

# SECURITIES AND EXCHANGE COMMISSION

## FORM N-30D

Initial annual and semi-annual reports mailed to investment company shareholders pursuant to Rule 30e-1 (other than those required to be submitted as part of Form NCSR)

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### FILER

#### **AMERICAN CENTURY STRATEGIC ASSET ALLOCATIONS INC**

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[front cover]

MAY 31, 1999

SEMIANNUAL REPORT

-----  
AMERICAN CENTURY

[graphic of stairs]

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STRATEGIC ALLOCATION:

CONSERVATIVE  
MODERATE  
AGGRESSIVE

[american century logo(reg.sm)]  
American  
Century

[inside front cover]

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Y2K TESTING EFFORTS PAY DIVIDENDS IN PREPAREDNESS

-----  
Y2K, short for the year 2000, refers more specifically to the date change from December 31, 1999 to January 1, 2000. This date change is significant for computers because many were originally programmed to process dates with two-character years -- 99 instead of 1999.

When the calendar rolls to 2000, this can create problems for computers programmed this way because they will read the date as "00," and may interpret it as 1900. Most companies have been working to reprogram their computer systems with four-digit years. Reprogramming is very labor-intensive and requires testing to ensure that there are no errors and that all lines of code were successfully changed.

Recognizing the possible impact of the Y2K issue, our senior-level Steering Committee, programmers, business partners and Y2K team have been working diligently to make January 1, 2000 a non-event for American Century investors.

Currently, all of our computer systems have been modified, tested and returned to production. We have an ongoing commitment to testing our systems with our vendors and business partners and within the industry throughout the rest of the year.

In March and April of this year, we participated in the Security Industry Association's (SIA) industry-wide test and successfully processed transactions for dates up to and beyond 2000. American Century transactions with our partner firms were processed free of Y2K bugs. We also participated in the Market Data Test conducted by the SIA and Financial Information Forum in May. Again, the computer scripts were executed successfully with no Y2K-related errors.

In addition to our testing schedule, our Y2K team has developed contingency plans. These plans will minimize the impact on our investors and help us maintain operations in the event of any Y2K-related incidents. We will conduct practice drills of contingency scenarios during the rest of 1999 and refine those plans to respond quickly and effectively so that the date change is as seamless as possible for investors. We expect the year 2000 to be business as usual at American Century.

Year 2000 Readiness Disclosure

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STRATEGIC ALLOCATION: CONSERVATIVE  
(TWSCX)

-----  
STRATEGIC ALLOCATION: MODERATE  
(TWSMX)

-----  
STRATEGIC ALLOCATION: AGGRESSIVE  
(TWSAX)

-----  
Turn to the inside back cover of this report to see a list of American Century funds classified by objective and risk.

MINIMIZE YOUR MUTUAL FUND TAX HIT

American Century's newest equity fund, Tax-Managed Value, is designed for long-term growth and to minimize the tax hit you take on your mutual fund investments each year. The fund is managed to keep taxable distributions to a minimum by using the following strategies:

- \* BUY AND HOLD --Low portfolio turnover helps limit realized capital gains and takes advantage of long-term capital gains tax rates.
- \* OFFSET GAINS --When gains are realized in the portfolio, they are offset with capital losses from securities sold in that tax year or losses carried over from previous years.
- \* SELL HIGHER-COST SHARES FIRST --Selling shares that cost the most first helps minimize the taxable gains incurred from a sale.

Our Message to You

-----  
/photo of James E. Stowers III and James E. Stowers, Jr./  
James E. Stowers III, seated, with James E. Stowers, Jr.

During the six months ended May 31, 1999, we witnessed some surprising events in the U.S. financial markets. When we last addressed you in the annual report for the American Century Strategic Asset Allocation funds, the Federal Reserve (the U.S. central bank) had recently cut short-term interest rates to bolster the U.S. economy and help stabilize markets worldwide. This came after economic and financial crises in Asia, Russia, and Latin America, and the near collapse of several hedge funds. The global economic outlook was still quite uncertain.

But the Fed's actions helped turn things around. By January 1999, overseas economies were stabilizing, the U.S. economy was posting strong growth, and investor confidence had rebounded. Interest rates rose while the U.S. stock market soared -- the benchmark 30-year Treasury bond yield closed above 6% for the first time in a year and a half and the Dow Jones Industrial Average broke through 10,000 in the first quarter and continued to climb in the second quarter.

The year also began on an up note for us. We focused on making American Century easier to do business with and helping investors reach their financial goals. In March, we consolidated all our funds under the American Century name. Though we are proud of the venerable Twentieth Century and Benham names, we believe the change makes it simpler for you to identify your funds.

We also reclassified all 71 of our funds based on investment goals and risk levels, so you can more easily choose the funds that are right for you. A complete list of American Century funds, arranged by their new classifications, is on the inside back cover of this report.

In addition, we enhanced our Web site (www.americancentury.com). There you'll find daily fund information -- including performance and price data -- market and national news, and a Forms Center with access to the most-requested investor forms and applications. You can also sign up to receive fund prospectuses and shareholder reports electronically.

Finally, we continued to expand the American Century investment team, which has doubled over the last three years. We're committed to building and maintaining a talented management group.

As always, we appreciate your continued confidence in American Century.

Sincerely,

/s/James E. Stowers, Jr.  
James E. Stowers, Jr.  
Chairman of the Board and Founder

/s/James E. Stowers III  
James E. Stowers III  
Vice Chairman of the Board and  
Chief Executive Officer

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|                                    |    |
|------------------------------------|----|
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## Report Highlights

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### MARKET PERSPECTIVE

- \* Surging U.S. growth and more stable economies overseas meant world stock markets generally performed well, while bond returns were relatively poor in the six months ended May 31, 1999.
- \* Among U.S. equities, value stocks outperformed growth, and small- and mid-cap shares did better relative to large-cap stocks than in recent years.
- \* Foreign stocks performed relatively well after a difficult 1998. In general, the worse a country's or region's performance last year, the better it has done so far this year.
- \* An expanding economy and rising interest rates hurt domestic bond returns. Corporate and mortgage-backed securities outperformed Treasury bonds.
- \* Healthier world economies and the strength of the U.S. dollar meant relatively poor foreign bond returns for U.S. investors.

### STRATEGIC CONSERVATIVE

- \* The portfolio's conservative mix of bonds, stocks, and cash produced positive returns, though performance was limited by higher interest rates.
- \* We modestly overweighted bonds, adding higher-yielding corporate securities.
- \* We have a positive outlook for the global economy, which analysts expect to grow at around 2.5-3.0% this year.
- \* We'll continue to modestly overweight U.S. stocks and bonds, likely underweighting cash and foreign bonds.

### STRATEGIC MODERATE

- \* The fund's return for the six months reflected the blended return of its stock, bond, and cash portfolios, giving shareholders long-term capital growth with relatively moderate share price volatility.
- \* We ran Strategic Moderate's portfolio close to its neutral asset mix, with only a modest overweight in value stocks.
- \* We have a positive outlook for the global economy, which analysts expect to grow at around 2.5-3.0% this year.
- \* We'll continue to modestly overweight value stocks going forward. Economic growth overseas is expected to be better, so foreign stocks also look attractive.

STRATEGIC AGGRESSIVE

- \* The fund's return for the six months reflected the blended return of its stock, bond, and cash portfolios, giving shareholders long-term capital growth in a single well-diversified investment.
- \* We ran Strategic Aggressive's portfolio close to its neutral asset mix, with only a modest overweight in value stocks.
- \* We have a positive outlook for the global economy, which analysts expect to grow at around 2.5-3.0% this year.
- \* We'll continue to modestly overweight value stocks going forward. Economic growth overseas is expected to be better, so foreign stocks also look attractive.

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CONSERVATIVE(1)  
(TWSGX)

|                 |                    |
|-----------------|--------------------|
| TOTAL RETURNS:  | AS OF 5/31/99      |
| 6 Months        | 3.77%(2)           |
| 1 Year          | 5.74%              |
| INCEPTION DATE: | 2/15/96            |
| NET ASSETS:     | \$199.7 million(3) |

MODERATE(1)  
(TWSMX)

|                 |                    |
|-----------------|--------------------|
| TOTAL RETURNS:  | AS OF 5/31/99      |
| 6 Months        | 6.14%(2)           |
| 1 Year          | 5.76%              |
| INCEPTION DATE: | 2/15/96            |
| NET ASSETS:     | \$313.4 million(3) |

AGGRESSIVE(1)  
(TWSAX)

|                 |                    |
|-----------------|--------------------|
| TOTAL RETURNS:  | AS OF 5/31/99      |
| 6 Months        | 7.90%(2)           |
| 1 Year          | 5.32%              |
| INCEPTION DATE: | 2/15/96            |
| NET ASSETS:     | \$173.1 million(3) |

- (1) Investor Class.
- (2) Not annualized.
- (3) Includes Investor and Advisor classes.

