrade affected two-thirds of the State's outstanding debt. Moody's attributed the downgrade to the inability of State officials to agree on a plan to fill the \$875 million gap in 1992's \$30 billion general fund budget. Moody's also placed its "A" rating of the State's general obligation bonds under review for possible downgrading in the coming months. On January 13, 1992, S&P lowered its rating of the State's \$4.8 billion in general obligation bonds from "A" to

"A-." S&P maintained its ratings on outstanding short-term borrowings because it believes the State is still generating more than enough cash to meet its obligations. Moody's and S&P variously cited the State's continued economic deterioration, chronic operating deficits, and the legislative stalemate in closing the budget gap, as factors contributing to the downgrades.

The State Constitution requires the Governor to submit to the Legislature a balanced Executive Budget which contains a complete plan of expenditures for the ensuing fiscal year and all moneys and revenues estimated to be available therefor, accompanied by bills containing all proposed appropriations or reappropriation and any new or modified revenue measures to be enacted in connection with the Executive Budget. The entire plan constitutes the proposed State financial plan for that fiscal year. The Governor submits to the Legislature, on at least a quarterly basis, reports of actual receipts, revenues, disbursements, expenditures, tax refunds and reimbursements, and repayment of advances in form suitable for comparison with the State financial plan, together with explanations of deviations from the State financial plan. At such time, the Governor is required to submit any amendments to the State financial plan necessitated by such deviations. The State issued the first of the three required quarterly updates to the 1994-95 cash-basis State Financial Plan on July 29, 1994. The major uncertainties in the State Financial Plan continue to be those related to the economy and tax collections, and could produce either favorable or unfavorable variances during the balance of the year. Continued turmoil in the financial, currency and commodity markets could adversely affect the profit structures of key industries in the State, as well as provoke cautious attitudes among businesses and consumers. Conversely, stronger than expected employment and income levels, and continued moderate inflation, could produce higher sales and income tax receipts in the months ahead.

The State's budget for the 1994-95 fiscal year was enacted by the Legislature on June 7, 1994, more than two months after the start of the fiscal year. The recommended 1994-95 State Financial Plan projects a balanced General Fund. Total General Fund receipts are projected to be \$34.321 billion, an increase of \$2.092 billion over total receipts in the prior fiscal year. Disbursements are projected to be \$34.248 billion, an increase of \$2.351 billion over the total amount disbursed and transferred in the prior fiscal year.

The 1994-95 State Financial Plan formulated on June 16, 1994 (the "1994-95 State Financial Plan"), following enactment of the State's 1994-95 budget,

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projected General Fund receipts and transfers from other funds at \$34.321 billion and disbursements and transfers to other funds at \$34.248 billion.

The State has historically been one of the wealthiest states in the nation. For decades, however, the State has grown more slowly than the nation as a whole, gradually eroding its relative economic position. The recession has been more severe in the State, owing to a significant retrenchment in the financial services industry, cutbacks in defense spending, and an over built real estate market. The State's economy has also been slower to recover than in the rest of the nation. There can be no assurance that the State economy will not experience worse-than-predicted results in the 1994-95 fiscal year, with corresponding material and adverse effects on the State's projections of receipts and disbursements.

There can be no assurance that the State will not face substantial potential budget gaps in future years resulting from a significant disparity between tax revenues projected from a lower recurring receipts base and the spending required to maintain State programs at current levels. To address any potential budgetary imbalance, the State may need to take significant actions to align recurring receipts and disbursements in future fiscal years.

The State anticipates that its borrowings for capital purposes in its 1994-95 fiscal year will consist of approximately \$374 million in general obligation bonds and \$140 million in new commercial paper issuances. In addition, it is anticipated that the State will issue \$140 million in general obligation bonds for the purpose of redeeming outstanding bond anticipation notes. The Legislature has also authorized the issuance of up to \$69 million in certificates of participation for equipment purchases during the State's 1994-95 fiscal year. The projection of the State regarding its borrowings for the 1993-94 fiscal year may change if actual receipts fall short of State projections or if other circumstances require.

AUTHORITIES. The fiscal stability of the State is related to the fiscal stability of its Authorities, which generally have responsibility for financing, constructing and operating revenue-producing public benefit facilities.

Authorities are not subject to the constitutional restrictions on the incurrence of debt that apply to the State itself and may issue bonds and notes within the amounts of, and as otherwise restricted by, their legislative authorization. As of September 30, 1993, the latest data available, 18 Authorities had outstanding debt of \$100 million or more. The aggregate outstanding debt, including refunding bonds, of these 18 Authorities was \$63.5 billion as of September 30, 1993. As of March 31, 1994, aggregate public authority debt outstanding as State-supported debt was \$21.1 billion and as State-related debt was \$29.4 billion.

In recent years the State has provided financial assistance through appropriations, in some cases of a recurring nature, to certain of the 18 Authorities for operating and other expenses and in fulfillment of its commitments on moral obligation indebtedness or otherwise, for debt service. During the 1992-93 fiscal year, the State provided operating assistance of \$935.6 million for the Metropolitan Transportation Authority (the "MTA") and \$19.9 million for four non-transit Authorities (i.e., the Housing Finance Agency (the

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"HFA"), the Urban Development Corporation (the "UDC"), the Energy Research and Development Authority and the Environmental Facilities Corporation). For the 1993-94 fiscal year, \$1.078 billion and \$18.1 million are estimated to be provided to the MTA and the four non-transit Authorities, respectively. For the 1994-95 State fiscal year, total State assistance to the MTA is estimated at approximately \$1.3 billion. This operating assistance (possibly in increasing amounts) is expected to continue to be required in future years. The State's experience has been that if an Authority suffers serious financial difficulties, both the ability of the State and the Authorities to obtain financing in the public credit markets and the market price of the State's outstanding bonds and notes may be adversely affected.

The MTA oversees the operation of the City's bus and subway systems by its affiliates, the New York City Transit Authority and the Manhattan and Bronx Surface Transit Operating Authority (collectively, the "TA") and, through subsidiaries, operates certain commuter rail and bus lines. Through its affiliated agency, the Triborough Bridge and Tunnel Authority (the "TBTA"), the MTA operates certain intrastate toll bridges and tunnels. Because fare revenues are not sufficient to finance the mass transit portion of these operations, the MTA has depended, and will continue to depend, for operating support upon a system of State, local government and TBTA support, and, to the extent available, Federal operating assistance, including loans, grants and subsidies.

The TA and the commuter railroads ended fiscal year 1992 with their budgets balanced on a cash basis. The TA had an estimated closing cash balance of approximately \$25 million, and the commuter railroads had a closing cash balance of approximately \$237 million, which includes dedicated tax monies held by the State. For 1993, the TA originally projected a budget gap of approximately \$266 million. An increase in TBTA tolls which took effect in January 1993, and other developments, reduced the projected gap to approximately \$241 million. Legislation passed in April 1993 relating to the MTA's 1992-1996 Capital Program reflected a plan for closing this gap without raising fares. If any of the assumptions used in making these projections prove incorrect, the TA's gap could grow, and the TA would be required to seek additional State assistance, raise fares or take other action.

NEW YORK CITY AND MUNICIPAL ASSISTANCE CORPORATION. The fiscal health of the State of New York is closely related to the fiscal health of its localities, particularly the City of New York, which has required and continues to require significant financial assistance from New York State. The City's independently audited operating results for each of its 1981 through 1993 fiscal years, which end on June 30, show a General Fund surplus reported in accordance with GAAP. The City has eliminated the cumulative deficit in its net General Fund position. In addition, the City's financial statements for the 1993 fiscal year received an unqualified opinion from the City's independent auditors, the eleventh consecutive year the City has received such an opinion.

In 1975, New York City suffered a fiscal crisis that impaired the borrowing ability of both the City and the State. In that year the City lost access to public credit markets and was not able to sell debt to the public again until 1979. In response to the City's fiscal crisis, the State created the Municipal Assistance Corporation ("MAC") to provide financing assistance for the City, and

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the New York State Financial Control Board (the "Control Board") to exercise certain oversight and review functions with respect to the City's financing. Prior to 1985, MAC had the authority to issue bonds and notes and to pay or lend the proceeds to the City. Since 1985 MAC has been authorized to issue bonds and notes only to refund its outstanding bonds and notes. MAC also has the authority to exchange its obligations for City obligations. MAC bonds are payable from appropriations of certain State sales and use taxes imposed by the City, the State stock transfer tax and per capita State aid to the City. The State is not, however, obligated to continue these taxes, continue to appropriate revenue from these taxes or continue the appropriation of per capita State aid to pay MAC obligations. MAC does not have taxing powers and its bonds are not obligations enforceable against either the City or the State.

On February 11, 1991, Moody's lowered its rating on the City's general obligation bonds to "Baa1" from "A". Moody's expressed doubts about whether the City's January 16, 1991 financial plan presented a "reasonable program to achieve budget balance in fiscal 1991 and 1992 and assure long-term structural integrity." Moody's stated that "the enormity of the current problem, the severity of required expenditure cuts, the substantial revenue enhancements that will be required to achieve balance, the vulnerability to exogenous factors, and the extremely short time frame within which all this must be accomplished introduce substantial new risk to the City's short and long-term credit outlook." On April 29, 1991, S&P downgraded New York City's outstanding \$1.3 billion of general obligation revenue and anticipation notes from "SP-1" to "SP-2". S&P also announced a rating of "SP-2" for the City's offering of \$1.25 billion of general obligation revenue anticipation notes. The lower ratings of S&P "reflect the City's aggravated short-term cash position for fiscal 1991, the unusually high level of total revenue anticipation note exposure resulting from the State's delay in passing its budget and distributing fiscal aid, and continued pressure on revenues and expenditures due to prevailing economic conditions." On April 30, 1991, Moody's assigned a rating of "MIG-2" to the same offering of \$1.25 billion of general obligation revenue anticipation notes. Moody's stated that "although an increasingly strained financial outlook for both the City and the State complicates the State budget adoption process, this rating on revenue anticipation notes relies explicitly on the expectation that the State is fully cognizant of the consequences of further untimely delays in state budget adoption and will act responsibly. Failure of the State to find a timely resolution to the budget process will have severe implications for the normal financial performance of New York City and other local governments in New York State." On October 7, 1991, Moody's again assigned a "MIG-2" rating to New York City's \$1.25 billion of revenue anticipation notes, fiscal 1992, Series A.

Moody's stated in its January 6, 1992 downgrade of certain New York State obligations that while such action did not directly affect the bond ratings of local governments in New York State, the impact of the State's fiscal stringency on local government bond ratings will be assessed on a case-by-case basis. On June 22, 1992, Moody's gave its "MIG-1" rating to the City's \$1.4 billion revenue anticipation notes and tax anticipation notes citing New York City's "markedly improved" short-term credit position.

On July 6, 1993, S&P reaffirmed the City's "A-" rating on \$20.4 billion of general obligation bonds stating that "[t]he City has identified additional gap-

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closing measures that have recurring value and will reduce next year's budget gap . . . by approximately \$400 million." Officials at Moody's also indicated that there were no plans to alter its "Baa1" rating on the City's general obligation bonds.

The Mayor is responsible for preparing the City's four-year financial plan. On February 10, 1994 the City released a financial plan for the 1994 through 1997 fiscal years (the "1994-1997 Financial Plan" or "Financial Plan"). The City's projections set forth in the Financial Plan are based on various assumptions and contingencies which are uncertain and which may not materialize. Changes in major assumptions could significantly affect the City's ability to balance its budget as required by State law and to meet its annual cash flow and financing requirements. Such assumptions and contingencies include the timing and pace of any regional and local economic recovery, the impact on real estate tax revenues of the current downturn in the real estate market, wage increases for City employees consistent with those assumed in the Financial Plan, employment growth, the ability to implement proposed reductions in City personnel and other cost reduction initiatives which may require in certain cases the cooperation of the City's municipal unions and MAC, provision of State and Federal aid and mandate relief, adoption of the budget by the City Council in substantially the form submitted by the Mayor and the impact on the New York City region of the tax increases contained in President Clinton's economic plan.

The 1994-1997 Financial Plan projects revenues and expenditures for the 1994 fiscal year balanced in accordance with GAAP. The 1994-1997 Financial Plan

sets forth actions, which were outlined in the City's August Financial Plan, to close a previously projected gap of approximately \$2.0 billion in the 1994 fiscal year. The gap-closing actions for the 1994 fiscal year included substantial productivity savings and savings from restructuring the delivery of City services, service reductions, and the sale of delinquent real property tax receivables for \$215 million. The proposed sale of real property tax receivables requires authorization by the City Council.

The Financial Plan also sets forth projections for the 1995 through 1997 fiscal years and outlines a proposed gap-closing program to close projected budget gaps of \$2.3 billion, \$3.2 billion and \$3.3 billion for the 1995 through 1997 fiscal years, respectively. The projections include the continuation of the personal income tax surcharge, resulting in revenues of \$415 million, \$443 million and \$470 million in the 1995, 1996 and 1997 fiscal years, respectively, and reflect a decline in the property tax forecasted for each of the 1995 through 1997 fiscal years. The proposed gap-closing actions include City actions aggregating \$1.9 billion, \$1.8 billion and \$1.6 billion in the 1995 through 1997 fiscal years, respectively; \$275 million, \$525 million and \$705 million in proposed State actions in the 1995 through 1997 fiscal years, respectively; \$125 million, \$200 million and \$250 million in proposed additional Federal assistance in the 1995 through 1997 fiscal years, respectively; and other unspecified Federal, State or City actions of \$629 million and \$740 million in the 1996 and 1997 fiscal years, respectively.

The \$2.3 billion budget gap for the 1995 fiscal year is the largest budget gap which has been projected for the next succeeding fiscal year at this stage of the budget planning process for the last four years. It can be expected that

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the proposals contained in the Financial Plan to close the projected budget gap for the 1995 fiscal year will engender substantial public debate, and that public debate relating to the 1995 fiscal year budget will continue through the time the budget is scheduled to be adopted in June 1994.

On March 1, 1994, the City Comptroller issued a report on the state of the City's economy. The report concluded that, while the City's long recession is over, moderate growth is the best the City can expect. The report projects that total tax revenues for the 1994, 1995 and 1996 fiscal years will be slightly higher than projected in the Financial Plan, and that tax revenues for the 1997 fiscal year will be slightly below the Financial Plan projections. The report identified revenue risks for the 1994 through 1997 fiscal years totaling \$9 million, \$134 million, \$184 million and \$184 million, respectively, relating to the proposed video lottery and certain audit initiatives and other revenues. On March 21, 1994, the City Comptroller issued a report on the Financial Plan. In the report, the City Comptroller identified as risks for the 1995 fiscal year the proposals in the Financial Plan that are uncertain because they depend on actions by organizations other than City government, including the State Legislature and municipal unions. The City Comptroller stated that if none of the uncertain proposals are implemented, the total risk could be as much as \$1.15 billion to \$1.53 billion. The City Comptroller noted that there are a number of additional issues, the impact of which cannot be currently quantified.

On March 22, 1994, the Office of the State Deputy Comptroller for the City of New York ("OSDC") issued a report reviewing the Financial Plan. The report concluded that a balanced budget is achievable for the 1994 fiscal year. The report noted that expenditures for the 1994 fiscal year may be higher than projected by \$176 million, due primarily to possible overspending at BOE, revenue shortfalls at HHC and overtime costs in the uniformed agencies; however, the City has initiated a program that is intended to reduce nonpersonnel costs by up to \$150 million. In addition, the report noted that the Financial Plan includes a general reserve of \$198 million and assumes savings of \$117 million from the implementation of the proposed severance program for the 1994 fiscal year. While the City intends to transfer \$234 million of these resources to help balance the 1995 fiscal year budget, the report concluded that most of these resources will be needed to maintain budget balance in the 1994 fiscal year.

With respect to each of the 1995 through 1997 fiscal years, the report noted the potential for a budget gap of approximately \$300 million greater than shown in the Financial Plan, primarily due to possible shortfalls in projected HHC revenues, greater than anticipated spending at BOE and overtime costs in the uniformed agencies. Additional risks for such years include the potential for increased recycling costs due to a recent court decision, lower than anticipated revenues from the renegotiation of certain Port Authority leases, and greater personnel costs, since the Financial Plan makes no provision for wage increases after the expiration of current contracts. For the 1996 and 1997 fiscal years, the report identified the extension of the resident personal income tax surcharge as an additional risk.

With respect to the City's \$2.3 billion gap-closing program for the

1995 fiscal year, the report noted that approximately \$1.4 billion of the gap-closing initiatives must be considered as high risk because the initiatives are outside

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the Mayor's direct control to implement. The report noted that the City will need to obtain the approval and cooperation of the municipal labor unions, the City Actuary, certain Covered Organizations, the City Council and the State and Federal governments, and that if the necessary approvals are not obtained, the City will have only a few months to develop alternative solutions.

On March 23, 1994, the staff of the Control Board issued its report on the Financial Plan. The report states that, while the Financial Plan moves the City in the direction of structural balance, the Financial Plan has more risks and fewer details than are desirable and does not set forth contingency plans or other protections to assist the City if unknown but inevitable impediments emerge.

Estimates of the City's revenues and expenditures are based on numerous assumptions and are subject to various uncertainties. If expected federal or State aid is not forthcoming, if unforeseen developments in the economy significantly reduce revenues derived from economically sensitive taxes or necessitate increased expenditures for public assistance, if the City should negotiate wage increases for its employees greater than the amounts provided for in the City's financial plan or if other uncertainties materialize that reduce expected revenues or increase projected expenditures, then, to avoid operating deficits, the City may be required to implement additional actions, including increases in taxes and reductions in essential City services. The City might also seek additional assistance from New York State.

OTHER LOCALITIES. The cities, towns, villages and school districts of the State are political subdivisions of the State with the powers granted by the State Constitution and statutes. As the sovereign, the State retains broad powers and responsibilities with respect to the finances and welfare of these subdivisions, especially in education and social services.

In recent years, the State has been called upon to provide financial assistance to certain localities. To the extent that the State is constrained by its financial condition, State assistance to localities may be further reduced, compounding the serious fiscal constraints already experienced by many local governments. Localities also face anticipated and potential problems resulting from pending litigation (including challenges to local property tax assessments), judicial decisions and socio-economic trends.

Certain localities, in addition to the City, could have financial problems leading to requests for additional New York State assistance during the State's 1994-95 fiscal year and thereafter. The potential impact on the State of such requests by localities is not included in the projections of the State receipts and disbursements in the State's 1994-95 fiscal year.

Fiscal difficulties experienced by the City of Yonkers ("Yonkers") resulted in the creation of the Financial Control Board for the City of Yonkers (the "Yonkers Board") by New York State in 1984. The Yonkers Board is charged with oversight of the fiscal affairs of Yonkers. Future actions taken by the Governor or the Legislature to assist Yonkers could result in allocation of New York State resources in amounts that cannot yet be determined.

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Municipalities and school districts have engaged in substantial short-term and long-term borrowings. In 1992, the total indebtedness of all localities in New York State other than New York City was approximately \$15.7 billion, a small portion (approximately \$71.6 million) of that indebtedness represented borrowing to finance budgetary deficits and was issued pursuant to enabling New York State legislation. State law requires the Comptroller to review and make recommendations concerning the budgets of those local government units other than New York City authorized by State law to issue debt to finance deficits during the period that such deficit financing is outstanding. Seventeen localities had outstanding indebtedness for deficit financing at the close of their fiscal year ending in 1992.

From time to time, Federal expenditure reductions could reduce, or in some cases eliminate, Federal funding of some local programs and accordingly might impose substantial increased expenditure requirements on affected localities. If New York State, New York City or any of the Authorities were to

suffer serious financial difficulties jeopardizing their respective access to the public credit markets, the marketability of notes and bonds issued by localities within New York State could be adversely affected. Localities also face anticipated and potential problems resulting from certain pending litigation, judicial decisions and long-range economic trends. The longer-range problems of declining urban population, increasing expenditures and other economic trends could adversely affect localities and require increasing New York State assistance in the future.