Investment terms are defined in the Glossary on pages 71-72.

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Market Perspective from Jeff Tyler

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/photo of Jeff Tyler/  
Jeff Tyler, senior vice president and lead manager of the Strategic Asset Allocation funds

THE BIG PICTURE

There was a dramatic change in global financial markets in the six months ended May 31, 1999. Looking back at 1998, crises in Asia, Russia, and Latin America caused sharp volatility in world stock and bond markets. Only the U.S. posted strong economic growth.

But by mid-1999, the rest of the world was catching up. Healthier world economies meant much better stock market performance, but resurgent growth and slightly higher inflation led to generally poor returns for bonds.

U.S. STOCKS

So far in 1999, U.S. stocks have performed reasonably well regardless of size (see the table at right). That's in contrast to 1998, when small-company stocks fell and shares of mid-sized companies rose only about half as much as those of large companies. In April 1999, investors began to view big-company stocks as too expensive, while mid- and small-company stocks looked undervalued

Similarly, value stocks (shares considered to be relatively inexpensive) gained ground at the expense of growth stocks (companies with above-average earnings growth). Growth stocks had been in favor during the past three years, but that changed early in 1999.

For the six months, the S&P 500/ BARRA Value Index returned 13.60%, outpacing the 11.44% return of the S&P 500/BARRA Growth Index. Most of the performance disparity was focused in April, when the S&P 500/BARRA Value Index was up 8.62%, compared with a 0.19% return for the S&P 500/BARRA Growth Index.

Another big U.S. stock story was sector rotation. It became clearer by April that the global economy in general was regaining some strength, and cyclical stocks (whose prices and earnings tend to follow the ups and downs of the economy) made a comeback. To buy these cyclical stocks, investors sold previous favorites such as high-tech and pharmaceutical stocks.

#### FOREIGN STOCKS

Foreign stocks bounced back after the turmoil of 1998 to produce positive returns. For the most part, the worse a country's or region's stock market performance in 1998, the better its returns so far this year.

Emerging market stocks are a great example of the phenomenon--after plummeting last year, they've performed best so far in 1999. That's because--with the exception of certain Latin American countries--most emerging market economies have stabilized or bounced back sharply. For example, after growing just 0.7% in 1998, Asian economies (excluding Japan) are expected to grow a full 4% in 1999. That recovery has led to outsized gains in South Korean, Indonesian, and other Southeast Asian stock markets.

Japan also appears to have stabilized. After contracting in 1998, Japan's economy is expected to hold its ground in 1999. Record low interest rates and prospects for better growth helped Japanese stocks post gains after years of difficulty.

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"HEALTHIER WORLD ECONOMIES MEANT MUCH BETTER STOCK MARKET PERFORMANCE."

#### U.S. STOCK MARKET PERFORMANCE

FOR THE SIX MONTHS ENDED MAY 31, 1999

|                  |        |
|------------------|--------|
| S&P 500          | 12.59% |
| S&P MIDCAP 400   | 13.71% |
| S&P SMALLCAP 600 | 5.73%  |

#### FOREIGN STOCK MARKET PERFORMANCE (IN U.S. DOLLARS)

FOR THE SIX MONTHS ENDED MAY 31, 1999

|   |        |
|---|--------|
| MORGAN STANLEY EAFE(reg.tm) INDEX                       | 4.01%  |
| Morgan Stanley Europe Index                             | 0.16%  |
| Morgan Stanley Far East Index                           | 15.51% |
| Morgan Stanley Emerging Markets Latin American Index    | 17.77% |
| MORGAN STANLEY EAFE(reg.tm) INDEX (IN LOCAL CURRENCIES) | 9.75%  |

Source: Bloomberg Financial Markets and Lipper Inc.

Indices are defined on page 70.

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#### Market Perspective from Jeff Tyler

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(Continued)

European stocks benefited from mergers and acquisitions, as well as interest rate cuts by the new European Central Bank. Lower rates and better growth contributed to positive returns for these stocks, but weakness in the euro, the new single European currency, limited returns for U.S. investors.

#### U.S. BONDS

U.S. bond returns were relatively poor for the six-month period--strong economic growth translated into fears of future inflation and higher interest rates.

The theme of dramatic change applies to the bond market as well. In late 1998, many analysts still thought that the Federal Reserve would have to cut interest rates again to bolster the economy. But by the end of May, that view changed 180 degrees--investors believed that the Fed would raise interest rates to ward off inflation.

Treasury securities were the worst-performing domestic bond sector for the six months. Treasuries had been the investment of choice in 1998 for those worried about the health of global economies and capital markets. But as

economic and financial conditions improved, many investors sold Treasurys and bought either stocks or higher-yielding corporate and mortgage-backed securities.

Corporate and mortgage-backed bond returns were also limited by higher interest rates; however, these bonds significantly outperformed Treasurys for the six months. Continued economic strength and healthy corporate profits helped boost the corporate bond market. Higher rates held one positive for the mortgage-backed bond market--rising rates helped slow the record mortgage refinancing wave that occurred in 1998.

FOREIGN BONDS

Foreign bond performance was mixed, but returns were generally poor for U.S. investors because of the strength of the U.S. dollar. A stronger dollar relative to foreign currencies means gains from investments overseas translate back into fewer dollars.

The European Central Bank lowered interest rates in April to help stimulate growth. Lower rates helped European bond returns; however, lower rates make the currency, the euro, less attractive. As a result of lower interest rates and a weaker economy than in the U.S., the euro was down more than 10% against the dollar in the first five months of 1999.

Riskier emerging market bonds performed better in early 1999 after brutal losses in 1998. The stabilization and recovery of global capital markets was key to the rebound of these bonds. Investors bought these securities at bargain prices in the belief that the worst was over.

Japanese bonds performed relatively well for the six months. Modest progress on bank and economic reform helped returns. But again, the yen was lower versus the dollar, limiting returns for U.S. investors.

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"RESURGENT GROWTH AND SLIGHTLY HIGHER INFLATION LED TO GENERALLY POOR RETURNS FOR BONDS."

U.S. BOND MARKET PERFORMANCE  
FOR THE SIX MONTHS ENDED MAY 31, 1999

|   |        |
|---|--------|
| LEHMAN AGGREGATE BOND INDEX             | -0.76% |
| Lehman Treasury Bond Index              | -2.11% |
| Lehman Corporate Bond Index             | -1.47% |
| Lehman Mortgage-Backed Securities Index | 1.32%  |

FOREIGN BOND MARKET PERFORMANCE (IN U.S. DOLLARS)  
FOR THE SIX MONTHS ENDED MAY 31, 1999

|  |        |
|--|--------|
| J.P. MORGAN NON-U.S. GOVERNMENT BOND INDEX                       | -4.55% |
| J.P. Morgan European Government Bond Index                       | -7.14% |
| J.P. Morgan Japan Government Bond Index                          | 1.23%  |
| J.P. MORGAN NON-U.S. GOVERNMENT BOND INDEX (IN LOCAL CURRENCIES) | 1.38%  |

Source: Lipper Inc. and Russell/Mellon Analytical

Indices are defined on page 70.