LITIGATION. Certain litigation pending against the State, its subdivisions and their officers and employees could have a substantial and long-term adverse effect on State finances. The State is a party to numerous legal proceedings, many of which normally recur in governmental operations. Because of the prospective nature of these proceedings, no estimate of the potential loss can be made.

Among the more significant of these cases are those that involve: (i) the validity and fairness of agreements and treaties by which various Indian tribes transferred title to the State of approximately six million acres of land in central New York; (ii) certain aspects of the State's Medicaid policies and its rates and regulations, including reimbursements to providers of mandatory and optional Medicaid services; (iii) contamination in the Love Canal area of Niagara Falls; (iv) alleged employment discrimination by the State of New York and its agencies; (v) a challenge to the practice of reimbursing certain Office of Mental Health patient care expenses from the client's Social Security benefits; (vi) a challenge to the methods by which the State reimburses localities for the administrative costs of food stamp programs; (vii) an action in which the State is a third party defendant for injunctive or other appropriate relief concerning liability for the maintenance of stone groins constructed along certain areas of Long Island's shoreline; (viii) an action against New York State and New York City officials alleging inadequate shelter allowances to maintain proper housing; (ix) the constitutionality of legislation enacted during the 1990 legislative session which changed actuarial funding methods for determining state and local contributions to state employee retirement systems; (x) action by school districts and their employees challenging the constitutionality of Chapter 175 of the Laws of 1990 which deferred school district contributions to the public retirement system and reduced by like amount state aid to the school districts;

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(xi) the constitutionality of various public authority financing programs; and (xii) the constitutionality of bridge and mass transportation bonding programs of the New York State Thruway Authority and the Metropolitan Transportation Authority authorized by Chapter 56 of the Laws of 1993.

The legal proceedings noted above involve State finances, State programs and miscellaneous tort, real property and contract claims in which the State is a defendant and the monetary damages sought are substantial. These proceedings could affect adversely the financial condition of the State in the 1994-95 fiscal year or thereafter. Adverse developments in these proceedings or the initiation of new proceedings could affect the ability of the State to maintain a balanced 1994-95 State Financial Plan. An adverse decision in any of these proceedings could exceed the amount of the 1994-95 State Financial Plan reserve for the payment of judgments and, therefore, could affect the ability of the State to maintain a balanced 1994-95 State Financial Plan. In its audited financial statements for the 1992-93 fiscal year, the State reported its estimated liability for awarded and anticipated unfavorable judgments to be \$489 million. The State has stated its belief that the 1994-95 State Financial Plan includes sufficient reserves for the payment of judgments that may be required during the 1994-95 fiscal year.

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PART C

Item 24. Financial Statements and Exhibits.

(a) Financial Statements

The following financial statements are included in Part A:

Financial Highlights -- The Pierpont Money Market Fund, The Pierpont Tax Exempt Money Market Fund, The Pierpont Treasury Money Market Fund, The Pierpont Short Term Bond Fund, The Pierpont Bond Fund, The Pierpont Tax Exempt Bond Fund, The

Pierpont Equity Fund, The Pierpont Capital Appreciation Fund, The Pierpont International Equity Fund, The Pierpont Diversified Fund, The Pierpont Emerging Markets Equity Fund and The Pierpont New York Total Return Bond Fund.

The following financial statements are included in Part B:

The Pierpont Money Market Fund
Statement of Assets and Liabilities at November 30, 1994
Statement of Operations for the fiscal year ended November 30, 1994
Statement of Changes in Net Assets
Financial Highlights
Notes to Financial Statements November 30, 1994

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(b) Exhibits

Exhibit Number

- 1 Declaration of Trust, as amended.*
- 2 Restated By-Laws.*
- 3 Not Applicable.
- 4 Not Applicable.

- 5 Not Applicable.
- 6 Distribution Agreement between Registrant and Signature Broker-Dealer Services, Inc. ("SBDS") was filed as Exhibit No. 6 to Post-Effective Amendment No. 12.
- 7 Not Applicable.
- 8 Custodian Contract between Registrant and State Street Bank and Trust Company ("State Street") was filed as Exhibit No. 8 to Post-Effective Amendment No. 12.
- 9(a) Restated Administration Agreement between Registrant and SBDS was filed as Exhibit No. 9(a) to Post-Effective Amendment No. 12.
- 9(b) Restated Shareholder Servicing Agreement between Registrant and Morgan Guaranty Trust Company of New York ("Morgan Guaranty") was filed as Exhibit No. 9(b) to Post-Effective Amendment No. 12.
- 9(c) Transfer Agency and Service Agreement between Registrant and State Street was filed as Exhibit No. 9(c) to Post-Effective Amendment No. 12.

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- 9(d) Amended and Restated Fund Services Agreement between Registrant and Pierpont Group, Inc. was filed as Exhibit No. 9(d) to Post-Effective Amendment No. 12.
- 9(e) Restated Financial and Fund Accounting Services Agreement between Registrant and Morgan Guaranty was filed as Exhibit No. 9(e) to Post-Effective Amendment No. 12.
- 10 Opinion and consent of Sullivan & Cromwell was filed as Exhibit No. 10 to Registrant's Pre-Effective Amendment No. 1 to the Registration Statement filed on December 30, 1992 ("Pre-Effective Amendment No. 1").
- 11 Consents of independent accountants.*
- 12 Not Applicable.
- 13 Purchase Agreement was filed as Exhibit No. 13 to Pre-Effective Amendment No. 1.
- 14 Not Applicable.
- 15 Not Applicable.
- 16 Schedule for computation of performance quotations was filed as Exhibit No. 16 to Registrant's Post-Effective Amendment No. 9 to the Registration Statement filed on June 1, 1994.
- 17 Financial Data Schedules.*
- 18 Powers of Attorney.*

* Filed herewith.

Item 25. Persons Controlled by or Under Common Control with Registrant.

Not applicable.

Item 26. Number of Holders of Securities.

Title of Class: Number of Record Holders as of July 2, 1995.

The Pierpont Money Market Fund: 5,782
The Pierpont Tax Exempt Money Market Fund: 2,928
The Pierpont Treasury Money Market Fund: 564
The Pierpont Short Term Bond Fund: 125
The Pierpont Bond Fund: 823
The Pierpont Tax Exempt Bond Fund: 1,605
The Pierpont New York Total Return Bond Fund: 133
The Pierpont Diversified Fund: 247
The Pierpont Equity Fund: 2,211
The Pierpont Capital Appreciation Fund: 2,079
The Pierpont International Equity Fund: 1,695

The Pierpont Emerging Markets Equity Fund: 1,313

Item 27. Indemnification.

Reference is made to Section 5.3 of Registrant's Declaration of Trust and Article 4 of Registrant's Distribution Agreement.

Registrant, its Trustees and officers are insured against certain expenses in connection with the defense of claims, demands, actions, suits, or proceedings, and certain liabilities that might be imposed as a result of such actions, suits or proceedings.

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

Item 28. Business and Other Connections of Investment Adviser.

Not Applicable.

Item 29. Principal Underwriters.

(a) SBDS is the Distributor (the "Distributor") for the shares of the Registrant. SBDS also serves as the principal underwriter or placement agent for numerous other registered investment companies.

(b) The following are the directors and officers of the Distributor. The principal business address of these individuals is 6 St. James Avenue, Suite 900, Boston, Massachusetts 02116 unless otherwise noted. Their respective position and offices with the Registrant, if any, are also indicated.

Philip W. Coolidge: President, Chief Executive Officer and Director of SBDS. President of Registrant.

James B. Craver: Secretary of SBDS. Secretary and Treasurer of Registrant.

Barbara M. O'Dette: Assistant Treasurer of SBDS.

Linwood C. Downs: Treasurer of SBDS.

Thomas M. Lenz: Assistant Secretary of SBDS. Assistant Secretary of Registrant.

Molly S. Mugler: Assistant Secretary of SBDS. Assistant Secretary of Registrant.

Linda T. Gibson: Assistant Secretary of SBDS. Assistant Secretary of Registrant.

Beth A. Remy: Assistant Treasurer of SBDS.

Andres E. Saldana: Assistant Secretary of SBDS. Assistant Secretary of Registrant.

Susan Jakuboski: Assistant Treasurer of SBDS.

Julie J. Wytzner: Product Management Officer of SBDS.

Christopher W. Tomecek: Director of SBDS.

Kate B.M. Bolsover: Director of SBDS; Signature Financial Group (Europe), Ltd., 49 St. James's Street, London SW1A 1JT.

Robert G. Davidoff: Director of SBDS; CMNY Capital, L.P., 135 East 57th Street
New York, NY 10022.

Leeds Hackett: Director of SBDS; Hackett Associates Limited, 1260 Avenue of the
Americas, 12th Floor, New York, NY 10020

Laurence B. Levine: Director of SBDS; Blair Corporation, 250 Royal Palm Way,
Palm Beach, FL 33480

Donald S. Chadwick: Director of SBDS; 4609 Bayard Street, Apartment 411,
Pittsburgh, PA 15213.

(c) Not applicable.

Item 30. Location of Accounts and Records.

All accounts, books and other documents required to be maintained by
Section 31(a) of the Investment Company Act of 1940, as amended, and the Rules
thereunder will be maintained at the offices of:

Pierpont Group, Inc.: 461 Fifth Avenue, New York, New York 10017 (records
relating to its assisting the Trustees in carrying out their duties in
supervising the Registrant's affairs).

Morgan Guaranty Trust Company of New York: 60 Wall Street, New York, New York
10260-0060, or 9 West 57th Street, New York, New York 10019 (records relating to
its functions as shareholder servicing agent, and services agent).

State Street Bank and Trust Company: 1776 Heritage Drive, North Quincy,
Massachusetts 02171 (records relating to its functions as custodian, transfer
agent and dividend disbursing agent).

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Signature Broker-Dealer Services, Inc.: 6 St. James Avenue, Boston,
Massachusetts 02116 (records relating to its functions as distributor and
administrator).

Investors Bank and Trust Company: 1 First Canadian Place, Suite 5820, P.O. Box
231, Toronto, Ontario M5X1C8 (accounting records).

Item 31. Management Services.

Not Applicable.

Item 32. Undertakings.

(a) If the information called for by Item 5a of Form N-1A is contained in the
latest annual report to shareholders, the Registrant shall furnish each person
to whom a prospectus is delivered with a copy of the Registrant's latest annual
report to shareholders upon request and without charge.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933 and the
Investment Company Act of 1940, the Registrant certifies that it meets all the
requirements for effectiveness of this amendment to its Registration Statement
on Form N-1A ("Registration Statement") pursuant to Rule 485(b) under the
Securities Act of 1933 and has duly caused this Registration Statement to be
signed on its behalf by the undersigned, thereto duly authorized, in the City of
Boston, and Commonwealth of Massachusetts, on the 27th day of July, 1995.

THE PIERPONT FUNDS

By /s/ JAMES B. CRAVER

James B. Craver
Treasurer

Pursuant to the requirements of the Securities Act of 1933, this
Registration Statement has been signed below by the following persons in the
capacities indicated on July 27, 1995.

MATTHEW HEALEY*

Matthew Healey

Chairman and Chief Executive Officer

PHILIP W. COOLIDGE*

Philip W. Coolidge
President

/s/ JAMES B. CRAVER

James B. Craver

Treasurer and Chief Financial and Accounting Officer

F.S. ADDY*

F.S. Addy
Trustee

WILLIAM G. BURNS*

William G. Burns
Trustee

ARTHUR C. ESCHENLAUER*

Arthur C. Eschenlauer
Trustee

MICHAEL P. MALLARDI*

Michael P. Mallardi
Trustee

*By /s/ JAMES B. CRAVER

James B. Craver

As attorney-in-fact pursuant to a power of attorney filed herewith

SIGNATURES

Each Portfolio has duly caused this Post-Effective Amendment to the Registration Statement on Form N-1A ("Registration Statement") of The Pierpont Funds (the "Trust") (File No. 33-54632) to be signed on its behalf by the undersigned, thereto duly authorized, in George Town, Grand Cayman, Cayman Islands, on the 26th day of July, 1995.

THE MONEY MARKET PORTFOLIO, THE TAX EXEMPT MONEY MARKET PORTFOLIO, THE TREASURY MONEY MARKET PORTFOLIO, THE SHORT TERM BOND PORTFOLIO, THE U.S. FIXED INCOME PORTFOLIO, THE TAX EXEMPT BOND PORTFOLIO, THE SELECTED U.S. EQUITY PORTFOLIO, THE U.S. SMALL COMPANY PORTFOLIO, THE NON U.S. EQUITY PORTFOLIO, THE DIVERSIFIED PORTFOLIO, THE EMERGING MARKETS EQUITY PORTFOLIO AND THE NEW YORK TOTAL RETURN BOND PORTFOLIO

By /s/ SUSAN JAKUBOSKI

Susan Jakuboski
Assistant Treasurer

Pursuant to the requirements of the Securities Act of 1933, the Trust's Registration Statement has been signed below by the following persons in the capacities indicated on July 26, 1995.

PHILIP W. COOLIDGE*

Philip W. Coolidge
President of the Portfolios

JAMES B. CRAVER*

James B. Craver

Treasurer and Chief Financial and Accounting Officer of the Portfolios

MATTHEW HEALEY*

Matthew Healey

Chairman and Chief Executive Officer of the Portfolios

F.S. ADDY*

F.S. Addy
Trustee of the Portfolios

WILLIAM G. BURNS*

William G. Burns
Trustee of the Portfolios

ARTHUR C. ESCHENLAUER*

Arthur C. Eschenlauer
Trustee of the Portfolios

MICHAEL P. MALLARDI*

Michael P. Mallardi
Trustee of the Portfolios

*By /s/ SUSAN JAKUBOSKI

Susan Jakuboski

As attorney-in-fact pursuant to a power of attorney filed herewith

THE PIERPONT FUNDS
INDEX TO EXHIBITS TO REGISTRATION STATEMENT ON FORM N-1A

Exhibit No.	Description of Exhibit
1.	Declaration of Trust, as amended.
2.	Restated By-Laws.
11.	Consents of independent accountants.
17.	Financial Data Schedules.
18.	Powers of Attorney.

THE PIERPONT FUNDS

DECLARATION OF TRUST

Dated as of November 4, 1992

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DECLARATION OF TRUST

OF

THE PIERPONT FUNDS

Dated as of November 4, 1992

WHEREAS, the Trustees desire to establish a trust for the investment and reinvestment of funds contributed thereto; and

WHEREAS, the Trustees desire that the beneficial interest in the trust assets be divided into transferable Shares of Beneficial Interest (par value \$0.001 per share) ("Shares") issued in one or more series as hereinafter provided; and

NOW THEREFORE, the Trustees hereby declare that all money and property contributed to the trust established hereunder shall be held and managed in trust for the benefit of holders, from time to time, of the Shares issued hereunder and subject to the provisions hereof.

ARTICLE I

NAME AND DEFINITIONS

SECTION 1.1. NAME. The name of the trust created hereby is "The Pierpont Funds".

SECTION 1.2. DEFINITIONS. Wherever they are used herein, the following terms have the following respective meanings:

(a) "ADMINISTRATOR" means a party furnishing services to the Trust pursuant to any contract described in Section 4.3 hereof.

(b) "BY-LAWS" means the By-laws referred to in Section 3.9 hereof, as from time to time amended.

(c) "COMMISSION" has the meaning given that term in the 1940 Act.

(d) "CUSTODIAN" means a party employed by the Trust to furnish services as described in Article X of the By-Laws.

(e) "DECLARATION" means this Declaration of Trust as amended from time to time. Reference in this Declaration of Trust to "DECLARATION", "HEREOF",

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"HEREIN", and "HEREUNDER" shall be deemed to refer to this Declaration rather than the article or section in which such words appear.

(f) "DISTRIBUTOR" means a party furnishing services to the Trust pursuant to any contract described in Section 4.2 hereof.

(g) "INTERESTED PERSON" has the meaning given that term in the 1940 Act.

(h) "INVESTMENT ADVISER" means a party furnishing services to the Trust pursuant to any contract described in Section 4.1 hereof.

(i) "MAJORITY SHAREHOLDER VOTE" has the same meaning as the phrase "vote of a majority of the outstanding voting securities" as defined in the 1940 Act, except that such term may be used herein with respect to the Shares of the Trust as a whole or the Shares of any particular series, as the context may require.

(j) "1940 ACT" means the Investment Company Act of 1940 and the Rules and Regulations thereunder, as amended from time to time.

(k) "PERSON" means and includes individuals, corporations, partnerships, trusts, associations, joint ventures and other entities, whether or not legal entities, and governments and agencies and political subdivisions thereof, whether domestic or foreign.

(l) "SHAREHOLDER" means a record owner of outstanding Shares.

(m) "SHARES" means the Shares of Beneficial Interest into which the beneficial interest in the Trust shall be divided from time to time or, when used in relation to any particular series of Shares established by the Trustees pursuant to Section 6.9 hereof, equal proportionate transferable units into which such series of Shares shall be divided from time to time. The term "Shares" includes fractions of Shares as well as whole Shares.

(n) "SHAREHOLDER SERVICING AGENT" means a party furnishing services to the Trust pursuant to any shareholder servicing contract described in Section 4.4 hereof.

(o) "TRANSFER AGENT" means a party furnishing services to the Trust

pursuant to any transfer agency contract described in Section 4.4 hereof.

(p) "TRUST" means the trust created hereby.

(q) "TRUST PROPERTY" means any and all property, real or personal, tangible or intangible, which is owned or held by or for the account of the Trust or the Trustees, including, without limitation, any and all property allocated or belonging to any series of Shares pursuant to Section 6.9 hereof.

(r) "TRUSTEES" means the persons who have signed the Declaration, so long as they shall continue in office in accordance with the terms hereof, and all other persons who may from time to time be duly elected or appointed, qualified and serving as Trustees in accordance with the provisions hereof, and reference

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herein to a Trustee or the Trustees shall refer to such person or persons in their capacity as trustees hereunder.

ARTICLE II

TRUSTEES

SECTION 2.1. NUMBER OF TRUSTEES. The number of Trustees shall be such number as shall be fixed from time to time by a written instrument signed by the Trustees, provided, however, that the number of Trustees shall in no event be less than three.

SECTION 2.2. TERM OF OFFICE OF TRUSTEES. Subject to the provisions of Section 16(a) of the 1940 Act, the Trustees shall hold office during the lifetime of this Trust and until its termination as hereinafter provided; except that (a) any Trustee may resign his trust (without need for prior or subsequent accounting) by an instrument in writing signed by him and delivered to the other Trustees, which shall take effect upon such delivery or upon such later date as is specified therein; (b) any Trustee may be removed with cause, at any time by written instrument signed by at least two-thirds of the remaining Trustees, specifying the date when such removal shall become effective; (c) any Trustee who has attained a mandatory retirement age established pursuant to any written policy adopted from time to time by at least two thirds of the Trustees shall, automatically and without action of such Trustee or the remaining Trustees, be deemed to have retired in accordance with the terms of such policy, effective as of the date determined in accordance with such policy; (d) any Trustee who has become incapacitated by illness or injury as determined by a majority of the other Trustees, may be retired by written instrument signed by a majority of the other Trustees, specifying the date of his retirement; and (e) a Trustee may be removed at any meeting of Shareholders by a vote of two thirds of the outstanding Shares of each series. For purposes of the foregoing clause (b), the term "cause" shall include, but not be limited to, failure to comply with such

written policies as may from time to time be adopted by at least two thirds of the Trustees with respect to the conduct of Trustees and attendance at meetings. Upon the resignation, retirement or removal of a Trustee, or his otherwise ceasing to be a Trustee, he shall execute and deliver such documents as the remaining Trustees shall require for the purpose of conveying to the Trust or the remaining Trustees any Trust Property held in the name of the resigning, retiring or removed Trustee. Upon the incapacity or death of any Trustee, his legal representative shall execute and deliver on his behalf such documents as the remaining Trustees shall require as provided in the preceding sentence.