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Strategic Conservative--Performance

TOTAL RETURNS AS OF MAY 31, 1999

<TABLE>

|              | INVESTOR CLASS (INCEPTION 2/15/96) |         |                             |                                | ADVISOR CLASS (INCEPTION 10/2/96) |         |                             |                                |
|--------------|------------------------------------|---------|-----------------------------|--------------------------------|-----------------------------------|---------|-----------------------------|--------------------------------|
|              | STRATEGIC CONSERVATIVE             | S&P 500 | LEHMAN AGGREGATE BOND INDEX | THREE-MONTH U.S. TREASURY BILL | STRATEGIC CONSERVATIVE            | S&P 500 | LEHMAN AGGREGATE BOND INDEX | THREE-MONTH U.S. TREASURY BILL |
| <S>          | <C>                                | <C>     | <C>                         | <C>                            | <C>                               | <C>     | <C>                         | <C>                            |
| 6 MONTHS (1) | 3.77%                              | 12.59%  | -0.76%                      | 2.22%                          | 3.56%                             | 12.59%  | -0.76%                      | 2.22%                          |
| 1 YEAR       | 5.74%                              | 21.04%  | 4.35%                       | 4.62%                          | 5.25%                             | 21.04%  | 4.35%                       | 4.62%                          |

AVERAGE ANNUAL RETURNS

|              |        |        |          |          |        |        |          |          |
|--------------|--------|--------|----------|----------|--------|--------|----------|----------|
| 3 YEARS      | 10.24% | 27.07% | 7.83%    | 4.98%    | --     | --     | --       | --       |
| LIFE OF FUND | 9.52%  | 25.66% | 6.72%(2) | 4.99%(2) | 10.17% | 28.70% | 7.56%(3) | 4.95%(3) |

(1) Returns for periods less than one year are not annualized.

(2) Since 2/29/96, the date nearest the class's inception for which data are available.

(3) Since 9/30/96, the date nearest the class's inception for which data are available.

See pages 69-71 for more information about share classes, returns, and the comparative indices.

[mountain graph - data below]

GROWTH OF \$10,000 OVER LIFE OF FUND

Value on 5/31/99

|                        |          |
|------------------------|----------|
| S&P 500                | \$21,512 |
| Strategic Conservative | \$13,637 |
| Lehman Aggregate       | \$12,352 |
| Three-Month T-Bill     | \$11,713 |

| DATE     | S&P 500<br>Index<br>VALUE | Strategic<br>Conservative<br>VALUE | Lehman<br>Aggregate<br>VALUE | Three-Month<br>T-Bill<br>VALUE |
|----------|---------------------------|------------------------------------|------------------------------|--------------------------------|
| 2/29/96  | \$10,000                  | \$10,000                           | \$10,000                     | \$10,000                       |
| 3/31/96  | \$10,096                  | \$10,044                           | \$9,930                      | \$10,041                       |
| 4/30/96  | \$10,244                  | \$10,145                           | \$9,874                      | \$10,082                       |
| 5/31/96  | \$10,508                  | \$10,186                           | \$9,855                      | \$10,125                       |
| 6/30/96  | \$10,548                  | \$10,222                           | \$9,987                      | \$10,167                       |
| 7/31/96  | \$10,081                  | \$10,038                           | \$10,014                     | \$10,211                       |
| 8/31/96  | \$10,294                  | \$10,160                           | \$9,997                      | \$10,254                       |
| 9/30/96  | \$10,873                  | \$10,441                           | \$10,171                     | \$10,297                       |
| 10/31/96 | \$11,173                  | \$10,585                           | \$10,396                     | \$10,339                       |
| 11/30/96 | \$12,016                  | \$10,831                           | \$10,574                     | \$10,382                       |
| 12/31/96 | \$11,778                  | \$10,772                           | \$10,476                     | \$10,425                       |
| 1/31/97  | \$12,513                  | \$10,876                           | \$10,508                     | \$10,469                       |
| 2/28/97  | \$12,612                  | \$10,814                           | \$10,535                     | \$10,513                       |
| 3/31/97  | \$12,095                  | \$10,636                           | \$10,418                     | \$10,558                       |
| 4/30/97  | \$12,816                  | \$10,761                           | \$10,574                     | \$10,603                       |
| 5/31/97  | \$13,599                  | \$11,117                           | \$10,674                     | \$10,648                       |
| 6/30/97  | \$14,204                  | \$11,384                           | \$10,801                     | \$10,691                       |
| 7/31/97  | \$15,333                  | \$11,828                           | \$11,093                     | \$10,736                       |
| 8/31/97  | \$14,475                  | \$11,640                           | \$10,999                     | \$10,783                       |
| 9/30/97  | \$15,267                  | \$12,051                           | \$11,160                     | \$10,827                       |
| 10/31/97 | \$14,757                  | \$11,899                           | \$11,322                     | \$10,871                       |
| 11/30/97 | \$15,440                  | \$12,008                           | \$11,374                     | \$10,919                       |
| 12/31/97 | \$15,705                  | \$12,154                           | \$11,489                     | \$10,966                       |
| 1/31/98  | \$15,878                  | \$12,200                           | \$11,636                     | \$11,012                       |
| 2/28/98  | \$17,023                  | \$12,567                           | \$11,627                     | \$11,058                       |
| 3/31/98  | \$17,895                  | \$12,872                           | \$11,666                     | \$11,105                       |
| 4/30/98  | \$18,077                  | \$12,918                           | \$11,727                     | \$11,150                       |
| 5/31/98  | \$17,766                  | \$12,895                           | \$11,839                     | \$11,197                       |
| 6/30/98  | \$18,487                  | \$13,031                           | \$11,939                     | \$11,243                       |
| 7/31/98  | \$18,291                  | \$12,961                           | \$11,964                     | \$11,289                       |
| 8/31/98  | \$15,648                  | \$12,284                           | \$12,159                     | \$11,335                       |
| 9/30/98  | \$16,651                  | \$12,646                           | \$12,444                     | \$11,378                       |
| 10/31/98 | \$18,004                  | \$12,881                           | \$12,378                     | \$11,416                       |
| 11/30/98 | \$19,095                  | \$13,140                           | \$12,448                     | \$11,458                       |
| 12/31/98 | \$20,194                  | \$13,434                           | \$12,486                     | \$11,501                       |
| 1/31/99  | \$21,039                  | \$13,482                           | \$12,574                     | \$11,542                       |
| 2/28/99  | \$20,384                  | \$13,116                           | \$12,354                     | \$11,585                       |
| 3/31/99  | \$21,200                  | \$13,364                           | \$12,422                     | \$11,628                       |
| 4/30/99  | \$22,020                  | \$13,758                           | \$12,462                     | \$11,669                       |
| 5/31/99  | \$21,512                  | \$13,637                           | \$12,352                     | \$11,713                       |

\$10,000 investment made 2/29/96

The graph at left shows the growth of a \$10,000 investment over the life of the fund, while the graph below shows the fund's year-by-year performance. The S&P 500, Lehman Aggregate Bond, and Three-Month U.S. Treasury Bill (T-Bill) indices are provided for comparison in each graph. Strategic Conservative's total returns include operating expenses (such as transaction costs and management fees) that reduce returns, while the total returns of the indices do not. The graphs are based on Investor Class shares only; performance for other classes will vary due to differences in fee structures (see the Total Returns table above). Past performance does not guarantee future results. Investment return and principal value will fluctuate, and redemption value may be more or less than original cost.



[bar graph - data below]

ONE-YEAR RETURNS OVER LIFE OF FUND (PERIODS ENDING MAY 31)

| DATE  | Strategic    |         | Lehman    | Three-Month |
|-------|--------------|---------|-----------|-------------|
|       | Conservative | S&P 500 | Aggregate | T-Bill      |
| 5/96* | 1.86%        | 5.04%   | -1.45%    | 1.25%       |
| 5/97  | 9.16%        | 29.48%  | 8.32%     | 5.17%       |
| 5/98  | 15.99%       | 30.68%  | 10.91%    | 5.16%       |
| 5/99  | 5.74%        | 21.04%  | 4.35%     | 4.62%       |

\* From 2/29/96 (the date nearest the class's inception for which index data are available) to 5/31/96.

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Strategic Conservative--Q&A

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An interview with Jeff Tyler and Brian Howell, portfolio managers on the Strategic Asset Allocation funds management team.

HOW DID STRATEGIC CONSERVATIVE PERFORM DURING THE SIX MONTHS ENDED MAY 31, 1999

Strategic Conservative returned 3.77% (see the previous page for additional performance information).\* That performance reflects the portfolio's conservative mix of stocks (which performed well), bonds (whose returns were limited by rising interest rates), and cash.

HOW IS STRATEGIC CONSERVATIVE MANAGED?

We manage Strategic Conservative to give shareholders regular income and moderate long-term capital growth while providing some protection for principal in a down market. To do that, we generally allocate 45% of the fund's investments to bonds, 40% to stocks, and 15% to money market securities.