SECTION 2.3. RESIGNATION AND APPOINTMENT OF TRUSTEES. In case of the declination, death, resignation, retirement, removal or inability of any of the Trustees, or in case a vacancy shall, by reason of an increase in number, or for any other reason, exist, the remaining Trustees shall fill such vacancy by appointing such other individual as they in their discretion shall see fit. Such appointment shall be evidenced by a written instrument signed by a majority of the Trustees in office. Any such appointment shall not become effective, however, until the person named in the written instrument of appointment shall have accepted in writing such appointment and agreed in writing to be bound by the terms of the Declaration. Within twelve months of such appointment, the

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Trustees shall cause notice of such appointment to be mailed to each Shareholder at his address as recorded on the books of the Trustees. An appointment of a Trustee may be made by the Trustees then in office and notice thereof mailed to Shareholders as aforesaid in anticipation of a vacancy to occur by reason of retirement, resignation or increase in number of Trustees effective at a later date, provided that said appointment shall become effective only at or after the effective date of said retirement, resignation or increase in number of Trustees. The power of appointment is subject to the provisions of Section 16 (a) of the 1940 Act.

SECTION 2.4. VACANCIES. The death, declination, resignation, retirement, removal or incapacity of the Trustees, or any one of them, shall not operate to annul the Trust or to revoke any existing agency created pursuant to the terms of this Declaration. Whenever a vacancy in the number of Trustees shall occur, until such vacancy is filled as provided in Section 2.3, the Trustees in office, regardless of their number, shall have all the powers granted to the Trustees and shall discharge all the duties imposed upon the Trustees by the Declaration. A written instrument certifying the existence of such vacancy signed by a majority of the Trustees shall be conclusive evidence of the existence of such vacancy.

SECTION 2.5. DELEGATION OF POWER TO OTHER TRUSTEES. Any Trustee may, by power of attorney, delegate his power for a period not exceeding six months at any one time to any other Trustee or Trustees; provided that in no case shall fewer than two Trustees personally exercise the powers granted to the Trustees under the Declaration except as herein otherwise expressly provided.

ARTICLE III

POWERS OF TRUSTEES

SECTION 3.1. GENERAL. The Trustees shall have exclusive and absolute control over the Trust Property and over the business of the Trust to the same extent as if the Trustees were the sole owners of the Trust Property and business in their own right, but with such powers of delegation as may be permitted by the Declaration. The Trustees shall have power to conduct the business of the Trust and carry on its operations in any and all of its branches and maintain offices both within and without the Commonwealth of Massachusetts, in any and all states of the United States of America, in the District of Columbia, and in any and all commonwealths, territories, dependencies, colonies, possessions, agencies or instrumentalities of the United States of America and of foreign governments, and to do all such other things and execute all such instruments as the Trustees deem necessary, proper or desirable in order to promote the interests of the Trust although such things are not herein specifically mentioned. Any determination as to what is in the interests of the Trust made by the Trustees in good faith shall be conclusive. In construing the provisions of the Declaration, the presumption shall be in favor of a grant of power to the Trustees.

The enumeration of any specific power herein shall not be construed as limiting the aforesaid power. Such powers of the Trustees may be exercised without order of or resort to any court.

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SECTION 3.2. INVESTMENTS. (a) The Trustees shall have the power:

(i) to conduct, operate and carry on the business of an investment company;

(ii) to subscribe for, invest in, reinvest in, purchase or otherwise acquire, own, hold, pledge, sell, assign, transfer, exchange, distribute, lend or otherwise deal in or dispose of U.S. and foreign currencies, any form of gold or other precious metal, commodity contracts, any form of option contract, contracts for the future acquisition or delivery of fixed income or other securities, shares of, or any other interest in, any investment company as defined in the Investment Company Act of 1940, and securities and related derivatives of every nature and kind, including, without limitation, all types of bonds, debentures, stocks, negotiable or non-negotiable instruments, obligations, evidences of indebtedness, certificates of deposit or indebtedness, commercial paper, repurchase agreements, bankers' acceptances, and other securities of any kind, issued, created, guaranteed or sponsored by any and all Persons, including, without limitation,

(A) states, territories and possessions of the United States and the

District of Columbia and any political subdivision, agency or instrumentality of any such Person,

(B) the U.S. Government, any foreign government, any political subdivision or any agency or instrumentality of the U.S. Government, any foreign government or any political subdivision of the U.S. Government or any foreign government,

(C) any international or supranational instrumentality,

(D) any bank or savings institution, or

(E) any corporation, trust, partnership or other organization organized under the laws of the United States or of any state, territory or possession thereof, or under any foreign law;

or in "when issued" contracts for any such securities, to retain Trust assets in cash and from time to time to change the securities or obligations in which the assets of the Trust are invested; and to exercise any and all rights, powers and privileges of ownership or interest in respect of any and all such investments of every kind and description, including, without limitation, the right to consent and otherwise act with respect thereto, with power to designate one or more Persons to exercise any of said rights, powers and privileges in respect of any of said investments; and

(iii) to carry on any other business in connection with or incidental to any of the foregoing powers, to do everything necessary, proper or desirable for the accomplishment of any purpose or the attainment of any object or the furtherance of any power hereinbefore set forth, and to do every other act or thing incidental or appurtenant to or connected with the aforesaid purposes, objects or powers.

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(b) The Trustees shall not be limited to investing in securities or obligations maturing before the possible termination of the Trust, nor shall the Trustees be limited by any law limiting the investments which may be made by fiduciaries.

(c) Notwithstanding any other provision of this Declaration to the contrary, the Trustees shall have the power in their discretion without any requirement of approval by shareholders to either invest all or a portion of the Trust Property, or sell all or a portion of the Trust Property and invest the proceeds of such sales, in another investment company that is registered under the 1940 Act.

SECTION 3.3. LEGAL TITLE. Legal title to all Trust Property shall be vested in the Trustees as joint tenants except that the Trustees shall have power to cause legal title to any Trust Property to be held by or in the name of

one or more of the Trustees, or in the name of the Trust, or in the name of any other Person or nominee, on such terms as the Trustees may determine. The right, title and interest of the Trustees in the Trust Property shall vest automatically in each Person who may hereafter become a Trustee. Upon the resignation, removal or death of a Trustee, such Trustee shall automatically cease to have any right, title or interest in any of the Trust Property, and the right, title and interest of such Trustee in the Trust Property shall vest automatically in the remaining Trustees. Such vesting and cessation of title shall be effective whether or not conveyancing documents have been executed and delivered.

SECTION 3.4. ISSUANCE AND REPURCHASE OF SECURITIES. The Trustees shall have the power to issue, sell, repurchase, redeem, retire, cancel, acquire, hold, resell, reissue, dispose of, transfer, and otherwise deal in Shares and, subject to the provisions set forth in Articles VII, VIII and IX and Section 6.9 hereof, to apply to any such repurchase, redemption, retirement, cancellation or acquisition of Shares any funds of the Trust or other Trust Property whether capital or surplus or otherwise, to the full extent now or hereafter permitted by the laws of the Commonwealth of Massachusetts governing business corporations.

SECTION 3.5. BORROWING MONEY; LENDING TRUST PROPERTY. The Trustees shall have power to borrow money or otherwise obtain credit and to secure the same by mortgaging, pledging or otherwise subjecting as security the Trust Property, to endorse, guarantee, or undertake the performance of any obligation, contract or engagement of any other Person and to lend Trust Property.

SECTION 3.6. DELEGATION; COMMITTEES. The Trustees shall have power to delegate from time to time to such of their number or to officers, employees or agents of the Trust the doing of such things and the execution of such instruments either in the name of the Trust or the names of the Trustees or otherwise as the Trustees may deem expedient.

SECTION 3.7. COLLECTION AND PAYMENT. Subject to Section 6.9 hereof, the Trustees shall have power to collect all property due to the Trust; to pay all claims, including taxes, against the Trust Property; to prosecute, defend, compromise or abandon any claims relating to the Trust Property; to foreclose any security interest securing any obligations, by virtue of which any property is owed to the Trust; and to enter into releases, agreements and other instruments.

SECTION 3.8. EXPENSES. Subject to Section 6.9 hereof, the Trustees shall have the power to incur and pay any expenses which in the opinion of the Trustees are necessary or incidental to carry out any of the purposes of the Declaration, and to pay reasonable compensation from the funds of the Trust to themselves as Trustees. The Trustees shall fix the compensation of all officers, employees and Trustees.

SECTION 3.9. MANNER OF ACTING; BY-LAWS. Except as otherwise provided herein or in the By-Laws, any action to be taken by the Trustees may be taken by a majority of the Trustees present at a meeting of Trustees at which a quorum is present, including any meeting held by means of a conference telephone circuit or similar communications equipment by means of which all persons participating in the meeting can hear each other, or by written consents of a majority of the Trustees. The Trustees may adopt By-Laws not inconsistent with this Declaration to provide for the conduct of the business of the Trust and may amend or repeal such By-Laws to the extent such power is not reserved to the Shareholders.

SECTION 3.10. MISCELLANEOUS POWERS. The Trustees shall have the power to: (a) employ or contract with such Persons as the Trustees may deem desirable for the transaction of the business of the Trust; (b) enter into joint ventures, partnerships and any other combinations or associations; (c) remove Trustees or fill vacancies in or add to their number, elect and remove such officers and appoint and terminate such agents or employees as they consider appropriate, and appoint from their own number, and terminate, any one or more committees which may exercise some or all of the power and authority of the Trustees as the Trustees may determine; (d) purchase, and pay for out of Trust Property, insurance policies insuring the Shareholders, the Administrator, Trustees, officers, employees, agents, the Investment Adviser, the Distributor, selected dealers or independent contractors of the Trust against all claims arising by reason of holding any such position or by reason of any action taken or omitted by any such Person in such capacity, whether or not constituting negligence, or whether or not the Trust would have the power to indemnify such Person against such liability; (e) establish pension, profit-sharing, Share purchase, and other retirement, incentive and benefit plans for any Trustees, officers, employees or agents of the Trust; (f) to the extent permitted by law, indemnify any person with whom the Trust has dealings, including any Investment Adviser, Administrator, Custodian, Distributor, Transfer Agent, Shareholder Servicing Agent and any dealer, to such extent as the Trustees shall determine; (g) guarantee indebtedness or contractual obligations of others; (h) determine and change the fiscal year of the Trust and the method by which its accounts shall be kept; and (i) adopt a seal for the Trust, provided, that the absence of such seal shall not impair the validity of any instrument executed on behalf of the Trust.

SECTION 3.11. PRINCIPAL TRANSACTIONS. Except in transactions permitted by the 1940 Act, or any order of exemption issued by the Commission, the Trustees shall not, on behalf of the Trust, buy any securities (other than Shares) from or sell any securities (other than Shares) to, or lend any assets of the Trust to, any Trustee or officer of the Trust or any firm of which any such Trustee or officer is a member acting as principal, or have any such dealings with any Investment Adviser, Administrator, Shareholder Servicing Agent, Custodian, Distributor or Transfer Agent or with any Interested Person of such Person; but

the Trust may, upon customary terms, employ any such Person, or firm or company in which such Person is an Interested Person, as broker, legal counsel, registrar, transfer agent, dividend disbursing agent or custodian.

SECTION 3.12. TRUSTEES AND OFFICERS AS SHAREHOLDERS. Except as hereinafter provided, no officer, Trustee or member of any advisory board of the Trust, and no member, partner, officer, director or trustee of the Investment Adviser, Administrator or of the Distributor, and no Investment Adviser, Administrator or Distributor of the Trust, shall take long or short positions in the securities issued by the Trust. The foregoing provision shall not prevent:

(a) The Distributor from purchasing Shares from the Trust if such purchases are limited (except for reasonable allowances for clerical errors, delays and errors of transmission and cancellation of orders) to purchases for the purpose of filling orders for Shares received by the Distributor and provided that orders to purchase from the Trust are entered with the Trust or the Custodian promptly upon receipt by the Distributor of purchase orders for Shares, unless the Distributor is otherwise instructed by its customer;

(b) The Distributor from purchasing Shares as agent for the account of the Trust;

(c) The purchase from the Trust or from the Distributor of Shares by any officer, Trustee or member of any advisory board of the Trust or by any member, partner, officer, director or trustee of the Investment Adviser or of the Distributor at a price not lower than the net asset value of the Shares at the moment of such purchase, provided that any such sales are only to be made pursuant to a uniform offer described in the current prospectus or statement of additional information for the Shares being purchased; or

(d) The Investment Adviser, the Distributor, the Administrator, or any of their officers, partners, directors or trustees from purchasing Shares prior to the effective date of the Trust's Registration Statement under the Securities Act of 1933, as amended, relating to the Shares.

ARTICLE IV

INVESTMENT ADVISER, DISTRIBUTOR, ADMINISTRATOR, TRANSFER AGENT AND SHAREHOLDER SERVICING AGENTS

SECTION 4.1. INVESTMENT ADVISER. Subject to a Majority Shareholder Vote of the Shares of each series affected thereby, the Trustees may in their discretion from time to time enter into one or more investment advisory or management contracts whereby the other party to each such contract shall undertake to furnish the Trust such management, investment advisory, statistical and research facilities and services, promotional activities, and such other facilities and services, if any, with respect to one or more series of Shares, as the Trustees shall from time to time consider desirable and all upon such terms and conditions as the Trustees may in their discretion determine. Notwithstanding any provision of the Declaration, the Trustees may delegate to

the Investment Adviser authority (subject to such general or specific instructions as the Trustees may from time to time adopt) to effect purchases,

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sales, loans or exchanges of assets of the Trust on behalf of the Trustees or may authorize any officer, employee or Trustee to effect such purchases, sales, loans or exchanges pursuant to recommendations of the Investment Adviser (and all without further action by the Trustees). Any of such purchases, sales, loans or exchanges shall be deemed to have been authorized by all the Trustees. Such services may be provided by one or more Persons.

SECTION 4.2. DISTRIBUTOR. The Trustees may in their discretion from time to time enter into one or more distribution contracts providing for the sale of Shares whereby the Trust may either agree to sell the Shares to the other party to any such contract or appoint any such other party its sales agent for such Shares. In either case, any such contract shall be on such terms and conditions as the Trustees may in their discretion determine, provided that such terms and conditions are not inconsistent with the provisions of the Declaration or the By-Laws; and such contract may also provide for the repurchase or sale of Shares by such other party as principal or as agent of the Trust and may provide that such other party may enter into selected dealer and sales agreements with registered securities dealers and depository institutions to further the purpose of the distribution or repurchase of the Shares. Such services may be provided by one or more Persons.

SECTION 4.3. ADMINISTRATOR. The Trustees may in their discretion from time to time enter into one or more administrative services contracts whereby the other party to each such contract shall undertake to furnish such administrative services to the Trust as the Trustees shall from time to time consider desirable and all upon such terms and conditions as the Trustees may in their discretion determine, provided that such terms and conditions are not inconsistent with the provisions of this Declaration or the By-Laws. Such services may be provided by one or more Persons.

SECTION 4.4. TRANSFER AGENT AND SHAREHOLDER SERVICING AGENTS. The Trustees may in their discretion from time to time enter into one or more transfer agency and shareholder servicing contracts whereby the other party to each such contract shall undertake to furnish such transfer agency and/or shareholder services to the Trust or to shareholders of the Trust as the Trustees shall from time to time consider desirable and all upon such terms and conditions as the Trustees may in their discretion determine, provided that such terms and conditions are not inconsistent with the provisions of this Declaration or the By-Laws. Such services may be provided by one or more Persons. Except as otherwise provided in the applicable shareholder servicing contract, a Shareholder Servicing Agent shall be deemed to be the record owner of outstanding Shares beneficially owned by customers of such Shareholder Servicing Agent for whom it is acting pursuant to such shareholder servicing contract.

SECTION 4.5. PARTIES TO CONTRACT. Any contract of the character described in Section 4.1, 4.2, 4.3 or 4.4 of this Article IV or any Custodian contract as described in Article X of the By-Laws may be entered into with any Person, although one or more of the Trustees or officers of the Trust may be an officer, partner, director, trustee, shareholder, or member of such other party to the contract, and no such contract shall be invalidated or rendered voidable by

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reason of the existence of any such relationship; nor shall any Person holding such relationship be liable merely by reason of such relationship for any loss or expense to the Trust under or by reason of any such contract or accountable for any profit realized directly or indirectly therefrom, provided that the contract when entered into was not inconsistent with the provisions of this Article IV or the By-Laws. The same Person may be the other party to contracts entered into pursuant to Sections 4.1, 4.2, 4.3 and 4.4 above or any Custodian contract as described in Article X of the By-Laws, and any individual may be financially interested or otherwise affiliated with Persons who are parties to any or all of the contracts mentioned in this Section 4.5.

ARTICLE V

LIMITATIONS OF LIABILITY OF SHAREHOLDERS, TRUSTEES AND OTHERS

SECTION 5.1. NO PERSONAL LIABILITY OF SHAREHOLDERS, TRUSTEES, ETC. No Shareholder shall be subject to any personal liability whatsoever to any Person in connection with Trust Property or the acts, obligations or affairs of the Trust. No Trustee, officer, employee or agent of the Trust shall be subject to any personal liability whatsoever to any Person, other than the Trust or its Shareholders, in connection with Trust Property or the affairs of the Trust, save only that arising from bad faith, wilful misfeasance, gross negligence or reckless disregard for his duty to such Person; and all such Persons shall look solely to the Trust Property for satisfaction of claims of any nature arising in connection with the affairs of the Trust. If any Shareholder, Trustee, officer, employee, or agent, as such, of the Trust, is made a party to any suit or proceeding to enforce any such liability, he shall not, on account thereof, be held to any personal liability. The Trust shall indemnify and hold each Shareholder harmless from and against all claims and liabilities to which such Shareholder may become subject by reason of his being or having been a Shareholder, and shall reimburse such Shareholder for all legal and other expenses reasonably incurred by him in connection with any such claim or liability. The rights accruing to a Shareholder under this Section 5.1 shall not exclude any other right to which such Shareholder may be lawfully entitled, nor shall anything herein contained restrict the right of the Trust to indemnify or reimburse a Shareholder in any appropriate situation even though not specifically provided herein. Notwithstanding any other provision of this

Declaration to the contrary, no Trust Property shall be used to indemnify or reimburse any Shareholder of any Shares of any series other than Trust Property allocated or belonging to that series.

SECTION 5.2. NON-LIABILITY OF TRUSTEES, ETC. No Trustee, officer, employee or agent of the Trust shall be liable to the Trust or to any Shareholder, Trustee, officer, employee, or agent thereof for any action or failure to act (including without limitation the failure to compel in any way any former or acting Trustee to redress any breach of trust) except for his own bad faith, wilful misfeasance, gross negligence or reckless disregard of his duties.

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SECTION 5.3. MANDATORY INDEMNIFICATION; INSURANCE. (a) Subject to the exceptions and limitations contained in paragraph (b) below:

(i) every person who is or has been a Trustee or officer of the Trust shall be indemnified by the Trust, to the fullest extent permitted by law (including the 1940 Act) as currently in effect or as hereafter amended, against all liability and against all expenses reasonably incurred or paid by him in connection with any claim, action, suit or proceeding in which he becomes involved as a party or otherwise by virtue of his being or having been a Trustee or officer and against amounts paid or incurred by him in the settlement thereof;

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

(b) No indemnification shall be provided hereunder to a Trustee or officer:

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

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

(iii) in the event of a settlement involving a payment by a Trustee or officer or other disposition not involving a final adjudication as provided in paragraph (b) (i) or (b) (ii) above resulting in a payment by a Trustee or officer, unless there has been either a determination that such Trustee or officer did not engage in wilful misfeasance, bad faith, gross negligence or

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

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

(b) by written opinion of independent legal counsel.

(c) Subject to the provisions of the 1940 Act, the Trust may maintain insurance for the protection of the Trust Property, its Shareholders, Trustees, officers, employees and agents in such amount as the Trustees shall deem adequate to cover possible tort liability (whether or not the Trust would have the power to indemnify such Persons against such liability), and such other insurance as the Trustees in their sole judgment shall deem advisable.

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(d) The rights of indemnification herein provided shall be severable, shall not affect any other rights to which any Trustee or officer may now or hereafter be entitled, shall continue as to a Person who has ceased to be such a Trustee or officer and shall inure to the benefit of the heirs, executors and administrators of such Person. Nothing contained herein shall affect any rights to indemnification to which personnel other than Trustees and officers may be entitled by contract or otherwise under law.

(e) Expenses of preparation and presentation of a defense to any claim, action, suit, or proceeding of the character described in paragraph (a) of this Section 5.3 shall be advanced by the Trust prior to final disposition thereof upon receipt of an undertaking by or on behalf of the recipient to repay such amount if it is ultimately determined that he is not entitled to indemnification under this Section 5.3, provided that either:

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

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

As used in this Section 5.3 a "Disinterested Trustee" is one (i) who is not an "Interested Person" of the Trust (including anyone who has been exempted from being an "Interested Person" by any rule, regulation or order of the

Commission), and (ii) against whom none of such actions, suits or other proceedings or another action, suit or other proceeding on the same or similar grounds is then or had been pending.

SECTION 5.4. NO BOND REQUIRED OF TRUSTEES. No Trustee shall be obligated to give any bond or other security for the performance of any of his duties hereunder.

SECTION 5.5. NO DUTY OF INVESTIGATION; NOTICE IN TRUST INSTRUMENTS, ETC. No purchaser, lender, Shareholder Servicing Agent, Transfer Agent or other Person dealing with the Trustees or any officer, employee or agent of the Trust shall be bound to make any inquiry concerning the validity of any transaction purporting to be made by the Trustees or by said officer, employee or agent or be liable for the application of money or property paid, loaned, or delivered to or on the order of the Trustees or of said officer, employee or agent. Every obligation, contract, instrument, certificate, Share, other security of the Trust or undertaking, and every other act or thing whatsoever executed in connection with the Trust shall be conclusively presumed to have been executed or done by the executors thereof only in their capacity as Trustees under the Declaration or in their capacity as officers, employees or agents of the Trust. Every written obligation, contract, instrument, certificate, Share, other security of the Trust or undertaking made or issued by the Trustees shall recite that the same is executed or made by them not individually, but as Trustees under the

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Declaration, and that the obligations of any such instrument are not binding upon any of the Trustees or Shareholders individually, but bind only the trust estate, and may contain any further recital which they or he may deem appropriate, but the omission of such recital shall not operate to bind any of the Trustees or Shareholders individually. The Trustees shall at all times maintain insurance for the protection of the Trust Property, Shareholders, Trustees, officers, employees and agents in such amount as the Trustees shall deem adequate to cover possible tort liability, and such other insurance as the Trustees in their sole judgment shall deem advisable.

SECTION 5.6. RELIANCE ON EXPERTS, ETC. Each Trustee and officer or employee of the Trust shall, in the performance of his duties, be fully and completely justified and protected with regard to any act or any failure to act resulting from reliance in good faith upon the books of account or other records of the Trust, upon an opinion of counsel, or upon reports made to the Trust by any of its officers or employees or by the Investment Adviser, the Distributor, Transfer Agent, any Shareholder Servicing Agent, selected dealers, accountants, appraisers or other experts or consultants selected with reasonable care by the Trustees, officers or employees of the Trust, regardless of whether such counsel or expert may also be a Trustee.

ARTICLE VI

SHARES OF BENEFICIAL INTEREST

SECTION 6.1. BENEFICIAL INTEREST. The interest of the beneficiaries hereunder may be divided into transferable Shares, which may be divided into one or more series as provided in Section 6.9 hereof. Each such series shall have such class or classes of Shares as the Trustees may from time to time determine. The number of Shares authorized hereunder is unlimited. All Shares issued hereunder including, without limitation, Shares issued in connection with a dividend in Shares or a split of Shares, shall be fully paid and non-assessable.

SECTION 6.2. RIGHTS OF SHAREHOLDERS. The ownership of the Trust Property of every description and the right to conduct any business hereinbefore described are vested exclusively in the Trustees, and the Shareholders shall have no interest therein other than the beneficial interest conferred by their Shares, and they shall have no right to call for any partition or division of any property, profits, rights or interests of the Trust nor can they be called upon to assume any losses of the Trust or suffer an assessment of any kind by virtue of their ownership of Shares. The Shares shall be personal property giving only the rights specifically set forth in the Declaration. The Shares shall not entitle the holder to preference, pre-emptive, appraisal, conversion or exchange rights, except as the Trustees may determine with respect to any series of Shares.

SECTION 6.3. TRUST ONLY. It is the intention of the Trustees to create only the relationship of Trustee and beneficiary between the Trustees and the Shareholders. It is not the intention of the Trustees to create a general partnership, limited partnership, joint stock association, corporation, bailment or any form of legal relationship other than a trust. Nothing in the Declaration

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shall be construed to make the Shareholders, either by themselves or with the Trustees, partners or members of a joint stock association.

SECTION 6.4. ISSUANCE OF SHARES. The Trustees, in their discretion may, from time to time without vote of the Shareholders, issue Shares, in addition to the then issued and outstanding Shares and Shares held in the treasury, to such party or parties and for such amount and type of consideration, including cash or property, and on such terms as the Trustees may deem best, and may in such manner acquire other assets (including the acquisition of assets subject to, and in connection, with the assumption of liabilities) and businesses. In connection with any issuance of Shares, the Trustees may issue fractional Shares. The Trustees may from time to time divide or combine the Shares of any series into a greater or lesser number without thereby changing their proportionate beneficial interests in Trust Property allocated or belonging to such series. Contributions to the Trust may be accepted for, and Shares shall be redeemed as, whole Shares and/or fractions of a Share.

SECTION 6.5. REGISTER OF SHARES. A register or registers shall be kept at the principal office of the Trust or at an office of the Transfer Agent or any one or more Shareholder Servicing Agents which register or registers, taken together, shall contain the names and addresses of the Shareholders and the number of Shares held by them respectively and a record of all transfers thereof. Such register or registers shall be conclusive as to who are the holders of the Shares and who shall be entitled to receive dividends or distributions or otherwise to exercise or enjoy the rights of Shareholders. No Shareholder shall be entitled to receive payment of any dividend or distribution, nor to have notice given to him as herein or in the By-Laws provided, until he has given his address to the Transfer Agent, the Shareholder Servicing Agent which is the agent of record for such Shareholder, or such other officer or agent of the Trustees as shall keep the said register for entry thereon. It is not contemplated that certificates will be issued for the Shares; however, the Trustees, in their discretion, may authorize the issuance of Share certificates and promulgate appropriate rules and regulations as to their use.

SECTION 6.6. TRANSFER OF SHARES. Shares shall be transferable on the records of the Trust only by the record holder thereof or by his agent thereunto duly authorized in writing, upon delivery to the Trustees, the Transfer Agent or the Shareholder Servicing Agent which is the agent of record for such Shareholder, of a duly executed instrument of transfer, together with any certificate or certificates (if issued) for such Shares and such evidence of the genuineness of each such execution and authorization and of other matters as may reasonably be required. Upon such delivery the transfer shall be recorded on the register of the Trust. Until such record is made, the Shareholder of record shall be deemed to be the holder of such Shares for all purposes hereunder and neither the Trustees nor any Transfer Agent, Shareholder Servicing Agent or registrar nor any officer, employee or agent of the Trust shall be affected by any notice of the proposed transfer.

Any person becoming entitled to any Shares in consequence of the death, bankruptcy, or incompetence of any Shareholder, or otherwise by operation of law, shall be recorded on the register of Shares as the holder of such Shares upon production of the proper evidence thereof to the Trustees, the Transfer Agent or

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the Shareholder Servicing Agent which is the agent of record for such Shareholder; but until such record is made, the Shareholder of record shall be deemed to be the holder of such Shares for all purposes hereunder and neither the Trustees nor any Transfer Agent, Shareholder Servicing Agent or registrar nor any officer or agent of the Trust shall be affected by any notice of such death, bankruptcy or incompetence, or other operation of law.

SECTION 6.7. NOTICES. Any and all notices to which any Shareholder may be entitled and any and all communications shall be deemed duly served or given if mailed, postage prepaid, addressed to any Shareholder of record at his last

known address as recorded on the register of the Trust.

SECTION 6.8. VOTING POWERS. The Shareholders shall have power to vote only (i) for the removal of Trustees as provided in Section 2.2 hereof, (ii) with respect to any investment advisory or management contract as provided in Section 4.1 hereof, (iii) with respect to termination of the Trust as provided in Section 9.2 hereof, (iv) with respect to any amendment of this Declaration to the extent and as provided in Section 9.3 hereof, (v) with respect to any merger, consolidation or sale of assets as provided in Sections 9.4 and 9.6 hereof, (vi) with respect to incorporation of the Trust or any series to the extent and as provided in Sections 9.5 and 9.6 hereof, (vii) to the same extent as the stockholders of a Massachusetts business corporation as to whether or not a court action, proceeding or claim should or should not be brought or maintained derivatively or as a class action on behalf of the Trust or the Shareholders, and (viii) with respect to such additional matters relating to the Trust as may be required by the Declaration, the By-Laws or any registration of the Trust with the Commission (or any successor agency) or any state, or as the Trustees may consider necessary or desirable. Each whole Share shall be entitled to one vote as to any matter on which it is entitled to vote and each fractional Share shall be entitled to a proportionate fractional vote, except that Shares held in the treasury of the Trust shall not be voted. Shares shall be voted by individual series on any matter submitted to a vote of the Shareholders of the Trust except as provided in Section 6.9(g) hereof. There shall be no cumulative voting in the election of Trustees. Until Shares are issued, the Trustees may exercise all rights of Shareholders and may take any action required by law, the Declaration or the By-Laws to be taken by Shareholders. At any meeting of Shareholders of the Trust or of any series of the Trust, a Shareholder Servicing Agent may vote any shares as to which such Shareholder Servicing Agent is the agent of record and which are not otherwise represented in person or by proxy at the meeting, proportionately in accordance with the votes cast by holders of all shares otherwise represented at the meeting in person or by proxy as to which such Shareholder Servicing Agent is the agent of record. Any shares so voted by a Shareholder Servicing Agent will be deemed represented at the meeting for quorum purposes. The By-Laws may include further provisions for Shareholder votes and meetings and related matters.

SECTION 6.9. SERIES DESIGNATION. As set forth in Appendix I hereto, the Trustees have authorized the division of Shares into series, as designated and established pursuant to the provisions of Appendix I and this Section 6.9. The Trustees, in their discretion, may authorize the division of Shares into one or more additional series, and the different series shall be established and designated, and the variations in the relative rights, privileges and preferences

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as between the different series shall be fixed and determined by the Trustees upon and subject to the following provisions:

(a) All Shares shall be identical except that there may be such variations as shall be fixed and determined by the Trustees between different series as to purchase price, right of redemption and the price, terms and manner of redemption, and special and relative rights as to dividends and on liquidation.

(b) The number of authorized Shares and the number of Shares of each series that may be issued shall be unlimited. The Trustees may classify or reclassify any unissued Shares or any Shares previously issued and reacquired of any series into one or more series that may be established and designated from time to time. The Trustees may hold as treasury shares (of the same or some other series), reissue for such consideration and on such terms as they may determine, or cancel any Shares of any series reacquired by the Trust at their discretion from time to time.

(c) All consideration received by the Trust for the issuance or sale of Shares of a particular series, together with all assets in which such consideration is invested or reinvested, all income and earnings thereon, profits therefrom, and proceeds thereof, including any proceeds derived from the sale, exchange or liquidation of such assets, and any funds or payments derived from any reinvestment of such proceeds in whatever form the same may be, shall irrevocably belong to that series for all purposes, subject only to the rights of creditors of such series, and shall be so recorded upon the books of account of the Trust. In the event that there are any assets, income, earnings, profits, proceeds, funds or payments which are not readily identifiable as belonging to any particular series, the Trustees shall allocate them to and among any one or more of the series established and designated from time to time in such manner and on such basis as the Trustees, in their sole discretion, deem fair and equitable. Each such allocation by the Trustees shall be conclusive and binding upon the Shareholders of all series for all purposes. No Shareholder of any particular series shall have any claim on or right to any assets allocated or belonging to any other series of Shares.

(d) The assets belonging to each particular series shall be charged with the liabilities of the Trust in respect of that series and all expenses, costs, charges and reserves attributable to that series, and any general liabilities, expenses, costs, charges or reserves of the Trust which are not readily identifiable as belonging to any particular series shall be allocated and charged by the Trustees to and among any one or more of the series established and designated from time to time in such manner and on such basis as the Trustees, in their sole discretion, deem fair and equitable. Each allocation of liabilities, expenses, costs, charges and reserves by the Trustees shall be conclusive and binding upon the Shareholders of all series for all purposes. The Trustees shall have full discretion, to the extent not inconsistent with the 1940 Act, to determine which items shall be treated as income and which items as capital; and each such determination and allocation shall be conclusive and binding upon the Shareholders. Under no circumstances shall the assets allocated or belonging to any particular series be charged with liabilities, expenses, costs, charges or reserves attributable to any other series. All Persons who have extended credit which has been allocated to a particular series, or who

a claim or contract which has been allocated to any particular series, shall look only to the assets of that particular series for payment of such credit, claim or contract.

(e) The power of the Trustees to invest and reinvest the Trust Property allocated or belonging to any particular series shall be governed by Section 3.2 hereof unless otherwise provided in the instrument of the Trustees establishing such series which is hereinafter described.

(f) Each Share of a series shall represent a beneficial interest in the net assets allocated or belonging to such series only, and such interest shall not extend to the assets of the Trust generally. Dividends and distributions on Shares of a particular series may be paid with such frequency as the Trustees may determine, which may be monthly or otherwise, pursuant to a standing vote or votes adopted only once or with such frequency as the Trustees may determine, to the Shareholders of that series only, from such of the income and capital gains, accrued or realized, from the assets belonging to that series, as the Trustees may determine, after providing for actual and accrued liabilities belonging to that series. All dividends and distributions on Shares of a particular series shall be distributed PRO RATA to the Shareholders of that series in proportion to the number of Shares of that series held by such Shareholders at the date and time of record established for the payment of such dividends or distributions. Shares of any particular series of the Trust may be redeemed solely out of Trust Property allocated or belonging to that series. Upon liquidation or termination of a series of the Trust, Shareholders of such series shall be entitled to receive a PRO RATA share of the net assets of such series only.

(g) Notwithstanding any provision hereof to the contrary, on any matter submitted to a vote of the Shareholders of the Trust, all Shares then entitled to vote shall be voted by individual series, except that (i) when required by the 1940 Act to be voted in the aggregate, Shares shall not be voted by individual series, and (ii) when the Trustees have determined that the matter affects only the interests of Shareholders of one or more series, only Shareholders of such series shall be entitled to vote thereon.

(h) The establishment and designation of any series of Shares shall be effective upon the execution by a majority of the Trustees of an instrument setting forth such establishment and designation and the relative rights and preferences of such series, or as otherwise provided in such instrument. At any time that there are no Shares outstanding of any particular series previously established and designated, the Trustees may by an instrument executed by a majority of their number abolish that series and the establishment and designation thereof. Each instrument referred to in this paragraph shall have the status of an amendment to this Declaration.

(i) Notwithstanding anything in this Declaration to the contrary, the Trustees may, in their discretion, authorize the division of Shares of any series into Shares of one or more classes or subseries of such series. All Shares of a class or a subseries shall be identical with each other and with the Shares of each other class or subseries of the same series except for such variations between classes or subseries as may be approved by the Board of Trustees and be

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permitted under the 1940 Act or pursuant to any exemptive order issued by the Commission.

ARTICLE VII

REDEMPTIONS

SECTION 7.1 REDEMPTIONS. In case any Shareholder at any time desires to dispose of his Shares, he may deposit his certificate or certificates therefor, duly endorsed in blank or accompanied by an instrument of transfer executed in blank, or if the Shares are not represented by any certificate, a written request or other such form of request as the Trustees may from time to time authorize, at the office of the Transfer Agent, the Shareholder Servicing Agent which is the agent of record for such Shareholder, or at the office of any bank or trust company, either in or outside of the Commonwealth of Massachusetts, which is a member of the Federal Reserve System and which the said Transfer Agent or the said Shareholder Servicing Agent has designated in writing for that purpose, together with an irrevocable offer in writing in a form acceptable to the Trustees to sell the Shares represented thereby to the Trust at the net asset value per Share thereof, next determined after such deposit as provided in Section 8.1 hereof. Payment for said Shares shall be made to the Shareholder within seven days after the date on which the deposit is made, unless (i) the date of payment is postponed pursuant to Section 7.2 hereof, or (ii) the receipt, or verification of receipt, of the purchase price for the Shares to be redeemed is delayed, in either of which events payment may be delayed beyond seven days.

SECTION 7.2 SUSPENSION OF RIGHT OF REDEMPTION. The Trust may declare a suspension of the right of redemption or postpone the date of payment of the redemption proceeds for the whole or any part of any period (i) during which the New York Stock Exchange is closed other than customary week-end and holiday closings, (ii) during which trading on the New York Stock Exchange is restricted, (iii) during which 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 Trust fairly to determine the value of its net assets, or (iv) during which the Commission for the protection of Shareholders by order permits the suspension of the right of redemption or postponement of the date of payment of the redemption proceeds; provided that applicable rules and regulations of the Commission shall govern as to whether

the conditions prescribed in (ii), (iii) or (iv) exist. Such suspension shall take effect at such time as the Trust shall specify but not later than the close of business on the business day next following the declaration of suspension, and thereafter there shall be no right of redemption or payment of the redemption proceeds until the Trust shall declare the suspension at an end, except that the suspension shall terminate in any event on the first day on which said stock exchange shall have reopened or the period specified in (ii) or (iii) shall have expired (as to which, in the absence of an official ruling by the Commission, the determination of the Trust shall be conclusive). In the case of a suspension of the right of redemption, a Shareholder may either withdraw his request for redemption or receive payment based on the net asset value existing after the termination of the suspension.

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SECTION 7.3. REDEMPTION OF SHARES; DISCLOSURE OF HOLDING. If the Trustees shall, at any time and in good faith, be of the opinion that direct or indirect ownership of Shares has or may become concentrated in any Person to an extent which would disqualify the Trust, or any series of the Trust, as a regulated investment company under the Internal Revenue Code of 1986, as amended (the "Code"), then the Trustees shall have the power by lot or other means deemed equitable by them (i) to call for redemption by any such Person a number of Shares of the Trust, or such series of the Trust, sufficient to maintain or bring the direct or indirect ownership of Shares of the Trust, or such series of the Trust, into conformity with the requirements for such qualification, and (ii) to refuse to transfer or issue Shares of the Trust, or such series of the Trust, to any Person whose acquisition of the Shares of the Trust, or such series of the Trust, would result in such disqualification. The redemption shall be effected at the redemption price and in the manner provided in Section 7.1 hereof.