These weightings represent the portfolio's neutral position. We make modest adjustments around these percentages to try and enhance performance.

HOW DID YOU POSITION THE FUND RELATIVE TO ITS NEUTRAL ASSET MIX OVER THE LAST SIX MONTHS?

Our largest overweight was in the bond portion of the portfolio, where we continued to add higher-yielding corporate securities (see the chart at left). One way to measure the relative attractiveness of corporate bonds is to look at the spread, or difference in yield, between corporates and Treasurys. The wider the yield spread, the more attractive corporate bonds become. In late 1998, the spread between corporates and Treasurys reached its widest level since the recession of 1990. With the economy and corporate profits healthy, we simply felt these values were too good to pass up.

DID YOU EMPHASIZE A PARTICULAR SECTOR OF THE CORPORATE BOND MARKET?

In general, we liked bonds issued by cyclical companies. Cyclical companies are closely tied to the health of the economy, so their bonds tend to perform best when the economy is strong. When fears of recession crippled the market in the third quarter of 1998, these bonds were severely punished and experienced sharp price declines. We used that opportunity to buy some of these securities at attractive prices. As economic growth improved and investors once again became interested in these bonds, cyclicals performed relatively well.

WHAT ABOUT THE PORTFOLIO'S FOREIGN BOND POSITION?

We modestly underweighted foreign bonds because we were concerned that the strength of the U.S. dollar might hinder international bond performance. The foreign bond markets that performed best were those of countries whose currencies held up well versus the dollar. Good examples include bonds in the U.K., Australia, Canada, and New Zealand. On the other hand, we were hurt by our underweight in Japanese bonds, which performed reasonably well for the six months.

\* All fund returns referenced in this interview are for Investor Class shares.

[left margin]

"WE MANAGE STRATEGIC CONSERVATIVE TO GIVE SHAREHOLDERS REGULAR INCOME AND MODERATE LONG-TERM CAPITAL GROWTH."

[pie chart - data below]

ASSET ALLOCATION  
(AS OF MAY 31, 1999)  
PERCENT OF FUND INVESTMENTS

|                         |     |
|-------------------------|-----|
| U.S. Stocks             | 36% |
| U.S. Bonds              | 45% |
| Foreign Stocks          | 7%  |
| Foreign Bonds           | 4%  |
| Money Market Securities | 8%  |

See page 70 for the fund's neutral asset mix.

Investment terms are defined in the Glossary on pages 71-72.

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Strategic Conservative--Q&A

(Continued)

CAN YOU TALK A LITTLE BIT ABOUT STRATEGIC CONSERVATIVE'S STOCK HOLDINGS?

Sure. We added more mid-sized and value shares in the last six months, putting less emphasis on bigger, higher-priced growth stocks. That's consistent with what we've been saying for some time now--large-cap growth stocks were trading at prices that were very expensive by historical standards. We felt the fundamental variables we look at argued that value had a better risk/return outlook than growth.

And while value stocks performed much better during the period than they have in recent years, we might have been a little early on that trade--many of these stocks underperformed large-cap growth stocks until April and May.

WHAT'S YOUR OUTLOOK FOR THE GLOBAL ECONOMY?

We have a generally positive outlook. Analysts expect global growth to come in at 2.5-3.0% this year, compared with only about 1.5% in 1998. Also in contrast to 1998, many think the U.S. will lag the rest of the world in 1999. Better economic growth would lead you to expect higher stock prices. Because world economies are so closely linked, more business overseas should also benefit companies here at home.

ARE THERE ANY POTENTIAL RISKS TO THIS OUTLOOK?

Two issues we're watching carefully are inflation and the potential year 2000 (Y2K) computer problem. While it's impossible to predict the economic impact of the Y2K problem, we are taking steps to measure the Y2K-readiness of the issuers of the fund's portfolio securities. We'll also be keeping a close eye on the financial markets as we get closer to year-end.

AND WHAT ABOUT THE RISK OF INFLATION?

A big reason the inflation rate fell to its lowest level in a dozen years in 1998 was the weakness of the global economy. With growth rebounding this year, inflation has begun to pick up, though it remains modest by historical standards.

That brings us to the other reason inflation has declined throughout the 1990s--increased worker productivity. More productive workers explain why both wages and corporate profits rose while inflation fell. However, it's uncertain if productivity gains can continue at the same pace they have in the past. Federal Reserve Chairman Alan Greenspan said as much when announcing his intention to raise short-term interest rates to head off more serious inflation down the road. But it seems that a vigilant Fed and the ability of the global economy to produce more goods than there's currently demand for will keep inflation from getting out of hand anytime soon.

[right margin]

FUND'S U.S. STOCKS (AS OF MAY 31, 1999)

|                      |             |      |  |
|----------------------|-------------|------|--|
| NUMBER OF COMPANIES  | 447         |      |  |
| DIVIDEND YIELD       | 1.59%       |      |  |
| PRICE/EARNINGS RATIO | 22.6        |      |  |
|                      | % OF FUND'S | % OF |  |
|                      | U.S. STOCKS | FUND |  |

TOP 5 U.S. STOCKS

|                            |      |      |
|----------------------------|------|------|
| FIRST VIRGINIA BANKS, INC. | 1.9% | 0.7% |
| MICROSOFT CORP.            | 1.8% | 0.6% |
| BELLSOUTH CORP.            | 1.7% | 0.6% |
| BANKAMERICA CORP.          | 1.7% | 0.6% |

## FUND'S FOREIGN STOCKS (AS OF MAY 31, 1999)

NUMBER OF COMPANIES 119  
 DIVIDEND YIELD 1.17%

|   | COUNTRY     | % OF FUND'S<br>FOREIGN STOCKS | % OF<br>FUND |
|---|-------------|-------------------------------|--------------|
| TOP 5 FOREIGN STOCKS                            |             |                               |              |
| ROYAL DUTCH<br>PETROLEUM CO.<br>NEW YORK SHARES | NETHERLANDS | 3.3%                          | 0.2%         |
| MANNESMANN AG                                   | GERMANY     | 3.2%                          | 0.2%         |
| BP AMOCO PLC ADR                                | U.K.        | 2.0%                          | 0.1%         |
| TELEFONICA S.A.                                 | SPAIN       | 1.9%                          | 0.1%         |
| VIVENDI   | FRANCE      | 1.9%                          | 0.1%         |

[pie chart - data below]

## PERCENT OF FUND'S FOREIGN STOCKS

Europe 78%  
 Asia/Pacific 17%  
 Americas  
 (excluding U.S.) 5%

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Strategic Conservative--Q&A

(Continued)

## WHAT'S YOUR OUTLOOK FOR INTEREST RATES?

We've already seen a big increase in interest rates since the beginning of the year, so we don't expect rates to go much higher. Instead, we think it's more likely bond yields will trade in a relatively narrow range. Of course, that assumes inflation doesn't increase dramatically and that the world economy gradually improves.

## GIVEN THIS OUTLOOK, HOW WILL YOU POSITION STRATEGIC CONSERVATIVE'S BOND PORTFOLIO?

Strong growth and relatively stable rates make a very appealing environment for corporate bonds. However, the outlook is somewhat clouded by Y2K. We think the prudent thing to do is keep an eye on this situation and do our best to position the portfolio to respond to the investment challenges and opportunities Y2K might present.

## AND HOW DO YOU EXPECT TO POSITION STRATEGIC CONSERVATIVE'S STOCKS?

We'll continue to modestly overweight stocks relative to our benchmark. In U.S. equities, we think value shares continue to look like good buys. As a result, our biggest bet in U.S. equities is likely to be in that area. With economic growth overseas likely to be stronger, we also think foreign stocks look very attractive. That means we'll probably overweight foreign stocks relative to foreign bonds going forward.

[left margin]

"ANALYSTS EXPECT GLOBAL GROWTH TO COME IN AT 2.5-3.0% THIS YEAR, COMPARED WITH ONLY ABOUT 1.5% IN 1998."

## FUND'S U.S. BONDS (AS OF MAY 31, 1999)

NUMBER OF SECURITIES 116  
 WEIGHTED AVERAGE MATURITY 8.2 YEARS  
 AVERAGE DURATION 4.8 YEARS

[pie chart - data below]

## PERCENT OF FUND'S U.S. BONDS

Corporate 38%  
 Mortgage-Backed 21%  
 U.S. Treasury 23%  
 Asset-Backed 7%  
 U.S. Govt. Agency 11%

## FUND'S FOREIGN BONDS (AS OF MAY 31, 1999)

NUMBER OF SECURITIES 9  
 WEIGHTED AVERAGE MATURITY 8.9 YEARS  
 AVERAGE DURATION 6.1 YEARS

[pie chart - data below]

PERCENT OF FUND'S FOREIGN BONDS

|                              |     |
|------------------------------|-----|
| Europe                       | 71% |
| Asia/Pacific                 | 22% |
| Americas<br>(excluding U.S.) | 7%  |

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Strategic Conservative--Schedule of Investments

MAY 31, 1999 (UNAUDITED)

Shares Value

COMMON STOCKS--43.0%

AEROSPACE & DEFENSE--1.2%

|        |                                |           |
|--------|--------------------------------|-----------|
| 500    | Alliant Techsystems Inc. (1)   | \$ 42,500 |
| 1,200  | Aviation Sales Co. (1)         | 46,200    |
| 800    | Avondale Industries, Inc. (1)  | 29,200    |
| 11,600 | Boeing Co.                     | 490,100   |
| 5,300  | Bombardier Inc. Cl B ORD       | 82,338    |
| 2,200  | Cordant Technologies Inc.      | 106,700   |
| 1,200  | EG&G, Inc.                     | 35,625    |
| 1,500  | General Dynamics Corp.         | 98,625    |
| 4,500  | Goodrich (B.F.) Company (The)  | 182,250   |
| 11,400 | Lockheed Martin Corp.          | 460,988   |
| 700    | Newport News Shipbuilding Inc. | 19,250    |
| 5,800  | Raytheon Co. Cl B              | 394,762   |
| 5,100  | United Technologies Corp.      | 316,519   |
|        |                                | -----     |
|        |                                | 2,305,057 |
|        |                                | -----     |

AIRLINES (2)

|     |               |        |
|-----|---------------|--------|
| 400 | AMR Corp. (1) | 26,025 |
|     |               | -----  |

AUTOMOBILES & AUTO PARTS--0.9%

|        |   |           |
|--------|---|-----------|
| 1,600  | Coachmen Industries, Inc.               | 35,200    |
| 9,800  | Cooper Tire and Rubber Company          | 232,750   |
| 1,101  | DaimlerChrysler AG ORD                  | 94,948    |
| 629    | Delphi Automotive Systems Corp. (1)     | 12,344    |
| 9,100  | Ford Motor Co.                          | 519,269   |
| 19,000 | Fuji Heavy Industries Ltd. ORD          | 123,524   |
| 900    | General Motors Corp.                    | 62,100    |
| 800    | Johnson Controls, Inc.                  | 50,450    |
| 1,500  | National R.V. Holdings, Inc. (1)        | 38,531    |
| 23,200 | Superior Industries International, Inc. | 578,550   |
|        |   | -----     |
|        |   | 1,747,666 |
|        |   | -----     |

BANKING--5.0%

|        |   |           |
|--------|---|-----------|
| 4,600  | Argentaria SA ORD                                 | 103,021   |
| 7,800  | Australia & New Zealand Banking<br>Group Ltd. ORD | 56,579    |
| 4,700  | Banc One Corp.                                    | 265,844   |
| 18,400 | BankAmerica Corp.                                 | 1,190,250 |
| 7,044  | Bank of Ireland ORD                               | 130,452   |
| 3,700  | Barclays PLC ORD                                  | 112,160   |
| 9,800  | Chase Manhattan Corp.                             | 710,500   |
| 3,700  | Citigroup Inc.                                    | 245,125   |
| 2,000  | Deutsche Pfandbrief-und<br>Hypothekenbank AG ORD  | 172,997   |
| 1,900  | Fifth Third Bancorp                               | 129,616   |
| 12,300 | First Union Corp.                                 | 566,569   |
| 26,600 | First Virginia Banks, Inc.                        | 1,321,688 |
| 21,800 | KeyCorp   | 757,550   |
| 13,400 | Mellon Bank Corp.                                 | 478,212   |
| 4,400  | National Westminster Bank PLC<br>ORD              | 100,898   |

Shares Value

|        |                         |            |
|--------|-------------------------|------------|
| 1,300  | Northern Trust Corp.    | \$ 117,650 |
| 6,500  | PNC Bank Corp.          | 372,125    |
| 12,600 | Regions Financial Corp. | 477,619    |

|        |                                 |           |
|--------|---------------------------------|-----------|
| 1,000  | Societe Generale Cl A ORD       | 181,543   |
| 12,900 | Standard Chartered plc ORD      | 195,109   |
| 5,000  | Sumitomo Bank, Ltd. (The) ORD   | 60,198    |
| 27,500 | Summit Bancorp.                 | 1,125,781 |
| 1,000  | Toronto-Dominion Bank (The) ORD | 52,780    |
| 670    | UBS AG ORD                      | 193,891   |
| 7,700  | Wachovia Corp.                  | 679,525   |
| 2,200  | Wells Fargo & Co.               | 88,000    |
| 1,900  | Zions Bancorporation            | 121,125   |

-----  
10,006,807  
-----

BIOTECHNOLOGY--0.3%

|       |  |         |
|-------|--|---------|
| 3,500 | Amgen Inc.(1)                                  | 221,484 |
| 1,700 | Biogen, Inc.(1)                                | 185,406 |
| 2,100 | Duramed Pharmaceuticals, Inc.(1)               | 30,844  |
| 600   | IDEC Pharmaceuticals Corp.(1)                  | 30,244  |
| 1,000 | MedImmune, Inc.(1)                             | 63,562  |
| 2,000 | Pharmaceutical Product<br>Development, Inc.(1) | 53,125  |
| 2,300 | Protein Design Labs, Inc.(1)                   | 44,994  |
| 1,200 | Ventana Medical Systems, Inc.(1)               | 23,962  |

-----  
653,621  
-----

BROADCASTING & MEDIA--1.0%

|        |  |         |
|--------|--|---------|
| 7,400  | CBS Corp.(1)                                   | 308,950 |
| 4,400  | Clear Channel Communications,<br>Inc.(1)       | 290,675 |
| 1,500  | EchoStar Communications Corp.<br>Cl A(1)       | 171,750 |
| 6,200  | Fox Entertainment Group, Inc.<br>Cl A(1)       | 158,100 |
| 3,500  | Infinity Broadcasting Corp. Cl A(1)            | 89,469  |
| 6,500  | Mediaset SpA ORD                               | 52,634  |
| 1,400  | NTL Inc.(1)                                    | 132,212 |
| 1,200  | RCN Corp.(1)                                   | 49,650  |
| 4,200  | Rogers Communications, Inc.<br>Cl B ORD(1)     | 86,618  |
| 500    | Societe Television<br>Francaise 1 ORD          | 119,847 |
| 500    | Telewest Communications plc<br>ADR(1)          | 21,562  |
| 32,900 | TeleWest Communications plc<br>ORD(1)          | 141,326 |
| 2,100  | United International Holdings,<br>Inc. Cl A(1) | 150,412 |
| 1,900  | United Pan-Europe<br>Communications NV ORD(1)  | 116,330 |
| 600    | Westwood One, Inc.(1)                          | 20,850  |

-----  
1,910,385  
-----

See Notes to Financial Statements

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Strategic Conservative--Schedule of Investments

(Continued)

MAY 31, 1999 (UNAUDITED)

| Shares                             |                                   | Value     |
|------------------------------------|-----------------------------------|-----------|
| -----                              |                                   |           |
| BUILDING & HOME IMPROVEMENTS--0.1% |                                   |           |
| 700                                | Centex Construction Products Inc. | \$ 25,112 |
| 1,500                              | Elcor Corp.                       | 60,562    |
| 4,500                              | York International Corporation    | 189,844   |
|                                    |                                   | -----     |
|                                    |                                   | 275,518   |
|                                    |                                   | -----     |