The Shareholders of the Trust shall upon demand disclose to the Trustees in writing such information with respect to direct and indirect ownership of Shares of the Trust as the Trustees deem necessary to comply with the provisions of the Code, or to comply with the requirements of any other authority. Upon the failure of a Shareholder to disclose such information and to comply with such demand of the Trustees, the Trust shall have the power to redeem such Shares at a redemption price determined in accordance with Section 7.1 hereof.

SECTION 7.4 REDEMPTIONS OF ACCOUNTS OF LESS THAN MINIMUM AMOUNT. The Trustees shall have the power, and any Shareholder Servicing Agent with whom the Trust has so agreed (or a subcontractor of such Shareholder Servicing Agent) shall have the power, at any time to redeem Shares of any Shareholder at a redemption price determined in accordance with Section 7.1 hereof if at such time the aggregate net asset value of the Shares owned by such Shareholder is less than a minimum amount as determined from time to time and disclosed in a prospectus of the Trust or in the Shareholder Servicing Agent's (or subcontractor's) agreement with its customer. A Shareholder shall be notified that

the aggregate value of his Shares is less than such minimum amount and allowed 60 days to make an additional investment before redemption is processed.

ARTICLE VIII

DETERMINATION OF NET ASSET VALUE, NET INCOME AND DISTRIBUTIONS

The Trustees, in their absolute discretion, may prescribe and shall set forth in the By-Laws or in a duly adopted vote or votes of the Trustees such bases and times for determining the per Share net asset value of the Shares or net income, or the declaration and payment of dividends and distributions, as they may deem necessary or desirable.

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ARTICLE IX

DURATION; TERMINATION OF TRUST; AMENDMENT; MERGERS, ETC.

SECTION 9.1. DURATION. The Trust shall continue without limitation of time but subject to the provisions of this Article IX.

SECTION 9.2. TERMINATION OF TRUST. (a) The Trust may be terminated (i) by a Majority Shareholder Vote of its Shareholders, or (ii) by the Trustees by written notice to the Shareholders. Any series of the Trust may be terminated (i) by a Majority Shareholder Vote of the Shareholders of that series, or (ii) by the Trustees by written notice to the Shareholders of that series. Upon the termination of the Trust or any series of the Trust:

(i) The Trust or series of the Trust shall carry on no business except for the purpose of winding up its affairs;

(ii) The Trustees shall proceed to wind up the affairs of the Trust or series of the Trust and all the powers of the Trustees under this Declaration shall continue until the affairs of the Trust or series of the Trust shall have been wound up, including the power to fulfill or discharge the contracts of the Trust, collect the assets of the Trust or series of the Trust, sell, convey, assign, exchange, transfer or otherwise dispose of all or any part of the remaining Trust Property of the Trust or series of the Trust to one or more Persons at public or private sale for consideration which may consist in whole or in part of cash, securities or other property of any kind, discharge or pay the liabilities of the Trust or series of the Trust, and to do all other acts appropriate to liquidate the business of the Trust or series of the Trust; provided, that any sale, conveyance, assignment, exchange, transfer or other disposition of all or substantially all of the Trust Property of the Trust or series of the Trust shall require Shareholder approval in accordance with Section 9.4 or 9.6 hereof, respectively; and

(iii) After paying or adequately providing for the payment of all liabilities, and upon receipt of such releases, indemnities and refunding agreements as they deem necessary for their protection, the Trustees may distribute the remaining Trust Property of the Trust or series of the Trust, in cash or in kind or partly in cash and partly in kind, among the Shareholders of the Trust or series of the Trust according to their respective rights.

(b) After termination of the Trust or series of the Trust and distribution to the Shareholders of the Trust or series of the Trust as herein provided, a majority of the Trustees shall execute and lodge among the records of the Trust an instrument in writing setting forth the fact of such termination, and the Trustees shall thereupon be discharged from all further liabilities and duties hereunder with respect to the Trust or series of the Trust, and the rights and interests of all Shareholders of the Trust or series of the Trust shall thereupon cease.

SECTION 9.3. AMENDMENT PROCEDURE. (a) This Declaration may be amended by a Majority Shareholder Vote of the Shareholders or by any instrument in

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writing, without a meeting, signed by a majority of the Trustees and consented to by the holders of not less than a majority of the Shares of the Trust. The Trustees may also amend this Declaration without the vote or consent of Shareholders to designate series in accordance with Section 6.9 hereof, to change the name of the Trust, to supply any omission, to cure, correct or supplement any ambiguous, defective or inconsistent provision hereof, or to conform this Declaration to the requirements of applicable federal laws or regulations or the requirements of the regulated investment company provisions of the Internal Revenue Code of 1986, as amended, or to (i) change the state or other jurisdiction designated herein as the state or other jurisdiction whose laws shall be the governing law hereof, (ii) effect such changes herein as the Trustees find to be necessary or appropriate (A) to permit the filing of this Declaration under the laws of such state or other jurisdiction applicable to trusts or voluntary associations, (B) to permit the Trust to elect to be treated as a "regulated investment company" under the applicable provisions of the Internal Revenue Code of 1986, as amended, or (C) to permit the transfer of shares (or to permit the transfer of any other beneficial interests or shares in the Trust, however denominated), and (iii) in conjunction with any amendment contemplated by the foregoing clause (i) or the foregoing clause (ii) to make any and all such further changes or modifications to this Declaration as the Trustees find to be necessary or appropriate, any finding of the Trustees referred to in the foregoing clause (ii) or clause (iii) to be conclusively evidenced by the execution of any such amendment by a majority of the Trustees, but the Trustees shall not be liable for failing so to do.

(b) No amendment which the Trustees have determined would affect the rights, privileges or interests of holders of a particular series of Shares, but

not the rights, privileges or interests of holders of all series of Shares generally, and which would otherwise require a Majority Shareholder Vote under paragraph (a) of this Section 9.3, may be made except with the vote or consent by a Majority Shareholder Vote of Shareholders of such series.

(c) Notwithstanding any other provision of this Declaration to the contrary, the Trustees shall have the power in their discretion without any requirement of approval by shareholders to either invest all or a portion of the Trust Property, or sell all or a portion of the Trust Property and invest the proceeds of such sales, in another investment company that is registered under the 1940 Act.

(d) Notwithstanding any other provision hereof, no amendment may be made under this Section 9.3 which would change any rights with respect to the Shares, or any series of Shares, by reducing the amount payable thereon upon liquidation of the Trust or by diminishing or eliminating any voting rights pertaining thereto, except with the Majority Shareholder Vote of the Shares or that series of Shares. Nothing contained in this Declaration shall permit the amendment of this Declaration to impair the exemption from personal liability of the Shareholders, Trustees, officers, employees and agents of the Trust or to permit assessments upon Shareholders.

(e) A certificate signed by a majority of the Trustees setting forth an amendment and reciting that it was duly adopted by the Shareholders or by the

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Trustees as aforesaid, and executed by a majority of the Trustees, shall be conclusive evidence of such amendment when lodged among the records of the Trust.

(f) Notwithstanding any other provision hereof, until such time as a Registration Statement under the Securities Act of 1933, as amended, covering the first public offering of Shares of the Trust shall have become effective, this Declaration may be amended in any respect by the affirmative vote of a majority of the Trustees or by an instrument signed by a majority of the Trustees.

SECTION 9.4. MERGER, CONSOLIDATION AND SALE OF ASSETS. The Trust may merge or consolidate with any other corporation, association, trust or other organization or may sell, lease or exchange all or substantially all of the Trust Property (or all or substantially all of the Trust Property allocated or belonging to a particular series of the Trust) including its good will, upon such terms and conditions and for such consideration when and as authorized at any meeting of Shareholders called for such purpose by the vote of the holders of two-thirds of the outstanding Shares of all series of the Trust voting as a single class, or of the affected series of the Trust, as the case may be, or by an instrument or instruments in writing without a meeting, consented to by the vote of the holders of two-thirds of the outstanding Shares of all series of the

Trust voting as a single class, or of the affected series of the Trust, as the case may be; provided, however, that if such merger, consolidation, sale, lease or exchange is recommended by the Trustees, the vote or written consent by Majority Shareholder Vote shall be sufficient authorization; and any such merger, consolidation, sale, lease or exchange shall be deemed for all purposes to have been accomplished under and pursuant to the statutes of the Commonwealth of Massachusetts. Nothing contained herein shall be construed as requiring approval of Shareholders for any sale of assets in the ordinary course of the business of the Trust.

SECTION 9.5. INCORPORATION, REORGANIZATION. With the approval of the holders of a majority of the Shares outstanding and entitled to vote, the Trustees may cause to be organized or assist in organizing a corporation or corporations under the laws of any jurisdiction, or any other trust, unit investment trust, partnership, association or other organization to take over all of the Trust Property or to carry on any business in which the Trust shall directly or indirectly have any interest, and to sell, convey and transfer the Trust Property to any such corporation, trust, partnership, association or organization in exchange for the shares or securities thereof or otherwise, and to lend money to, subscribe for the shares or securities of, and enter into any contracts with any such corporation, trust, partnership, association or organization in which the Trust holds or is about to acquire shares or any other interest. Subject to Section 9.4 hereof, the Trustees may also cause a merger or consolidation between the Trust or any successor thereto and any such corporation, trust, partnership, association or other organization if and to the extent permitted by law. Nothing contained in this Section 9.5 shall be construed as requiring approval of Shareholders for the Trustees to organize or assist in organizing one or more corporations, trusts, partnerships, associations or other organizations and selling, conveying or transferring a portion of the Trust Property to such organization or entities.

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SECTION 9.6. INCORPORATION OR REORGANIZATION OF SERIES. With the approval of a Majority Shareholder Vote of any series, the Trustees may sell, lease or exchange all of the Trust Property allocated or belonging to that series, or cause to be organized or assist in organizing a corporation or corporations under the laws of any other jurisdiction, or any other trust, unit investment trust, partnership, association or other organization, to take over all of the Trust Property allocated or belonging to that series and to sell, convey and transfer such Trust Property to any such corporation, trust, unit investment trust, partnership, association, or other organization in exchange for the shares or securities thereof or otherwise.

ARTICLE X

REPORTS TO SHAREHOLDERS AND SHAREHOLDER COMMUNICATIONS

The Trustees shall at least semi-annually submit to the Shareholders a

written financial report of the transactions of the Trust, including financial statements which shall at least annually be certified by independent public accountants.

ARTICLE XI

MISCELLANEOUS

SECTION 11.1. FILING. This Declaration and any amendment hereto shall be filed in the office of the Secretary of the Commonwealth of Massachusetts and in such other place or places as may be required under the laws of the Commonwealth of Massachusetts and may also be filed or recorded in such other places as the Trustees deem appropriate. Each amendment so filed shall state or be accompanied by a certificate signed and acknowledged by a Trustee stating that such action was duly taken in the manner provided herein, and unless such amendment or such certificate sets forth some later time for the effectiveness of such amendment, such amendment shall be effective upon its filing. A restated Declaration, integrating into a single instrument all of the provisions of the Declaration which are then in effect and operative, may be executed from time to time by a majority of the Trustees and shall, upon filing with the Secretary of the Commonwealth of Massachusetts, be conclusive evidence of all amendments contained therein and may thereafter be referred to in lieu of this original Declaration and the various amendments thereto.

SECTION 11.2. GOVERNING LAW. This Declaration is executed by the Trustees and delivered in the Commonwealth of Massachusetts and with reference to the laws thereof, and the rights of all parties and the validity and construction of every provision hereof shall be subject to and construed according to the laws of said Commonwealth.

SECTION 11.3. COUNTERPARTS. This Declaration may be simultaneously executed in several counterparts, each of which shall be deemed to be an original, and such counterparts, together, shall constitute one and the same instrument, which shall be sufficiently evidenced by any such original counterpart.

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SECTION 11.4. RELIANCE BY THIRD PARTIES. Any certificate executed by an individual who, according to the records of the Trust, is a Trustee hereunder certifying to: (i) the number or identity of Trustees or Shareholders, (ii) the due authorization of the execution of any instrument or writing, (iii) the form of any vote passed at a meeting of Trustees or Shareholders, (iv) the fact that the number of Trustees or Shareholders present at any meeting or executing any written instrument satisfies the requirements of this Declaration, (v) the form of any By-Laws adopted by or the identity of any officers elected by the Trustees, or (vi) the existence of any fact or facts which in any manner relates to the affairs of the Trust, shall be conclusive evidence as to the matters so certified in favor of any Person dealing with the Trustees and their successors.

SECTION 11.5. PROVISIONS IN CONFLICT WITH LAW OR REGULATIONS. (a) The provisions of this Declaration are severable, and if the Trustees shall determine, with the advice of counsel, that any such provision is in conflict with the 1940 Act, the regulated investment company provisions of the Internal Revenue Code of 1986, as amended, or with other applicable laws and regulations, the conflicting provision shall be deemed never to have constituted a part of this Declaration; provided however, that such determination shall not affect any of the remaining provisions of this Declaration or render invalid or improper any action taken or omitted prior to such determination.

(b) If any provision of this Declaration shall be held invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall attach only to such provision in such jurisdiction and shall not in any manner affect such provision in any other jurisdiction or any other provision of the Declaration in any jurisdiction.

SECTION 11.6. PRINCIPAL OFFICE. The principal office of the Trust is 6 St. James Avenue, 9th Floor, Boston, Massachusetts, 02116.

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IN WITNESS WHEREOF, the undersigned have executed this instrument as of the 4th day of November, 1992.

/s/THOMAS M. LENZ

Thomas M. Lenz

as Trustee and not individually

COMMONWEALTH OF MASSACHUSETTS

SUFFOLK, SS.

November 4, 1992

Then personally appeared the above-named Thomas M. Lenz, who severally acknowledged the foregoing instrument to be their free act and deed.

Before me,

/s/MARK PIETKIEWICZ

Notary Public

THE PIERPONT FUNDS

Amended and Restated Establishment and
Designation of Series of Shares of

Beneficial Interest (par value \$0.001 per share)
Dated as of January 29, 1993

Pursuant to Section 6.9 of the Declaration of Trust, dated as of November 4, 1992 (the "Declaration of Trust"), of The Pierpont Funds (the "Trust"), the Trustees of the Trust hereby amend and restate the Establishment and Designation of Series appended to the Declaration of Trust to establish and to designate one additional series of Shares (as defined in the Declaration of Trust), such additional series of Shares together with the eight existing series of Shares totalling nine series of Shares (each a "Fund" and collectively the "Funds").

1. The Funds shall be designated as follows:

The Pierpont Treasury Money Market Fund

The Pierpont Money Market Fund

The Pierpont Tax Exempt Money Market Fund

The Pierpont Bond Fund

The Pierpont Tax Exempt Bond Fund

The Pierpont Equity Fund

The Pierpont Capital Appreciation Fund

The Pierpont International Equity Fund

The Pierpont Short Term Bond Fund

and shall have the following special and relative rights:

2. Each Fund shall be authorized to hold cash, invest in securities, instruments and other properties and use investment techniques as from time to time described in the Trust's then currently effective registration statement under the Securities Act of 1933 to the extent pertaining to the offering of Shares of such Fund. Each Share of a Fund shall be redeemable, shall be entitled to one vote (or fraction thereof in respect of a fractional share) on matters on

which Shares of the Fund shall be entitled to vote, shall represent a pro rata beneficial interest in the assets allocated or belonging to the Fund, and shall be entitled to receive its pro rata share of the net assets of the Fund upon liquidation of the Fund, all as provided in Section 6.9 of the Declaration of Trust. The proceeds of sales of Shares of a Fund, together with any income and gain thereon, less any diminution or expenses thereof, shall irrevocably belong to that Fund, unless otherwise required by law.

3. Shareholders of each Fund shall vote separately as a class on any matter to the extent required by, and any matter shall be deemed to have been effectively acted upon with respect

to the Fund as provided in, Rule 18f-2, as from time to time in effect, under the Investment Company Act of 1940, as amended, or any successor rule, and by the Declaration of Trust.

4. The assets and liabilities of the Trust shall be allocated among the Funds as set forth in Section 6.9 of the Declaration of Trust.

5. Subject to the provisions of Section 6.9 and Article IX of the Declaration of Trust, the Trustees (including any successor Trustees) shall have the right at any time and from time to time to reallocate assets and expenses, to change the designation of any Fund now or hereafter created, or otherwise to change the special and relative rights of any Fund.

IN WITNESS WHEREOF, the undersigned have executed this instrument as of the 29th day of January, 1993.

/s/ Frederick S. Addy
Frederick S. Addy

/s/ William G. Burns
William G. Burns

/s/ Arthur C. Eschenlauer
Arthur C. Eschenlauer

/s/ Matthew Healey
Matthew Healey

/s/ Michael P. Mallardi
Michael P. Mallardi

JPM10

THE PIERPONT FUNDS

Second Amended and Restated Establishment and
Designation of Series of Shares ofBeneficial Interest (par value \$0.001 per share)
Dated as of June 24, 1993

Pursuant to Section 6.9 of the Declaration of Trust, dated as of November 4, 1992 (the "Declaration of Trust"), of The Pierpont Funds (the "Trust"), the Trustees of the Trust hereby amend and restate the Amended and Restated Establishment and Designation of Series appended to the Declaration of Trust to establish and to designate six additional series of Shares (as defined in the Declaration of Trust), such additional series of Shares together with the nine existing series of Shares totalling fifteen series of Shares (each a "Fund" and collectively the "Funds").

1. The Funds shall be designated as follows:

The Pierpont Treasury Money Market Fund

The Pierpont Money Market Fund

The Pierpont Tax Exempt Money Market Fund

The Pierpont Bond Fund

The Pierpont Tax Exempt Bond Fund

The Pierpont Equity Fund

The Pierpont Capital Appreciation Fund

The Pierpont International Equity Fund

The Pierpont Short Term Bond Fund

The Pierpont U.S. Stock Fund

The Pierpont Diversified Fund

The Pierpont International Bond Fund

The Pierpont Emerging Markets Equity Fund

The Pierpont International Fixed Income Fund

The Pierpont US\$ Short Duration Tax Exempt Fund

and shall have the following special and relative rights:

2. Each Fund shall be authorized to hold cash, invest in securities, instruments and other properties and use investment techniques as from time to time described in the Trust's then currently effective registration statement under the Securities Act of 1933 to the extent pertaining to the offering of Shares of such Fund. Each Share of a Fund shall be redeemable, shall be entitled to one vote (or fraction thereof in respect of a fractional share) on matters on which Shares of the Fund shall be entitled to vote, shall represent a pro rata beneficial interest in the assets allocated or belonging to the Fund, and shall be entitled to receive its pro rata share of the net assets of the Fund upon liquidation of the Fund, all as provided in Section 6.9 of the Declaration of Trust. The proceeds of sales of Shares of a Fund, together with any income and gain thereon, less any

diminution or expenses thereof, shall irrevocably belong to that Fund, unless otherwise required by law.

3. Shareholders of each Fund shall vote separately as a class on any matter to the extent required by, and any matter shall be deemed to have been effectively acted upon with respect to the Fund as provided in, Rule 18f-2, as from time to time in effect, under the Investment Company Act of 1940, as amended, or any successor rule, and by the Declaration of Trust.

4. The assets and liabilities of the Trust shall be allocated among the Funds as set forth in Section 6.9 of the Declaration of Trust.

5. Subject to the provisions of Section 6.9 and Article IX of the Declaration of Trust, the Trustees (including any successor Trustees) shall have the right at any time and from time to time to reallocate assets and expenses, to change the designation of any Fund now or hereafter created, or otherwise to change the special and relative rights of any Fund.

IN WITNESS WHEREOF, the undersigned have executed this instrument as of the 24th day of June, 1993. This instrument may be executed by the Trustees on separate counterparts but shall be effective only when signed by a majority of the Trustees.