BUSINESS SERVICES & SUPPLIES--0.4%

|       |                                    |        |
|-------|------------------------------------|--------|
| 1,500 | Acxiom Corp.(1)                    | 40,641 |
| 383   | Altran Technologies SA ORD         | 86,654 |
| 6,000 | Capita Group Plc ORD               | 59,330 |
| 2,500 | CSG Systems International, Inc.(1) | 81,406 |
| 700   | MAXIMUS, Inc.(1)                   | 20,825 |
| 1,700 | Metzler Group, Inc. (The)(1)       | 55,941 |
| 1,000 | NCO Group, Inc.(1)                 | 30,656 |

|        |                                  |         |
|--------|----------------------------------|---------|
| 7      | NTT Data Corp. ORD               | 46,315  |
| 1,200  | Professional Detailing, Inc.(1)  | 31,875  |
| 1,600  | Quanta Services, Inc.(1)         | 54,300  |
| 2,500  | Quintiles Transnational Corp.(1) | 101,406 |
| 2,400  | Securitas AB Cl B ORD            | 34,168  |
| 750    | Valassis Communications, Inc.(1) | 26,109  |
| 13,200 | WPP Group plc ORD                | 106,535 |

-----  
776,161  
-----

CHEMICALS & RESINS--0.7%

|        |  |         |
|--------|--|---------|
| 4,300  | Air Products and Chemicals, Inc.                               | 176,300 |
| 700    | Compagnie Francaise d'Etudes et<br>de Construction Technip ORD | 75,869  |
| 3,000  | Dow Chemical Co.   | 364,500 |
| 1,700  | du Pont (E.I.) de Nemours & Co.                                | 111,244 |
| 12,300 | IMC Global Inc.  | 257,531 |
| 13,400 | Lubrizol Corp.   | 368,500 |

-----  
1,353,944  
-----

COMMUNICATIONS EQUIPMENT--1.2%

|        |                                 |         |
|--------|---------------------------------|---------|
| 11,900 | Andrew Corp.(1)                 | 184,078 |
| 6,500  | ANTEC Corp.(1)                  | 190,328 |
| 3,000  | C-COR Electronics, Inc.(1)      | 71,531  |
| 2,100  | CIENA Corp.(1)                  | 60,309  |
| 2,200  | CommScope, Inc.(1)              | 57,750  |
| 2,300  | Comverse Technology, Inc.(1)    | 155,322 |
| 1,600  | FORE Systems, Inc.(1)           | 54,950  |
| 2,100  | Harmonic Lightwaves, Inc.(1)    | 103,556 |
| 5,000  | Harris Corp.                    | 189,062 |
| 2,100  | JDS Fitel Inc. ORD(1)           | 142,322 |
| 8,400  | Lucent Technologies Inc.        | 477,750 |
| 2,300  | Motorola, Inc.                  | 190,469 |
| 3,500  | Newbridge Networks Corp.(1)     | 96,688  |
| 1,900  | Nortel Networks Corp.           | 142,500 |
| 1,900  | Polycom, Inc.(1)                | 48,569  |
| 1,700  | Powerwave Technologies, Inc.(1) | 39,206  |
| 2,200  | QUALCOMM Inc.(1)                | 213,881 |

Shares

Value

|     |   |           |
|-----|---|-----------|
| 700 | Terayon Communication Systems,<br>Inc.(1) | \$ 22,531 |
|     |   | -----     |
|     |   | 2,440,802 |
|     |   | -----     |

COMPUTER PERIPHERALS--0.5%

|       |  |         |
|-------|--|---------|
| 5,100 | Cisco Systems Inc.(1)                        | 555,741 |
| 2,800 | EMC Corp. (Mass.) (1)                        | 278,950 |
| 400   | Lexmark International Group,<br>Inc. Cl A(1) | 54,450  |
| 3,300 | Seagate Technology, Inc.(1)                  | 99,619  |

-----  
988,760  
-----

COMPUTER SOFTWARE & SERVICES--2.0%

|        |  |           |
|--------|--|-----------|
| 1,200  | Advantage Learning Systems, Inc.(1)    | 26,550    |
| 4,100  | America Online Inc.                    | 489,438   |
| 1,000  | American Management System,<br>Inc.(1) | 31,781    |
| 1,700  | At Home Corp. Series A(1)              | 215,422   |
| 400    | BroadVision, Inc.(1)                   | 20,788    |
| 14,900 | Cadence Design Systems, Inc.(1)        | 191,838   |
| 998    | Cap Gemini SA ORD                      | 143,633   |
| 1,200  | Compuware Corp.(1)                     | 37,238    |
| 1,800  | Equant NV New York Shares(1)           | 149,288   |
| 3,500  | First Data Corp.                       | 157,281   |
| 1,500  | Getronics N.V. ORD                     | 57,839    |
| 7,300  | GTECH Holdings Corp.(1)                | 180,219   |
| 2,100  | International Integration Inc.(1)      | 39,966    |
| 300    | Intraware, Inc.(1)                     | 6,600     |
| 1,200  | Keane, Inc.(1)                         | 34,800    |
| 5,700  | Logica plc ORD                         | 52,849    |
| 6,400  | Mentor Graphics Corp.(1)               | 80,600    |
| 15,500 | Microsoft Corp.(1)                     | 1,251,141 |
| 1,400  | National Instruments Corp.(1)          | 53,156    |
| 1,700  | NCR Corp.(1)                           | 66,406    |
| 4,300  | Novell, Inc.(1)                        | 100,916   |
| 1,900  | Proxicom, Inc.(1)                      | 39,544    |
| 700    | QRS Corp.(1)                           | 51,975    |

|        |                            |         |
|--------|----------------------------|---------|
| 300    | Sapient Corp.(1)           | 19,134  |
| 2,400  | Sterling Software, Inc.(1) | 58,350  |
| 10,200 | Unisys Corp.(1)            | 386,962 |
| 2,000  | USWeb Corp.(1)             | 50,812  |
| 400    | Veritas Software Corp.(1)  | 35,288  |

-----  
4,029,814  
-----

COMPUTER SYSTEMS--0.8%

|        |                                       |         |
|--------|---------------------------------------|---------|
| 6,500  | Apple Computer, Inc.(1)               | 286,203 |
| 11,800 | Compaq Computer Corp.                 | 279,512 |
| 3,400  | Dell Computer Corp.(1)                | 116,981 |
| 11,000 | Fujitsu Ltd. ORD                      | 182,858 |
| 700    | Gateway 2000, Inc.(1)                 | 42,569  |
| 3,500  | Hewlett-Packard Co.                   | 330,094 |
| 3,400  | International Business Machines Corp. | 395,462 |

-----  
1,633,679  
-----

See Notes to Financial Statements

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Strategic Conservative--Schedule of Investments

(Continued)

MAY 31, 1999 (UNAUDITED)

| Shares                                    |   | Value     |
|---|---|-----------|
| -----                                     |   |           |
| CONSTRUCTION & PROPERTY DEVELOPMENT--0.1% |   |           |
| 1,400                                     | Centex Corp.                                    | \$ 51,888 |
| 3,400                                     | CRH plc ORD                                     | 58,039    |
| 1,600                                     | D.R. Horton, Inc.                               | 27,200    |
| 400                                       | Dycom Industries, Inc.(1)                       | 19,300    |
| 2,800                                     | Insituform Technologies, Inc. Cl A(1)           | 46,638    |
| 1,500                                     | Lafarge Corp.                                   | 50,156    |
| 1,700                                     | Pulte Corp.                                     | 40,481    |
|   |   | -----     |
|   |   | 293,702   |
|   |   | -----     |
| CONSUMER PRODUCTS--0.6%                   |   |           |
| 1,100                                     | Avon Products, Inc.                             | 54,381    |
| 800                                       | Chattem, Inc.(1)                                | 29,100    |
| 700                                       | Clorox Co. (The)                                | 70,656    |
| 300                                       | Gillette Company                                | 15,300    |
| 1,900                                     | Helen of Troy Ltd.(1)                           | 30,103    |
| 9,000                                     | Kao Corporation ORD                             | 245,896   |
| 2,200                                     | Procter & Gamble Co. (The)                      | 205,425   |
| 12,000                                    | Shiseido Co., Ltd. ORD                          | 176,768   |
| 6,800                                     | Whirlpool Corp.                                 | 438,600   |
|   |   | -----     |
|   |   | 1,266,229 |
|   |   | -----     |
| DIVERSIFIED COMPANIES--1.5%               |   |           |
| 13,100                                    | BBA Group plc ORD                               | 92,512    |
| 3,200                                     | Brambles Industries Limited ORD                 | 85,304    |
| 6,600                                     | General Electric Co. (U.S.)                     | 671,138   |
| 12,900                                    | Minnesota Mining & Manufacturing Co.            | 1,106,175 |
| 6,700                                     | Tyco International Ltd.                         | 585,412   |
| 1,071                                     | Unilever N.V. New York Shares                   | 69,950    |
| 3,927                                     | Vivendi ORD                                     | 290,569   |
|   |   | -----     |
|   |   | 2,901,060 |
|   |   | -----     |
| ELECTRICAL & ELECTRONIC COMPONENTS--2.2%  |   |           |
| 2,100                                     | Advanced Energy Industries, Inc.(1)             | 52,106    |
| 2,600                                     | Aeroflex Inc.(1)                                | 37,862    |
| 10,200                                    | Arrow Electronics, Inc.(1)                      | 177,225   |
| 1,700                                     | ASM Lithography Holding N.V. New York Shares(1) | 74,906    |
| 15,500                                    | Avnet, Inc.                                     | 675,219   |
| 400                                       | Broadcom Corp. Cl A(1)                          | 38,275    |
| 2,200                                     | Conexant Systems, Inc.(1)                       | 85,044    |
| 2,300                                     | DII Group, Inc.(1)                              | 75,397    |
| 400                                       | Hi/fn, Inc.(1)                                  | 23,138    |