/s/ Frederick S. Addy
Frederick S. Addy

William G. Burns

/s/ Arthur C. Eschenlauer
Arthur C. Eschenlauer

/s/ Matthew Healey
Matthew Healey

Michael P. Mallardi

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Appendix I

THE PIERPONT FUNDS

Third Amended and Restated Establishment and
Designation of Series of Shares of

Beneficial Interest (par value \$0.001 per share)

Dated as of December 16, 1993

Pursuant to Sections 6.9 and 9.3 of the Declaration of Trust, dated as of November 4, 1992 (the "Declaration of Trust"), of The Pierpont Funds (the "Trust"), the Trustees of the Trust hereby amend and restate the Second Amended and Restated Establishment and Designation of Series appended to the Declaration of Trust to change the names of The Pierpont International Fixed Income Fund and The Pierpont US\$ Short Duration Tax Exempt Fund to "The Pierpont Emerging Markets Fixed Income Fund" and "The Pierpont New York Municipal Bond Fund", respectively, two series of Shares (as defined in the Declaration of Trust) of the fifteen series of Shares (each a "Fund" and collectively the "Funds") of the Trust.

1. The Funds shall be designated as follows:

The Pierpont Treasury Money Market Fund

The Pierpont Money Market Fund

The Pierpont Tax Exempt Money Market Fund

The Pierpont Bond Fund

The Pierpont Tax Exempt Bond Fund

The Pierpont Equity Fund

The Pierpont Capital Appreciation Fund

The Pierpont International Equity Fund

The Pierpont Short Term Bond Fund

The Pierpont U.S. Stock Fund

The Pierpont Diversified Fund

The Pierpont International Bond Fund

The Pierpont Emerging Markets Equity Fund

The Pierpont Emerging Markets Fixed Income Fund

The Pierpont New York Municipal Bond Fund

and shall have the following special and relative rights:

2. Each Fund shall be authorized to hold cash, invest in securities, instruments and other properties and use investment techniques as from time to time described in the Trust's then currently effective registration statement under the Securities Act of 1933 to the extent pertaining to the offering of Shares of such Fund. Each Share of a Fund shall be redeemable, shall be entitled to one vote (or fraction thereof in respect of a fractional share) on matters on which Shares of the Fund shall be entitled to vote, shall represent a pro rata beneficial interest in the assets allocated or belonging to the Fund, and shall be entitled to receive its pro rata share of the net assets of the Fund upon liquidation of the Fund, all as provided in Section 6.9

of the Declaration of Trust. The proceeds of sales of Shares of a Fund, together with any income and gain thereon, less any diminution or expenses thereof, shall irrevocably belong to that Fund, unless otherwise required by law.

3. Shareholders of each Fund shall vote separately as a class on any matter to the extent required by, and any matter shall be deemed to have been effectively acted upon with respect to the Fund as provided in, Rule 18f-2, as from time to time in effect, under the Investment Company Act of 1940, as amended, or any successor rule, and by the Declaration of Trust.

4. The assets and liabilities of the Trust shall be allocated among the Funds as set forth in Section 6.9 of the Declaration of Trust.

5. Subject to the provisions of Section 6.9 and Article IX of the

Declaration of Trust, the Trustees (including any successor Trustees) shall have the right at any time and from time to time to reallocate assets and expenses, to change the designation of any Fund now or hereafter created, or otherwise to change the special and relative rights of any Fund.

IN WITNESS WHEREOF, the undersigned have executed this instrument as of the 16th day of December, 1993. This instrument may be executed by the Trustees on separate counterparts but shall be effective only when signed by a majority of the Trustees.

Frederick S. Addy

/s/ William G. Burns
William G. Burns

/s/ Arthur C. Eschenlauer
Arthur C. Eschenlauer

/s/ Matthew Healey
Matthew Healey

/s/ Michael P. Mallardi
Michael P. Mallardi

JPM10C

THE PIERPONT FUNDS

Fourth Amended and Restated Establishment and
Designation of Series of Shares of

Beneficial Interest (par value \$0.001 per share)
Dated as of March 8, 1994

Pursuant to Sections 6.9 and 9.3 of the Declaration of Trust, dated as of November 4, 1992 (the "Declaration of Trust"), of The Pierpont Funds (the "Trust"), the Trustees of the Trust hereby amend and restate the Third Amended and Restated Establishment and Designation of Series appended to the Declaration of Trust to change the name of The Pierpont New York Municipal Bond Fund to "The Pierpont New York Total Return Bond Fund", one series of Shares (as defined in the Declaration of Trust), and to designate three additional series of Shares, such additional series of Shares together with the fifteen existing series of Shares totalling eighteen series of Shares (each a "Fund" and collectively the "Funds") of the Trust.

1. The Funds shall be designated as follows:

The Pierpont Treasury Money Market Fund

The Pierpont Money Market Fund

The Pierpont Tax Exempt Money Market Fund

The Pierpont Bond Fund

The Pierpont Tax Exempt Bond Fund

The Pierpont Equity Fund

The Pierpont Capital Appreciation Fund

The Pierpont International Equity Fund

The Pierpont Short Term Bond Fund

The Pierpont U.S. Stock Fund

The Pierpont Diversified Fund

The Pierpont International Bond Fund

The Pierpont Emerging Markets Equity Fund

The Pierpont Emerging Markets Fixed Income Fund

The Pierpont New York Total Return Bond Fund

The Pierpont Asia Growth Fund

The Pierpont Japan Equity Fund

The Pierpont European Equity Fund

and shall have the following special and relative rights:

2. Each Fund shall be authorized to hold cash, invest in securities, instruments and other properties and use investment techniques as from time to time described in the Trust's then currently effective registration statement under the Securities Act of 1933 to the extent pertaining to the offering of Shares of such Fund. Each Share of a Fund shall be redeemable, shall be entitled to one vote (or fraction thereof in respect of a fractional share) on matters on which Shares of the Fund shall be

entitled to vote, shall represent a pro rata beneficial interest in the assets allocated or belonging to the Fund, and shall be entitled to receive its pro rata share of the net assets of the Fund upon liquidation of the Fund, all as provided in Section 6.9 of the Declaration of Trust. The proceeds of sales of Shares of a Fund, together with any income and gain thereon, less any diminution or expenses thereof, shall irrevocably belong to that Fund, unless otherwise required by law.

3. Shareholders of each Fund shall vote separately as a class on any matter to the extent required by, and any matter shall be deemed to have been effectively acted upon with respect to the Fund as provided in, Rule 18f-2, as from time to time in effect, under the Investment Company Act of 1940, as amended, or any successor rule, and by the Declaration of Trust.

4. The assets and liabilities of the Trust shall be allocated among the Funds as set forth in Section 6.9 of the Declaration of Trust.

5. Subject to the provisions of Section 6.9 and Article IX of the Declaration of Trust, the Trustees (including any successor Trustees) shall have the right at any time and from time to time to reallocate assets and expenses, to change the designation of any Fund now or hereafter created, or otherwise to change the special and relative rights of any Fund.

IN WITNESS WHEREOF, the undersigned have executed this instrument as of the 8th day of March, 1994. This instrument may be executed by the Trustees on separate counterparts but shall be effective only when signed by a majority of the Trustees.

Frederick S. Addy

/s/ William G. Burns
William G. Burns

/s/ Arthur C. Eschenlauer
Arthur C. Eschenlauer

/s/ Matthew Healey
Matthew Healey

/s/ Michael P. Mallardi
Michael P. Mallardi

JPM10D

BY-LAWS
OF
EACH HUB TRUST LISTED ON SCHEDULE I
AND
EACH SPOKE TRUST LISTED ON SCHEDULE II

ARTICLE I

DEFINITIONS

Each Trust listed on Schedule I is referred to in these By-Laws as a "HUB TRUST".* Each Trust listed on Schedule II is referred to in these By-Laws as a "SPOKE TRUST".*

In the case of each Hub Trust and each Spoke Trust, unless otherwise specified, capitalized terms have the respective meanings given them in the Declaration of Trust of such Trust dated as of the date set forth in Schedule I or II, as amended from time to time. In the case of each Spoke Trust, the term "Holder" has the meaning given the term "Shareholder" in the Declaration.

ARTICLE II

OFFICES

SECTION 1. PRINCIPAL OFFICE. In the case of each Hub Trust, the principal office of the Trust shall be in such place as the Trustees may determine from time to time, PROVIDED THAT the principal office shall be outside the United States of America if the Trustees determine that the Trust is intended to be operated so that it is not engaged in United States trade or business for United States federal income tax purposes. In the case of each Spoke Trust, until changed by the Trustees, the principal office of the Trust in the Commonwealth of Massachusetts shall be in the City of Boston, County of Suffolk.

SECTION 2. OTHER OFFICES. The Trust may have offices in such other places without as well as within the state of its organization and the United States of America as the Trustees may from time to time determine.

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*"Hub" and "Spoke" are service marks of Signature Financial Group, Inc.

ARTICLE III

HOLDERS

SECTION 1. MEETINGS OF HOLDERS. Meetings of Holders may be called at any time by a majority of the Trustees and shall be called by any Trustee upon written request of Holders holding, in the aggregate, not less than 10% of the Interests in the case of each Hub Trust or 10% of the Shares issued and outstanding and entitled to vote thereat in the case of each Spoke Trust, such request specifying the purpose or purposes for which such meeting is to be called.

Any such meeting shall be held within or without the state of organization of the Trust and within, or, if applicable, in the case of a Hub Trust only without, the United States of America on such day and at such time as the Trustees shall designate. Holders of one third of the Interests in the case of each Hub Trust or one third of the Shares issued and outstanding and entitled to vote thereat in the case of each Spoke Trust, present in person or by proxy, shall constitute a quorum for the transaction of any business, except as may otherwise be required by the 1940 Act, other applicable law, the Declaration or these By-Laws. If a quorum is present at a meeting, an affirmative vote of the Holders present in person or by proxy, holding more than 50% of the total Interests in the case of each Hub Trust, or 50% of the total Shares issued and outstanding and entitled to vote thereat in the case of each Spoke Trust, present, either in person or by proxy, at such meeting constitutes the action of the Holders, unless a greater number of affirmative votes is required by the 1940 Act, other applicable law, the Declaration or these By-Laws.

All or any one or more Holders may participate in a meeting of Holders by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting by means of such communications equipment shall constitute presence in person at such meeting.

In the case of The Series Portfolio or any Spoke Trust, whenever a matter is required to be voted by Holders of the Trust in the aggregate under Section 9.1 and Section 9.2 of the Declaration of The Series Portfolio or Section 6.8 and Section 6.9 and Section 6.9(g) of the Declaration of the Spoke Trust, the Trust may either hold a meeting of Holders of all series, as defined in Section 1.2 of the Declaration of The Series Portfolio or Section 6.9 of the Declaration of the Spoke Trust, to vote on such matter, or hold separate meetings of Holders of each of the individual series to vote

on such matter, PROVIDED THAT (i) such separate meetings shall be held within one year of each other, (ii) a quorum consisting of the Holders of one third of the outstanding Interests or Shares, as the case may be, of the individual series entitled to vote shall be present at each such separate meeting except as may otherwise be required by the 1940 Act, other applicable law, the Declaration or these ByLaws and (iii) a quorum consisting of the Holders of one third of all Interests or Shares, as the case may be, of the Trust entitled to vote, except as may otherwise be required by the 1940 Act, other applicable law, the Declaration or these By-Laws, shall be present in the aggregate at such separate meetings, and the votes of Holders at all such separate meetings shall be aggregated in order to determine if sufficient votes have been cast for such matter to be voted.

SECTION 2. NOTICE OF MEETINGS. Notice of each meeting of Holders, stating the time, place and purpose of the meeting, shall be given by the Trustees by mail to each Holder, at its registered address, mailed at least 10 days and not more than 60 days before the meeting. Notice of any meeting may be waived in writing by any Holder either before or after such meeting. The attendance of a Holder at a meeting shall constitute a waiver of notice of such meeting except in the situation in which a Holder attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting was not lawfully called or convened. At any meeting, any business properly before the meeting may be considered whether or not stated in the notice of the meeting. Any adjourned meeting may be held as adjourned without further notice.

In the case of The Series Portfolio and each Spoke Trust, where separate meetings are held for Holders of each of the individual series to vote on a matter required to be voted on by Holders of the Trust in the aggregate, as provided in Article III, Section 1 above, notice of each such separate meeting shall be provided in the manner described above in this Section 2.

SECTION 3. RECORD DATE FOR MEETINGS. For the purpose of determining the Holders who are entitled to notice of and to vote at any meeting, the Trustees may from time to time fix a date, not more than 90 days prior to the date of any meeting of Holders as a record date for the determination of the Persons to be treated as Holders for such purpose.

In the case of The Series Portfolio and each Spoke Trust, where separate meetings are held for Holders of each of the individual series to vote on a matter required to be voted on by Holders of the Trust in the aggregate, as

provided in Article III, Section 1 above, the record date of each such separate meeting shall be determined in the manner described above in this Section 3.

SECTION 4. VOTING, PROXIES, INSPECTORS OF ELECTION. At any meeting of Holders, any Holder entitled to vote thereat may vote by proxy, PROVIDED THAT no proxy shall be voted at any meeting unless it shall have been placed on file with the Secretary, or with such other officer or agent of the Trust as the Secretary may direct, for verification prior to the time at which such vote is to be taken. A proxy may be revoked by a Holder at any time before it has been exercised by placing on file with the Secretary, or with such other officer or agent of the Trust as the Secretary may direct, a later dated proxy or written revocation. Pursuant to a resolution of a majority of the Trustees, proxies may be solicited in the name of the Trust or of one or more Trustees or of one or more officers of the Trust. No proxy shall be valid after one year from the date of its execution, unless a longer period is expressly stated in the proxy.

In the case of each Hub Trust, only Holders on the record date shall be entitled to vote and each such Holder shall be entitled to a vote proportionate to its Interest. In the case of each Spoke Trust, (i) only Holders on the record date shall be entitled to vote; (ii) each whole Share shall be entitled to vote as to any matter on which it is entitled to vote and each fractional Share shall be entitled to a proportionate fractional vote, except that Shares held in the treasury of the Trust shall not be voted; (iii) Shares shall be voted by individual series on any matter submitted to a vote of the Holders of the Trust except as provided in Section 6.9(g) of the Declaration; and (iv) at any meeting of Holders of the Trust or of any series of the Trust, a Shareholder Servicing Agent may vote any Shares as to which such Shareholder Servicing Agent is the agent of record.

The Chairman of the meeting may, and upon the request of the Holders of 10% of the Interests or Shares, as the case may be, entitled to vote at such election shall, appoint one or three inspectors of election who shall first subscribe an oath or affirmation to execute faithfully the duties of inspectors at such election with strict impartiality and according to the best of their ability, and shall after the election certify the result of the vote taken. No candidate for Trustee shall be appointed such inspector. If there are three inspectors of election, the decision, act or certification of a majority is effective in all respects as the decision, act or certificate of all.

At every meeting of the Holders, all proxies shall be required and taken in charge of and all ballots shall be

required and canvassed by the Secretary of the meeting, who shall decide all questions touching the qualification of voters, the validity of the proxies, the acceptance or rejection of votes and any other questions related to the conduct of the vote with fairness to all Holders, unless inspectors of election shall have been appointed, in which event the inspectors of election shall decide all

such questions. On request of the Chairman of the meeting, or of any Holder or his proxy, the Secretary shall make a report in writing of any question determined and shall execute a certificate of facts found, unless inspectors of election shall have been appointed, in which event the inspectors of election shall do so.

When an Interest is held or Shares are held jointly by several Persons, any one of them may vote at any meeting in person or by proxy in respect of such Interest or Shares, but if more than one of them is present at such meeting in person or by proxy, and such joint owners or their proxies so present disagree as to any vote to be cast, such vote shall not be received in respect of such Interest or Shares. A proxy purporting to be executed by or on behalf of a Holder shall be deemed valid unless challenged at or prior to its exercise, and the burden of proving invalidity shall rest on the challenger.

SECTION 5. HOLDER ACTION BY WRITTEN CONSENT. In the case of each Hub Trust, any action which may be taken by Holders may be taken without a meeting if Holders of all Interests entitled to vote consent to the action in writing and the written consents are filed with the records of the meetings of Holders. In the case of each Spoke Trust, any action which may be taken by Holders may be taken without a meeting if Holders holding a majority of Shares entitled to vote on the matter (or such larger proportion thereof as shall be required by law, the Declaration or these By-Laws for approval of such matter) consent to the action in writing and the written consents are filed with the records of the meetings of Holders.

Such consents shall be treated for all purposes as a vote taken at a meeting of Holders. Each such written consent shall be executed by or on behalf of the Holder delivering such consent and shall bear the date of such execution. No such written consent shall be effective to take the action referred to therein unless, within one year of the earliest dated consent, written consents executed by a sufficient number of Holders to take such action are filed with the records of the meetings of Holders.

SECTION 6. CONDUCT OF MEETINGS. The meetings of the Holders shall be presided over by the Chairman, or if he is

not present, by a Chairman to be elected at the meeting. The Secretary of the Trust, if present, shall act as secretary of such meetings, or if he is not present, an Assistant Secretary shall so act; if neither the Secretary nor any Assistant Secretary is present, then the meeting shall elect its secretary.

ARTICLE IV

TRUSTEES

SECTION 1. PLACE OF MEETING, ETC. The Trustees may hold their meetings, have one or more offices, and keep the books of the Trust, inside or outside the state of organization of the Trust or the United States of America, at any office of the Trust or at any other place as they may from time to time determine, or in the case of meetings, as they may from time to time determine or as shall be specified or fixed in the respective notices or waivers of notice thereof.

SECTION 2. MEETINGS. Meetings of the Trustees shall be held from time to time upon the call of the Chairman or any two Trustees. The President, the Secretary or an Assistant Secretary may call meetings only upon the written direction of the Chairman or two Trustees. The Trustees shall hold an annual meeting for the election of officers and transaction of other business which may come before such meeting. Regular meetings of the Trustees may be held without call or notice at a time and place fixed by resolution of the Trustees. Notice of any other meeting shall be mailed or otherwise given not less than 24 hours before the meeting but may be waived in writing by any Trustee either before or after such meeting. Notice shall be given of any proposed action to be taken by written consent. Notice of a meeting or proposed action to be taken by written consent may be given by telegram (which term shall include a cablegram), by telecopier or delivered personally (which term shall include by telephone), as well as by mail. The attendance of a Trustee at a meeting shall constitute a waiver of notice of such meeting except in the situation in which a Trustee attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting was not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any meeting of the Trustees need be stated in the notice or waiver of notice of such meeting.

SECTION 3. QUORUM. A quorum for all meetings of the Trustees shall be a majority of the Trustees. Unless provided otherwise in the Declaration, the 1940 Act or other applicable law, any action of the Trustees may be taken at a

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meeting by vote of a majority of the Trustees present (a quorum being present). In the absence of a quorum, a majority of the Trustees present may adjourn the meeting from time to time until a quorum shall be present. Notice of an adjourned meeting need not be given.

With respect to actions of the Trustees, Trustees who are Interested Persons of the Trust or otherwise interested in any action to be taken may be counted for quorum purposes and shall be entitled to vote to the extent permitted by the 1940 Act.

SECTION 4. COMMITTEES. The Trustees, by the majority vote of all the Trustees then in office, may appoint from the Trustees committees which shall in

each case consist of such number of Trustees (not less than two) and shall have and may exercise such powers as the Trustees may determine in the resolution appointing them. Unless provided otherwise in the Declaration or by the Trustees, a majority of all the members of any such committee may determine its actions and fix the time and place of its meetings. With respect to actions of any committee, Trustees who are Interested Persons of the Trust or otherwise interested in any action to be taken may be counted for quorum purposes and shall be entitled to vote to the extent permitted by the 1940 Act. The Trustees shall have power at any time to change the members and powers of any such committee, to fill vacancies and to discharge any such committee. Each committee shall keep regular minutes of its meetings and cause them to be filed with the minutes of the proceedings of the Trustees.