|        |  |         |
|--------|--|---------|
| 11,900 | Intel Corp.                                    | 644,831 |
| 1,100  | KLA-Tencor Corporation(1)                      | 50,084  |
| 1,300  | Micron Technology, Inc.(1)                     | 49,319  |
| 800    | Optical Coating Laboratory, Inc.               | 51,950  |
| 1,100  | Philips Electronics N.V. New York<br>Shares(1) | 94,600  |
| 3,300  | Pinnacle Systems, Inc.(1)                      | 169,744 |
| 600    | PMC-Sierra, Inc.(1)                            | 29,119  |

Shares

Value

|       |                              |           |
|-------|------------------------------|-----------|
| 600   | Qlogic Corp.(1)              | \$ 65,925 |
| 600   | Rockwell International Corp. | 33,112    |
| 1,300 | Sanmina Corp.(1)             | 97,541    |
| 1,600 | Sawtek Inc.(1)               | 63,600    |
| 1,200 | Siemens AG ORD               | 80,662    |
| 2,700 | Solectron Corp.(1)           | 147,825   |
| 2,600 | Sony Corp. ORD               | 243,065   |
| 2,100 | Teradyne, Inc.(1)            | 110,906   |
| 2,500 | Texas Instruments Inc.       | 273,438   |
| 4,300 | Thomas & Betts Corp.         | 184,094   |
| 4,000 | Tokyo Electron Ltd. ORD      | 219,561   |
| 1,900 | Uniphase Corp.(1)            | 255,253   |
| 2,100 | Unitrode Corp.(1)            | 43,706    |
| 9,600 | Vishay Intertechnology, Inc. | 199,800   |
| 1,100 | Xilinx, Inc.(1)              | 48,847    |
|       |                              | -----     |
|       |                              | 4,396,154 |
|       |                              | -----     |

ENERGY (PRODUCTION & MARKETING)--2.8%

|        |  |           |
|--------|--|-----------|
| 1,500  | Anadarko Petroleum Corp.                     | 56,250    |
| 10,700 | Apache Corp.                                 | 385,200   |
| 11,400 | Atlantic Richfield Co.                       | 954,038   |
| 2,679  | BP Amoco Plc ADR                             | 286,988   |
| 19,900 | Burlington Resources Inc.                    | 854,456   |
| 3,100  | Chevron Corp.                                | 287,331   |
| 1,000  | Elf Aquitaine SA ORD                         | 144,650   |
| 12,400 | Exxon Corp.                                  | 990,450   |
| 2,700  | Mobil Corp.                                  | 273,375   |
| 11,600 | Murphy Oil Corp.                             | 569,125   |
| 8,500  | Royal Dutch Petroleum Co. New<br>York Shares | 480,781   |
| 900    | Texaco Inc.                                  | 58,950    |
| 3,800  | Union Pacific Resources                      | 52,962    |
| 4,600  | Unocal Corp.                                 | 182,850   |
|        |  | -----     |
|        |  | 5,577,406 |
|        |  | -----     |

ENERGY (SERVICES)--0.3%

|        |                      |         |
|--------|----------------------|---------|
| 15,500 | Baker Hughes Inc.    | 482,438 |
| 2,600  | Reliant Energy, Inc. | 79,300  |
| 900    | Schlumberger Ltd.    | 54,169  |
| 2,000  | Tidewater Inc.       | 51,125  |
|        |                      | -----   |
|        |                      | 667,032 |
|        |                      | -----   |

ENVIRONMENTAL SERVICES--0.1%

|       |                        |         |
|-------|------------------------|---------|
| 3,682 | Waste Management, Inc. | 194,686 |
|       |                        | -----   |

FINANCIAL SERVICES--1.6%

|        |   |         |
|--------|---|---------|
| 16,500 | Amvescap Plc ORD                          | 150,607 |
| 9,722  | Banca Intesa S.p.A. ORD                   | 49,443  |
| 2,000  | Capital One Financial Corp.               | 301,375 |
| 9,500  | CIT Group, Inc. (The) Cl A                | 275,500 |
| 800    | Credit Suisse Group ORD                   | 138,802 |
| 4,200  | Fannie Mae                                | 285,600 |
| 2,300  | Federal Home Loan Mortgage<br>Corporation | 134,119 |

See Notes to Financial Statements

Strategic Conservative--Schedule of Investments

(Continued)

MAY 31, 1999 (UNAUDITED)

Shares

Value



|        |   |    |           |
|--------|---|----|-----------|
| 1,200  | Franklin Resources, Inc.                      | \$ | 52,200    |
| 3,375  | ING Groep N.V. ORD                            |    | 180,259   |
| 72     | Julius Baer Holding AG ORD                    |    | 217,789   |
| 500    | Lehman Brothers Holdings Inc.                 |    | 27,312    |
| 8,400  | Lloyds TSB Group plc ORD                      |    | 110,974   |
| 1,300  | Merrill Lynch & Co., Inc.                     |    | 109,200   |
| 3,600  | Morgan Stanley Dean Witter,<br>Discover & Co. |    | 347,400   |
| 2,612  | Provident Financial plc ORD                   |    | 38,732    |
| 2,700  | Providian Financial Corp.                     |    | 259,031   |
| 1,600  | Schwab (Charles) Corp.                        |    | 169,300   |
| 100    | Shohkoh Fund & Co., Ltd. ORD                  |    | 55,631    |
| 12,200 | Skandia Forsakrings AB ORD                    |    | 209,135   |
|        |   |    | -----     |
|        |   |    | 3,112,409 |
|        |   |    | -----     |

FOOD & BEVERAGE--2.1%

|        |                                    |  |           |
|--------|------------------------------------|--|-----------|
| 1,200  | American Italian Pasta Co. Cl A(1) |  | 33,000    |
| 72,649 | Archer-Daniels-Midland Co.         |  | 1,089,735 |
| 1,100  | Coca-Cola Company (The)            |  | 75,144    |
| 5,200  | Coca-Cola Enterprises, Inc.        |  | 188,500   |
| 4,400  | Diageo plc ORD                     |  | 46,257    |
| 1,500  | Earthgrains Company                |  | 35,156    |
| 400    | Groupe Danone ORD                  |  | 110,051   |
| 2,100  | Heineken NV ORD                    |  | 116,648   |
| 800    | Hormel Foods Corp.                 |  | 31,700    |
| 3,300  | IBP, Inc.                          |  | 70,744    |
| 43,200 | Interstate Bakeries Corp.          |  | 945,000   |
| 700    | Keebler Foods Co.(1)               |  | 23,450    |
| 6,000  | Kirin Brewery Company, Ltd. ORD    |  | 68,584    |
| 70     | Nestle S.A. ORD                    |  | 125,806   |
| 2,200  | PepsiCo, Inc.                      |  | 78,788    |
| 3,300  | Quaker Oats Co. (The)              |  | 218,006   |
| 1,000  | Seagram Co. Ltd. (The)             |  | 51,938    |
| 2,700  | Suiza Foods Corp.(1)               |  | 98,888    |
| 29,500 | Tyson Foods, Inc. Cl A             |  | 678,500   |
|        |                                    |  | -----     |
|        |                                    |  | 4,085,895 |
|        |                                    |  | -----     |