SECTION 5. TELEPHONE MEETINGS. All or any one or more Trustees may participate in a meeting of the Trustees or any committee thereof by means of a conference telephone or similar communications equipment by means of which all individuals participating in the meeting can hear each other, and participating in a meeting by means of such communications equipment shall constitute presence in person at such meeting. Any conference telephone meeting shall be deemed to have been held at a place designated by the Trustees at the meeting.

SECTION 6. ACTION WITHOUT A MEETING. Any action required or permitted to be taken at any meeting of the Trustees or any committee thereof may be taken without a meeting, if a written consent to such action is signed either by all the Trustees or all members of such committee then in office or by an 80% majority of the Trustees or an 80% majority of members of such committee, PROVIDED THAT no action by 80% majority consent shall be effective unless and until (i) each Trustee or committee member signing such consent shall have been advised in writing of the following

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information: the identity of any Trustee or committee member not signing such consent and the reasons for his not signing; and (ii) after receiving such information signing Trustees or committee members who represent an 80% majority then in office indicate in writing that the consent shall become effective by 80% majority, rather than unanimous, consent. All such effective written consents shall be filed with the minutes of the proceedings of the Trustees and treated as a vote for all purposes.

SECTION 7. COMPENSATION. The Trustees shall be entitled to receive such compensation from the Trust for their services as may from time to time be voted by the Trustees.

SECTION 8. CHAIRMAN. The Trustees may, by a majority vote of all the Trustees, elect from their own number a Chairman, to serve until his successor shall have been duly elected and qualified; the Chairman may serve on committees

of the Trustees. The Chairman shall not be an officer of the Trust solely by virtue of his serving as Chairman. The Chairman shall preside at all meetings of the Trustees at which he is present, shall serve as the liaison between the Trustees and the officers of the Trust and between the Trustees and their staff and shall have such other duties as from time to time may be assigned to him by the Trustees.

SECTION 9. TRUSTEES' STAFF; COUNSEL FOR THE TRUST AND TRUSTEES, ETC. The Trustees may employ or contract with one or more Persons to serve as their staff and to provide such services related thereto as may be determined from time to time. The Trustees may employ attorneys as counsel for the Trust and/or the Trustees and may engage such other experts or consultants as may be determined from time to time.

ARTICLE V

OFFICERS

SECTION 1. GENERAL PROVISIONS. The Trustees may elect or appoint such officers or agents as the business of the Trust may require, including without limitation a Chief Executive Officer, a President, one or more Vice Presidents, a Treasurer, a Secretary, one or more Assistant Treasurers and one or more Assistant Secretaries. The Trustees may delegate to any officer or committee the power to appoint any subordinate officers or agents.

SECTION 2. TERM OF OFFICE AND QUALIFICATIONS. Except as otherwise provided by law, the Declaration or these ByLaws, each of the principal executive officer described in Section 4 below, the Treasurer and the Secretary shall hold

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office until a successor shall have been duly elected and qualified, and any other officers shall hold office at the pleasure of the Trustees. Any two or more offices may be held by the same Person, PROVIDED THAT at least two different individuals shall serve as officers. Any officer may be, but does not need be, a Trustee.

SECTION 3. REMOVAL. The Trustees may remove any officer with or without cause by a vote of a majority of the Trustees. Any subordinate officer or agent appointed by any officer or committee may be removed with or without cause by such appointing officer or committee.

SECTION 4. POWERS AND DUTIES OF THE CHIEF EXECUTIVE OFFICER; PRESIDENT. The Chief Executive Officer, if any, shall be the principal executive officer of the Trust. Subject to the control of the Trustees, the Chief Executive Officer shall (i) at all times exercise general supervision and direction over the

affairs of the Trust, (ii) have the power to grant, issue, execute or sign such documents as may be deemed advisable or necessary in the ordinary course of the Trust's business and (iii) have such other powers and duties as from time to time may be assigned by the Trustees.

If there is no Chief Executive Officer, the President shall be the principal executive officer of the Trust and shall have the powers and duties set forth above in this Section 4. If there is a Chief Executive Officer and a President, the President shall have such powers and duties as from time to time may be assigned by the Trustees or the Chief Executive Officer.

SECTION 5. POWERS AND DUTIES OF VICE PRESIDENTS. In the absence or disability of the President, any Vice President designated by the Trustees or the President shall perform all the duties, and may exercise any of the powers, of the President. Each Vice President shall perform such other duties as from time to time may be assigned to him by the Trustees or the Chief Executive Officer.

SECTION 6. POWERS AND DUTIES OF THE TREASURER. The Treasurer shall be the principal financial and accounting officer of the Trust. The Treasurer shall deliver all funds of the Trust which may come into his hands to the Trust's custodian. The Treasurer shall render a statement of condition of the finances of the Trust to the Trustees as often as they shall require the same and shall in general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Trustees.

SECTION 7. POWERS AND DUTIES OF THE SECRETARY. The Secretary shall keep the minutes of all meetings of the Holders in proper books provided for that purpose; shall keep the minutes of all meetings of the Trustees; shall have custody of the seal of the Trust, if any; and shall have charge of the Holder lists and records unless the same are in the charge of the Transfer Agent. The Secretary shall attend to the giving and serving of notices by the Trust in accordance with the provisions of these By-Laws and as required by law; and subject to these By-Laws, shall in general perform all the duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Trustees.

SECTION 8. POWERS AND DUTIES OF ASSISTANT TREASURERS. In the absence or disability of the Treasurer, any Assistant Treasurer designated by the Trustees shall perform all the duties, and may exercise any of the powers, of the Treasurer. Each Assistant Treasurer shall perform such other duties as from time to time may be assigned to him by the Trustees.

SECTION 9. POWERS AND DUTIES OF ASSISTANT SECRETARIES. In the absence

or disability of the Secretary, any Assistant Secretary designated by the Trustees shall perform all of the duties, and may exercise any of the powers, of the Secretary. Each Assistant Secretary shall perform such other duties as from time to time may be assigned to him by the Trustees.

SECTION 10. COMPENSATION OF OFFICERS. Subject to any applicable law or provision of the Declaration, any compensation of any officer may be fixed from time to time by the Trustees. No officer shall be prevented from receiving any such compensation as such officer by reason of the fact that he is also a Trustee. If no such compensation is fixed for any officer, such officer shall not be entitled to receive any compensation from the Trust.

SECTION 11. BOND AND SURETY. As provided in the Declaration, any officer may be required by the Trustees to be bonded for the faithful performance of his duties in the amount and with such sureties as the Trustees may determine.

ARTICLE VI

SEAL

The Trustees may adopt a seal which shall be in such form and shall have such inscription thereon as the Trustees may from time to time prescribe.

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ARTICLE VII

FISCAL YEAR

The Trust may have different fiscal years for its separate and distinct series, if applicable. The fiscal year(s) of the Trust shall be determined by the Trustees, PROVIDED THAT the Trustees (or the Treasurer subject to ratification by the Trustees) may from time to time change any fiscal year.

ARTICLE VIII

CUSTODIAN

SECTION 1. APPOINTMENT AND DUTIES. The Trustees shall at all times employ one or more banks or trust companies having a capital, surplus and undivided profits of at least \$50,000,000 as custodian with authority as the Trust's agent, but subject to such restrictions, limitations and other requirements, if any, as may be contained in the Declaration, these By-Laws and the 1940 Act:

(i) to hold the securities owned by the Trust and deliver the same upon written order; (ii) to receive and receipt for any monies due to the Trust and deposit the same in its own banking department or elsewhere as the Trustees may direct; (iii) to disburse such funds upon orders or vouchers; (iv) if authorized by the Trustees, to keep the books and accounts of the Trust and furnish clerical and accounting services; and (v) if authorized by the Trustees, to compute the net income of the Trust and the net asset value of the Trust or, in the case of each Spoke Trust, Shares;

all upon such basis of compensation as may be agreed upon between the Trustees and the custodian.

The Trustees may also authorize the custodian to employ one or more sub-custodians from time to time to perform such of the acts and services of the custodian and upon such terms and conditions as may be agreed upon between the custodian and such sub-custodian and approved by the Trustees. Subject to the approval of the Trustees, the custodian may enter into arrangements with securities depositories. All such custodial, sub-custodial and depository arrangements shall be subject to, and comply with, the provisions of the 1940 Act and the rules and regulations promulgated thereunder.

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SECTION 2. SUCCESSOR CUSTODIAN. The Trust shall upon the resignation or inability to serve of its custodian or upon change of the custodian:

(i) in case of such resignation or inability to serve, use its best efforts to obtain a successor custodian; (ii) require that the cash and securities owned by the Trust be delivered directly to the successor custodian; and (iii) in the event that no successor custodian can be found, submit to the Holders before permitting delivery of the cash and securities owned by the Trust otherwise than to a successor custodian, the question whether the

Trust shall be liquidated or shall function without a custodian.

ARTICLE IX

INDEMNIFICATION

In the case of each Hub Trust, insofar as the conditional advancing of indemnification monies under Section 5.4 of the Declaration for actions based upon the 1940 Act may be concerned, such payments will be made only on the following conditions:

(i) the advances must be limited to amounts used, or to be used, for the preparation or presentation of a defense to the action, including costs connected with the preparation of a settlement; (ii) advances may be made only upon receipt of a written promise by, or on behalf of, the recipient to repay the amount of the advance which exceeds the amount to which it is ultimately determined that he is entitled to receive from the Trust by reason of indemnification; and (iii) (a) such promise must be secured by a surety bond, other suitable insurance or an equivalent form of security which assures that any repayment may be obtained by the Trust without delay or litigation, which bond, insurance or other form of security must be provided by the recipient of the advance, or (b) a majority of a quorum of the Trust's disinterested, nonparty Trustees, or an independent legal counsel in a written opinion, shall determine, based upon a review of readily available facts, that the recipient of the advance ultimately will be found entitled to indemnification.

ARTICLE X

AMENDMENTS, ADDITIONAL TRUSTS, ETC.

The Trustees shall have the power to alter, amend or repeal these By-Laws or adopt new By-Laws at any time to the extent such power is not reserved to the Holders by the 1940 Act, other applicable law or the Declaration. Action by the Trustees with respect to these By-Laws shall be taken by an affirmative vote of a majority of the Trustees. The Trustees shall in no event adopt By-Laws which are in conflict with the Declaration.

One or more additional trusts may be added to Schedule I or Schedule II by resolution of the trustees of such trust(s), PROVIDED THAT the trustees of such trust(s) are identical to the Trustees of the Hub Trusts and the Spoke Trusts immediately prior to such addition.

In the case of each Hub Trust, the Declaration refers to the Trustees as Trustees, but not as individuals or personally; and no Trustee, officer, employee or agent of the Trust shall be held to any personal liability, nor shall resort be had to their private property for the satisfaction of any obligation or claim or otherwise in connection with the affairs of the Trust. In the case of each Spoke Trust, the Declaration refers to the Trustees not individually, but as Trustees under the Declaration, and no Trustee, officer, employee or agent of the Trust shall be subject to any personal liability whatsoever to any Person, other than the Trust or its Holders, in connection with Trust Property or the affairs of the Trust, save only that arising from bad faith, willful misfeasance, gross negligence or reckless disregard for his duty

to such Person; and all such Persons shall look solely to the Trust Property for satisfaction of claims of any nature arising in connection with the affairs of the Trust.

JPM345

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SCHEDULE I
HUB TRUSTS

TRUST	STATE OF ORGANIZATION	DATE OF DECLARATION	DATE BY-LAWS ADOPTED
The Treasury Money Market Portfolio	New York	11/4/92	10/13/94
The Money Market Portfolio	New York	1/29/93	10/13/94
The Tax Exempt Money Market Portfolio	New York	1/29/93	10/13/94
The Short Term Bond Portfolio	New York	1/29/93	10/13/94
The U.S. Fixed Income Portfolio	New York	1/29/93	10/13/94
The Tax Exempt Bond Portfolio	New York	1/29/93	10/13/94
The Selected U.S. Equity Portfolio	New York	1/29/93	10/13/94
The U.S. Stock Portfolio	New York	1/29/93	10/13/94
The U.S. Small Company Portfolio	New York	1/29/93	10/13/94
The Non-U.S. Equity Portfolio	New York	1/29/93	10/13/94
The Diversified Portfolio	New York	1/29/93	10/13/94
The Non-U.S. Fixed Income Portfolio	New York	6/13/93	10/13/94
The Emerging Markets Equity Portfolio	New York	6/13/93	10/13/94
The New York Total Return Bond Portfolio	New York	6/13/93	10/13/94
The Series Portfolio	New York	6/14/94	10/13/94

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SCHEDULE II
SPOKE TRUSTS

TRUST	STATE OF ORGANIZA- TION	DATE OF DECLARA- TION	DATE BY-LAWS ADOPTED
The Pierpont Funds	Massachusetts	11/4/92	10/13/94
The JPM Institutional Funds	Massachusetts	11/4/92	10/13/94
The JPM Institutional Plus Funds	Massachusetts	11/4/92	10/13/94

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Independent Accountants" in the Statement of Additional Information in this Registration Statement (Form N-1A No. 33-54632, 1933 Act Post-Effective Amendment No. 14) of The Pierpont Funds.

/s/ERNST & YOUNG LLP
ERNST & YOUNG LLP

New York, New York
July 24, 1995

Consents of Independent Accountants

We hereby consent to the incorporation by reference in the Prospectus and Statement of Additional Information constituting parts of this Post-Effective Amendment No. 14 to the registration statement on Form N-1A (the "Registration Statement") of our reports dated July 22, 1994, relating to the financial statements and financial highlights of The Pierpont Equity Fund and the Pierpont Capital Appreciation Fund and the financial statements and supplementary data of The Selected U.S. Equity Portfolio and The U.S. Small Company Portfolio appearing in the May 31, 1994 Annual Reports, which are also incorporated by reference into the Registration Statement.

We hereby consent to the incorporation by reference in the Prospectus and Statement of Additional Information constituting parts of the Registration Statement of our reports dated August 23, 1994, relating to the financial statements and financial highlights of The Pierpont Diversified Fund and the financial statements and supplementary data of The Diversified Portfolio appearing in the June 30, 1994 Annual Report, which is also incorporated by reference into the Registration Statement.

We hereby consent to the incorporation by reference in the Prospectus and Statement of Additional Information constituting parts of the Registration Statement of our reports dated October 25, 1994, relating to the financial statements and financial highlights of The Pierpont Tax Exempt Money Market Fund and The Pierpont Tax Exempt Bond Fund and the financial statements and supplementary data of The Tax Exempt Money Market Portfolio and The Tax Exempt Bond Portfolio appearing in the August 31, 1994 Annual Reports, which are also incorporated by reference into the Registration Statement.

We hereby consent to the incorporation by reference in the Prospectus and Statement of Additional Information constituting parts of the Registration Statement of our reports dated December 27, 1994, relating to the financial statements and financial highlights of The Pierpont Treasury Money Market Fund, The Pierpont Short Term Bond Fund, The Pierpont Bond Fund and The Pierpont International Equity Fund and the financial statements and supplementary data of The Treasury Money Market Portfolio, The Short Term Bond Portfolio, The U.S. Fixed Income Portfolio and The Non-U.S. Equity Portfolio appearing in the October 31, 1994 Annual Reports, which are also incorporated by reference into the Registration Statement.

Consents of
Independent Accountants
Page 2

We hereby consent to the incorporation by reference in the Prospectus and Statement of Additional Information constituting parts of the Registration Statement of our reports dated December 30, 1994, relating to the financial statements and financial highlights of The Pierpont Emerging Markets Equity Fund and the financial statements and supplementary data of The Emerging Markets

Equity Portfolio appearing in the October 31, 1994 Annual Report, which is also incorporated by reference into the Registration Statement.

We hereby consent to the incorporation by reference in the Prospectus and Statement of Additional Information constituting parts of the Registration Statement of our reports dated January 25, 1995, relating to the financial statements and financial highlights of The Pierpont Money Market Fund and the financial statements and supplementary data of The Money Market Portfolio appearing in the November 30, 1994 Annual Report, which is also incorporated by reference into the Registration Statement.

We hereby consent to the incorporation by reference in the Prospectus and Statement of Additional Information constituting parts of the Registration Statement of our reports dated May 23, 1995, relating to the financial statements and financial highlights of The Pierpont New York Total Return Bond Fund and the financial statements and supplemental data of The New York Total Return Bond Portfolio appearing in the March 31, 1995 Annual Report, which is also incorporated by reference into the Registration Statement.

We also consent to the reference to us under the heading "Independent Accountants" in the Statement of Additional Information.

/s/PRICE WATERHOUSE LLP
PRICE WATERHOUSE LLP
1177 Avenue of the Americas
New York, New York 10036
July 25, 1995

POWER OF ATTORNEY

The undersigned hereby constitutes and appoints Philip W. Coolidge, James B. Craver, Susan Jakuboski, Thomas M. Lenz, Molly S. Mugler, Linda T. Gibson, Andres E. Saldana, David G. Danielson, James S. Lelko and Daniel E. Shea, and each of them, with full powers of substitution as his true and lawful attorneys and agents to execute in his name and on his behalf in any and all capacities the Registration Statements on Form N-1A, and any and all amendments thereto, filed by The JPM Advisor Funds, The JPM Institutional Funds, The JPM Institutional Plus Funds or The Pierpont Funds (each a "Trust"), or the Registration Statement(s), and any and all amendments thereto, filed by any other investor in any registered investment company in which any of the Trusts invest, with the Securities and Exchange Commission under the Investment Company Act of 1940, as amended, and the Securities Act of 1933, as amended, and any and all instruments which such attorneys and agents, or any of them, deem necessary or advisable to enable each Trust to comply with such Acts, the rules, regulations and requirements of the Securities and Exchange Commission, and the securities or Blue Sky laws of any state or other jurisdiction, and the undersigned hereby ratifies and confirms as his own act and deed any and all acts that such attorneys and agents, or any of them, shall do or cause to be done by virtue hereof. Any one of such attorneys and agents have, and may exercise, all of the powers hereby conferred.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 17th day of July, 1995, in Tuckers Town, Bermuda.

/s/ Frederick S. Addy

Frederick S. Addy

JPM451

POWER OF ATTORNEY

The undersigned hereby constitutes and appoints Philip W. Coolidge, James B. Craver, Susan Jakuboski, Thomas M. Lenz, Molly S. Mugler, Linda T. Gibson, Andres E. Saldana, David G. Danielson, James S. Lelko and Daniel E. Shea, and each of them, with full powers of substitution as his true and lawful attorneys and agents to execute in his name and on his behalf in any and all

capacities the Registration Statements on Form N-1A, and any and all amendments thereto, filed by The JPM Advisor Funds, The JPM Institutional Funds, The JPM Institutional Plus Funds or The Pierpont Funds (each a "Trust"), or the Registration Statement(s), and any and all amendments thereto, filed by any other investor in any registered investment company in which any of the Trusts invest, with the Securities and Exchange Commission under the Investment Company Act of 1940, as amended, and the Securities Act of 1933, as amended, and any and all instruments which such attorneys and agents, or any of them, deem necessary or advisable to enable each Trust to comply with such Acts, the rules, regulations and requirements of the Securities and Exchange Commission, and the securities or Blue Sky laws of any state or other jurisdiction, and the undersigned hereby ratifies and confirms as his own act and deed any and all acts that such attorneys and agents, or any of them, shall do or cause to be done by virtue hereof. Any one of such attorneys and agents have, and may exercise, all of the powers hereby conferred.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 17th day of July, 1995, in Tuckers Town, Bermuda.

/s/ Michael P. Mallardi

Michael P. Mallardi

JPM451

POWER OF ATTORNEY

The undersigned hereby constitutes and appoints Philip W. Coolidge, James B. Craver, Susan Jakuboski, Thomas M. Lenz, Molly S. Mugler, Linda T. Gibson, Andres E. Saldana, David G. Danielson, James S. Lelko and Daniel E. Shea, and each of them, with full powers of substitution as his true and lawful attorneys and agents to execute in his name and on his behalf in any and all capacities the Registration Statements on Form N-1A, and any and all amendments thereto, filed by The JPM Advisor Funds, The JPM Institutional Funds, The JPM Institutional Plus Funds or The Pierpont Funds (each a "Trust"), or the Registration Statement(s), and any and all amendments thereto, filed by any other investor in any registered investment company in which any of the Trusts invest, with the Securities and Exchange Commission under the Investment Company Act of 1940, as amended, and the Securities Act of 1933, as amended, and any and all instruments which such attorneys and agents, or any of them, deem necessary or advisable to enable each Trust to comply with such Acts, the rules,

regulations and requirements of the Securities and Exchange Commission, and the securities or Blue Sky laws of any state or other jurisdiction, and the undersigned hereby ratifies and confirms as his own act and deed any and all acts that such attorneys and agents, or any of them, shall do or cause to be done by virtue hereof. Any one of such attorneys and agents have, and may exercise, all of the powers hereby conferred.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 17th day of July, 1995, in Tuckers Town, Bermuda.

/s/ William G. Burns

William G. Burns

JPM451

POWER OF ATTORNEY

The undersigned hereby constitutes and appoints Philip W. Coolidge, James B. Craver, Susan Jakuboski, Thomas M. Lenz, Molly S. Mugler, Linda T. Gibson, Andres E. Saldana, David G. Danielson, James S. Lelko and Daniel E. Shea, and each of them, with full powers of substitution as his true and lawful attorneys and agents to execute in his name and on his behalf in any and all capacities the Registration Statements on Form N-1A, and any and all amendments thereto, filed by The JPM Advisor Funds, The JPM Institutional Funds, The JPM Institutional Plus Funds or The Pierpont Funds (each a "Trust"), or the Registration Statement(s), and any and all amendments thereto, filed by any other investor in any registered investment company in which any of the Trusts invest, with the Securities and Exchange Commission under the Investment Company Act of 1940, as amended, and the Securities Act of 1933, as amended, and any and all instruments which such attorneys and agents, or any of them, deem necessary or advisable to enable each Trust to comply with such Acts, the rules, regulations and requirements of the Securities and Exchange Commission, and the securities or Blue Sky laws of any state or other jurisdiction, and the undersigned hereby ratifies and confirms as his own act and deed any and all acts that such attorneys and agents, or any of them, shall do or cause to be done by virtue hereof. Any one of such attorneys and agents have, and may exercise, all of the powers hereby conferred.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 17th day of July, 1995, in Tuckers Town, Bermuda.

/s/ Arthur C. Eschenlauer

Arthur C. Eschenlauer

JPM451

POWER OF ATTORNEY

The undersigned hereby constitutes and appoints Philip W. Coolidge, James B. Craver, Susan Jakuboski, Thomas M. Lenz, Molly S. Mugler, Linda T. Gibson, Andres E. Saldana, David G. Danielson, James S. Lelko and Daniel E. Shea, and each of them, with full powers of substitution as his true and lawful attorneys and agents to execute in his name and on his behalf in any and all capacities the Registration Statements on Form N-1A, and any and all amendments thereto, filed by The JPM Advisor Funds, The JPM Institutional Funds, The JPM Institutional Plus Funds or The Pierpont Funds (each a "Trust"), or the Registration Statement(s), and any and all amendments thereto, filed by any other investor in any registered investment company in which any of the Trusts invest, with the Securities and Exchange Commission under the Investment Company Act of 1940, as amended, and the Securities Act of 1933, as amended, and any and all instruments which such attorneys and agents, or any of them, deem necessary or advisable to enable each Trust to comply with such Acts, the rules, regulations and requirements of the Securities and Exchange Commission, and the securities or Blue Sky laws of any state or other jurisdiction, and the undersigned hereby ratifies and confirms as his own act and deed any and all acts that such attorneys and agents, or any of them, shall do or cause to be done by virtue hereof. Any one of such attorneys and agents have, and may exercise, all of the powers hereby conferred.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 17th day of July, 1995, in Tuckers Town, Bermuda.

/s/ Matthew Healey

Matthew Healey

JPM451

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This Schedule contains Summary Financial Information extracted from the Pierpont Bond Fund Semi-Annual Report dated April 30, 1995 and is qualified in its entirety by reference to such Semi-Annual Report.

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<CIK>0000894089

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<SERIES>

<NUMBER>3

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This Schedule contains Summary Financial Information extracted from the Pierpont Capital Appreciation Fund Semi Annual Report dated November 30, 1994 and is qualified in its entirety by reference to such Semi Annual Report.

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<CIK>0000894089

<NAME> PIERPONT FUNDS

<SERIES>

<NUMBER>11

<NAME> CAPITAL APPRECIATION FUND

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This Schedule contains Summary Financial Information extracted from the Pierpont Diversified Fund Semi-Annual Report dated December 31, 1994 and is qualified in its entirety by reference to such Semi-Annual Report.

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<CIK>0000894089

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<SERIES>

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This Schedule contains Summary Financial Information extracted from the Pierpont Emerging Markets Equity Fund Semi Annual Report dated April 30, 1995 and is qualified in its entirety to reference to such Semi Annual Report.

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<CIK>0000894089

<NAME> PIERPONT FUNDS

<SERIES>

<NUMBER>5

<NAME> EMERGING MARKETS EQUITY FUND

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<SENIOR-LONG-TERM-DEBT>	0
<OTHER-ITEMS-LIABILITIES>	125,672
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<PAID-IN-CAPITAL-COMMON>	56,089,268
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<APPREC-INCREASE-CURRENT>	(8,668,773)
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<INTEREST-EXPENSE>	0
<GROSS-EXPENSE>	128,952
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This Schedule contains Summary Financial Information extracted from the Pierpont Equity Fund Semi-Annual Report dated November 30, 1994 and is qualified in its entirety by reference to such Semi-Annual Report.

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<CIK>0000894089

<NAME> PIERPONT FUNDS

<SERIES>

<NUMBER>10

<NAME> EQUITY FUND

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<PERIOD-START>	MAY-1-1994
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<INVESTMENTS-AT-VALUE>	235,576,383
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<OTHER-ITEMS-ASSETS>	14,325
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<SENIOR-LONG-TERM-DEBT>	0
<OTHER-ITEMS-LIABILITIES>	727,094
<TOTAL-LIABILITIES>	727,094
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<PAID-IN-CAPITAL-COMMON>	228,066,918
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<SHARES-COMMON-PRIOR>	0
<ACCUMULATED-NII-CURRENT>	2,056,531
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<ACCUMULATED-NET-GAINS>	14,859,439
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<INTEREST-INCOME>	2,516,358
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<NET-INVESTMENT-INCOME>	2,056,531
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<APPREC-INCREASE-CURRENT>	(18,460,955)
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<SHARES-REINVESTED>	633,395
<NET-CHANGE-IN-ASSETS>	3,766,589
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<ACCUMULATED-GAINS-PRIOR>	0
<OVERDISTRIB-NII-PRIOR>	0
<OVERDIST-NET-GAINS-PRIOR>	0
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<INTEREST-EXPENSE>	0
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This Schedule contains Summary Financial Information extracted from the Pierpont International Equity Fund Semi-Annual Report dated April 30, 1995 and is qualified in its entirety by reference to such Semi-Annual Report.

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<CIK>0000894089

<NAME> PIERPONT FUNDS

<SERIES>

<NUMBER>4

<NAME> INTERNATIONAL EQUITY FUND

<S>	<C>
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<FISCAL-YEAR-END>	APR-30-1995
<PERIOD-START>	NOV-01-1994
<PERIOD-END>	OCT-31-1995
<INVESTMENTS-AT-COST>	0
<INVESTMENTS-AT-VALUE>	195,209,272
<RECEIVABLES>	192,174
<ASSETS-OTHER>	608
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<PAYABLE-FOR-SECURITIES>	0
<SENIOR-LONG-TERM-DEBT>	0
<OTHER-ITEMS-LIABILITIES>	808,006
<TOTAL-LIABILITIES>	808,006
<SENIOR-EQUITY>	0
<PAID-IN-CAPITAL-COMMON>	182,684,910
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<SHARES-COMMON-PRIOR>	0
<ACCUMULATED-NII-CURRENT>	1,796,950
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<ACCUMULATED-NET-GAINS>	(779,555)
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<ACCUM-APPREC-OR-DEPREC>	10,892,816
<NET-ASSETS>	194,595,121
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<INTEREST-INCOME>	871,686
<OTHER-INCOME>	0
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<DISTRIBUTIONS-OF-GAINS>	0
<DISTRIBUTIONS-OTHER>	8,815,321
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<SHARES-REINVESTED>	822,349
<NET-CHANGE-IN-ASSETS>	(15,840,013)
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<ACCUMULATED-GAINS-PRIOR>	0
<OVERDISTRIB-NII-PRIOR>	0
<OVERDIST-NET-GAINS-PRIOR>	0
<GROSS-ADVISORY-FEES>	0
<INTEREST-EXPENSE>	0
<GROSS-EXPENSE>	450,907
<AVERAGE-NET-ASSETS>	0
<PER-SHARE-NAV-BEGIN>	11.50
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<PER-SHARE-GAIN-APPREC>	(.18)
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<AVG-DEBT-PER-SHARE>	0

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This Schedule contains Financial Information extracted from the Pierpont New York Total Return Bond Fund Annual Report dated March 31, 1995 and is qualified in its entirety by reference to such Annual Report.

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<CIK>0000894089

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<SERIES>

<NUMBER>13

<NAME>NEW YORK BOND TOTAL RETURN FUND

<S>	<C>
<PERIOD-TYPE>	12-MOS
<FISCAL-YEAR-END>	MAR-31-1995
<PERIOD-START>	APR-11-1994
<PERIOD-END>	MAR-31-1995
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<INVESTMENTS-AT-VALUE>	38,207,858
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<TOTAL-ASSETS>	38,259,171
<PAYABLE-FOR-SECURITIES>	0
<SENIOR-LONG-TERM-DEBT>	0
<OTHER-ITEMS-LIABILITIES>	122,045
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<SENIOR-EQUITY>	0
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<SHARES-COMMON-STOCK>	3,771,970
<SHARES-COMMON-PRIOR>	0
<ACCUMULATED-NII-CURRENT>	0
<OVERDISTRIBUTION-NII>	0
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<OVERDISTRIBUTION-GAINS>	0
<ACCUM-APPREC-OR-DEPREC>	601,639
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<INTEREST-INCOME>	0
<OTHER-INCOME>	0
<EXPENSES-NET>	73,593
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<REALIZED-GAINS-CURRENT>	(101,570)
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<DISTRIBUTIONS-OTHER>	0
<NUMBER-OF-SHARES-SOLD>	4,811,690
<NUMBER-OF-SHARES-REDEEMED>	1,143,997
<SHARES-REINVESTED>	104,267
<NET-CHANGE-IN-ASSETS>	38,137,026
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<ACCUMULATED-GAINS-PRIOR>	0
<OVERDISTRIB-NII-PRIOR>	0
<OVERDIST-NET-GAINS-PRIOR>	0
<GROSS-ADVISORY-FEES>	0
<INTEREST-EXPENSE>	0
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<AVERAGE-NET-ASSETS>	0
<PER-SHARE-NAV-BEGIN>	10.00
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<PER-SHARE-DIVIDEND>	0
<PER-SHARE-DISTRIBUTIONS>	.40
<RETURNS-OF-CAPITAL>	0
<PER-SHARE-NAV-END>	10.11
<EXPENSE-RATIO>	.75
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<AVG-DEBT-PER-SHARE>	0

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This Schedule contains Summary Financial Information extracted from the Pierpont Short Term Bond Fund Semi-Annual Report dated April 30, 1995 and is qualified in its entirety by reference to such Semi-Annual Report.

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<CIK>0000894089

<NAME> PIERPONT FUNDS

<SERIES>

<NUMBER>2

<NAME>SHORT TERM BOND FUND

<S>	<C>
<PERIOD-TYPE>	6-MOS
<FISCAL-YEAR-END>	APR-30-1995
<PERIOD-START>	NOV-01-1994
<PERIOD-END>	OCT-31-1995
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<INVESTMENTS-AT-VALUE>	8,761,551
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<PAYABLE-FOR-SECURITIES>	0
<SENIOR-LONG-TERM-DEBT>	0
<OTHER-ITEMS-LIABILITIES>	47,554
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<SENIOR-EQUITY>	0
<PAID-IN-CAPITAL-COMMON>	8,915,048
<SHARES-COMMON-STOCK>	0
<SHARES-COMMON-PRIOR>	0
<ACCUMULATED-NII-CURRENT>	348
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<ACCUMULATED-NET-GAINS>	(158,478)
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<ACCUM-APPREC-OR-DEPREC>	(20,039)
<NET-ASSETS>	8,736,879
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<NET-CHANGE-FROM-OPS>	338,871
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<NUMBER-OF-SHARES-REDEEMED>	425,621
<SHARES-REINVESTED>	20,601
<NET-CHANGE-IN-ASSETS>	2,729,323
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<GROSS-ADVISORY-FEES>	0
<INTEREST-EXPENSE>	0
<GROSS-EXPENSE>	54,046
<AVERAGE-NET-ASSETS>	0
<PER-SHARE-NAV-BEGIN>	9.60
<PER-SHARE-NII>	.29
<PER-SHARE-GAIN-APPREC>	.08
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<PER-SHARE-DISTRIBUTIONS>	.29
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<PER-SHARE-NAV-END>	9.68
<EXPENSE-RATIO>	.67
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This Schedule contains Summary Financial Information extracted from the Pierpont Tax Exempt Bond Fund Semi-Annual Report dated February 28, 1995 and is qualified in its entirety by reference to such Semi-Annual Report.

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<CIK>0000894089

<NAME> THE PIERPONT FUNDS

<SERIES>

<NUMBER>6

<NAME>TAX EXEMPT BOND FUND

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<FISCAL-YEAR-END>	FEB-28-1995
<PERIOD-START>	SEP-01-1995
<PERIOD-END>	AUG-31-1995
<INVESTMENTS-AT-COST>	0
<INVESTMENTS-AT-VALUE>	353,253,362
<RECEIVABLES>	3,326,817
<ASSETS-OTHER>	2,533
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<TOTAL-ASSETS>	356,582,712
<PAYABLE-FOR-SECURITIES>	0
<SENIOR-LONG-TERM-DEBT>	0
<OTHER-ITEMS-LIABILITIES>	697,660
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<SENIOR-EQUITY>	0
<PAID-IN-CAPITAL-COMMON>	349,016,737
<SHARES-COMMON-STOCK>	355,885,052
<SHARES-COMMON-PRIOR>	0
<ACCUMULATED-NII-CURRENT>	0
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<ACCUMULATED-NET-GAINS>	(545,494)
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<NET-ASSETS>	355,885,052
<DIVIDEND-INCOME>	0
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<EXPENSES-NET>	1,383,738
<NET-INVESTMENT-INCOME>	8,831,824
<REALIZED-GAINS-CURRENT>	(647,045)
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<NUMBER-OF-SHARES-REDEEMED>	(13,509,143)
<SHARES-REINVESTED>	684,462
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<ACCUMULATED-GAINS-PRIOR>	0
<OVERDISTRIB-NII-PRIOR>	0
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<GROSS-ADVISORY-FEES>	0
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<AVERAGE-NET-ASSETS>	0
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<AVG-DEBT-PER-SHARE>	0

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This Schedule contains Summary Financial Information extracted from the Pierpont Tax Exempt Money Market Fund Semi-Annual Report dated February 28, 1995 and is qualified in its entirety by reference to such Semi-Annual Report.

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<CIK>0000894089

<NAME> THE PIERPONT FUNDS

<SERIES>

<NUMBER>7

<NAME> TAX EXEMPT MONEY MARKET FUND

<S>	<C>
<PERIOD-TYPE>	6-MOS
<FISCAL-YEAR-END>	FEB-28-1995
<PERIOD-START>	SEP-01-1994
<PERIOD-END>	AUG-31-1995
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<INVESTMENTS-AT-VALUE>	1,104,165,595
<RECEIVABLES>	48,787
<ASSETS-OTHER>	6,562
<OTHER-ITEMS-ASSETS>	0
<TOTAL-ASSETS>	1,104,220,944
<PAYABLE-FOR-SECURITIES>	0
<SENIOR-LONG-TERM-DEBT>	0
<OTHER-ITEMS-LIABILITIES>	3,351,686
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<SHARES-COMMON-PRIOR>	0
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<INTEREST-INCOME>	18,131,268
<OTHER-INCOME>	0
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<NET-INVESTMENT-INCOME>	16,383,738
<REALIZED-GAINS-CURRENT>	(224,777)
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<EQUALIZATION>	0
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<NUMBER-OF-SHARES-REDEEMED>	1,994,474,273
<SHARES-REINVESTED>	14,563,780
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<GROSS-ADVISORY-FEES>	0
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<PER-SHARE-GAIN-APPREC>	0
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This Schedule contains Summary Financial Information extracted from the Pierpont Money Market Annual Report dated November 30, 1994 and is qualified in its entirety by reference to such Annual Report.

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<CIK> 0000894089

<NAME> PIERPONT FUNDS

<SERIES>

<NUMBER>12

<NAME> MONEY MARKET FUND

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<PERIOD-START>	OCT-31-1993
<PERIOD-END>	NOV-30-1994
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<OTHER-ITEMS-LIABILITIES>	9,836,242
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<SHARES-COMMON-PRIOR>	0
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<OVERDISTRIBUTION-NII>	0
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<ACCUM-APPREC-OR-DEPREC>	0
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<OTHER-INCOME>	0
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<NET-INVESTMENT-INCOME>	78,882,428
<REALIZED-GAINS-CURRENT>	(51,177)
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<NUMBER-OF-SHARES-REDEEMED>	12,408,436,546
<SHARES-REINVESTED>	73,195,486
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<GROSS-ADVISORY-FEES>	0
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<PER-SHARE-DISTRIBUTIONS>	.037
<RETURNS-OF-CAPITAL>	0
<PER-SHARE-NAV-END>	1.00
<EXPENSE-RATIO>	.43
<AVG-DEBT-OUTSTANDING>	0
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This Schedule contains Summary Financial Information extracted from the Pierpont Treasury Money Market Fund Semi Annual Report dated April 30, 1995 and is qualified in its entirety by reference to such Semi Annual Report.

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<CIK> 0000894089

<NAME> PIERPONT FUNDS

<SERIES>

<NUMBER>1

<NAME> TREASURY MONEY MARKET FUNDS

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<FISCAL-YEAR-END>	SEP-30-1995
<PERIOD-START>	OCT-01-1995
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<ASSETS-OTHER>	39,219
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<TOTAL-ASSETS>	155,934,501
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<SENIOR-LONG-TERM-DEBT>	0
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<PAID-IN-CAPITAL-COMMON>	155,099,379
<SHARES-COMMON-STOCK>	155,099,379
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<NET-ASSETS>	155,126,199
<DIVIDEND-INCOME>	0
<INTEREST-INCOME>	3,647,624
<OTHER-INCOME>	0
<EXPENSES-NET>	132,130
<NET-INVESTMENT-INCOME>	3,515,494
<REALIZED-GAINS-CURRENT>	32,687
<APPREC-INCREASE-CURRENT>	0
<NET-CHANGE-FROM-OPS>	3,548,181
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<DISTRIBUTIONS-OF-INCOME>	3,515,494

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<NUMBER-OF-SHARES-SOLD>	608,375,006
<NUMBER-OF-SHARES-REDEEMED>	574,958,619
<SHARES-REINVESTED>	3,046,438
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