HEALTHCARE--1.4%

|        |  |  |           |
|--------|--|--|-----------|
| 11,600 | Aetna Inc.                                 |  | 1,053,425 |
| 3,400  | Apria Healthcare Group Inc.(1)             |  | 70,125    |
| 9,600  | Beckman Coulter Inc.                       |  | 487,200   |
| 39,000 | Columbia/HCA Healthcare Corp.              |  | 918,938   |
| 4,000  | Eisai Company, Ltd. ORD                    |  | 74,230    |
| 2,200  | Hooper Holmes, Inc.                        |  | 39,875    |
| 1,000  | PacifiCare Health Systems,<br>Inc. Cl B(1) |  | 86,344    |
|        |  |  | -----     |
|        |  |  | 2,730,137 |
|        |  |  | -----     |

INDUSTRIAL--0.1%

|        |                  |  |         |
|--------|------------------|--|---------|
| 25,400 | Invensys plc ORD |  | 115,718 |
|        |                  |  | -----   |

Shares

Value

INDUSTRIAL EQUIPMENT &  
MACHINERY--0.3%

|       |                    |    |         |
|-------|--------------------|----|---------|
| 2,600 | Ingersoll-Rand Co. | \$ | 165,588 |
| 3,370 | Mannesmann AG ORD  |    | 460,078 |
|       |                    |    | -----   |
|       |                    |    | 625,666 |
|       |                    |    | -----   |

INSURANCE--1.6%

|        |   |  |         |
|--------|---|--|---------|
| 183    | Allianz AG ORD                          |  | 49,967  |
| 4,400  | Allstate Corp.                          |  | 160,325 |
| 1,600  | American International Group, Inc.      |  | 182,900 |
| 1,433  | ASR Verzekeringsgroep N.V. ORD          |  | 98,639  |
| 3,000  | Assicurazioni Generali ORD              |  | 106,612 |
| 1,655  | Axa-UAP ORD                             |  | 190,586 |
| 700    | Blanch (E.W.) Holdings, Inc.            |  | 44,800  |
| 11,800 | Chubb Corp. (The)                       |  | 826,738 |
| 17,500 | CNA Financial Corp.(1)                  |  | 760,156 |
| 3,300  | Fidelity National Financial, Inc.       |  | 55,894  |
| 3,800  | First American Financial Corp.<br>(The) |  | 62,462  |
| 2,460  | Fortis AG ORD                           |  | 78,833  |
| 1,500  | Gallagher (Arthur J.) & Co.             |  | 73,031  |

|        |                                     |           |
|--------|-------------------------------------|-----------|
| 1,200  | LandAmerica Financial Group, Inc.   | 34,425    |
| 3,200  | Lincoln National Corp.              | 325,600   |
| 1,400  | Loews Corp.                         | 113,838   |
| 14,400 | Mediolanum SpA ORD                  | 97,995    |
| 900    | Sampo Insurance Co. plc<br>Cl A ORD | 27,200    |
|        |                                     | -----     |
|        |                                     | 3,290,001 |
|        |                                     | -----     |

LEISURE--0.4%

|       |                                    |         |
|-------|------------------------------------|---------|
| 275   | Accor SA ORD                       | 67,406  |
| 700   | Anchor Gaming(1)                   | 31,391  |
| 3,400 | Circus Circus Enterprises, Inc.(1) | 71,825  |
| 5,700 | Eastman Kodak Co.                  | 385,462 |
| 3,000 | Mirage Resorts, Inc.(1)            | 61,500  |
| 2,500 | Park Place Entertainment Corp.(1)  | 26,250  |
| 3,400 | Viacom, Inc. Cl B(1)               | 130,900 |
|       |                                    | -----   |
|       |                                    | 774,734 |
|       |                                    | -----   |

MACHINERY & EQUIPMENT--0.7%

|        |                             |           |
|--------|-----------------------------|-----------|
| 170    | ABB AG ORD(1)               | 240,750   |
| 2,500  | Brooks Automation, Inc.(1)  | 45,781    |
| 1,600  | Case Corp.                  | 75,200    |
| 15,000 | Cooper Industries, Inc.     | 743,438   |
| 1,700  | Lam Research Corp.(1)       | 47,122    |
| 3,800  | Premark International, Inc. | 136,088   |
| 1,500  | PRI Automation, Inc.(1)     | 36,750    |
| 800    | Sidel SA ORD                | 110,885   |
|        |                             | -----     |
|        |                             | 1,436,014 |
|        |                             | -----     |

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Strategic Conservative--Schedule of Investments

(Continued)

MAY 31, 1999 (UNAUDITED)

| Shares                             |   | Value     |
|------------------------------------|---|-----------|
| -----                              |   | -----     |
| MEDICAL EQUIPMENT & SUPPLIES--0.5% |   |           |
| 400                                | Andrx Corp.(1)                          | \$ 40,238 |
| 2,600                              | Boston Scientific Corp.(1)              | 98,638    |
| 600                                | Closure Medical Corp.(1)                | 18,619    |
| 3,800                              | CONMED Corp.(1)                         | 129,081   |
| 3,200                              | Guidant Corp.                           | 160,000   |
| 1,600                              | Hillenbrand Industries, Inc.            | 67,100    |
| 1,700                              | IDEXX Laboratories, Inc.(1)             | 43,244    |
| 1,700                              | KeraVision, Inc.(1)                     | 16,894    |
| 700                                | Novoste Corp.(1)                        | 17,872    |
| 1,400                              | Ocular Sciences, Inc.(1)                | 42,831    |
| 1,250                              | Priority Healthcare Corp. Cl B(1)       | 42,891    |
| 2,600                              | VISX, Inc.(1)                           | 134,956   |
| 1,700                              | Wesley Jessen VisionCare, Inc.(1)       | 52,753    |
| 1,400                              | Xomed Surgical Products, Inc.(1)        | 57,312    |
|                                    |   | -----     |
|                                    |   | 922,429   |
|                                    |   | -----     |
| METALS & MINING--0.1%              |   |           |
| 3,300                              | Alcoa Inc.                              | 181,500   |
| 9,100                              | Broken Hill Proprietary Co.<br>Ltd. ORD | 93,353    |
|                                    |   | -----     |
|                                    |   | 274,853   |
|                                    |   | -----     |
| OFFICE EQUIPMENT & SUPPLIES--0.1%  |   |           |
| 2,500                              | Electronics for Imaging, Inc.(1)        | 122,578   |
|                                    |   | -----     |
| PACKAGING & CONTAINERS--0.2%       |   |           |
| 15,300                             | Tenneco Inc.                            | 356,681   |
|                                    |   | -----     |
| PAPER & FOREST PRODUCTS--0.5%      |   |           |
| 6,400                              | Consolidated Papers, Inc.               | 177,600   |
| 600                                | Georgia-Pacific Corp.                   | 51,862    |
| 3,567                              | International Paper Co.                 | 178,350   |
| 3,900                              | Rayonier, Inc.                          | 181,838   |

|        |                             |         |
|--------|-----------------------------|---------|
| 12,500 | Westvaco Corp.              | 357,031 |
| 500    | Weyerhaeuser Co.            | 31,031  |
| 700    | Willamette Industries, Inc. | 29,662  |

-----  
1,007,374  
-----

PHARMACEUTICALS--1.5%

|       |                              |         |
|-------|------------------------------|---------|
| 2,200 | American Home Products Corp. | 126,775 |
| 2,500 | AstraZeneca Group plc ORD    | 99,324  |
| 5,000 | Bristol-Myers Squibb Co.     | 343,125 |
| 2,400 | ChiRex Inc.(1)               | 72,375  |
| 1,900 | Forest Laboratories, Inc.(1) | 90,488  |
| 2,800 | Genentech, Inc.(1)           | 245,175 |
| 2,700 | Glaxo Wellcome plc ORD       | 75,750  |
| 1,300 | Johnson & Johnson            | 120,412 |
| 1,200 | Lilly (Eli) & Co.            | 85,725  |
| 700   | Merck & Co., Inc.            | 47,250  |
| 89    | Novartis AG ORD              | 129,128 |
| 2,500 | Pfizer, Inc.                 | 267,500 |
| 3,300 | Pharmacia & Upjohn Inc.      | 182,944 |

Shares

Value

-----

|        |                           |            |
|--------|---------------------------|------------|
| 11,800 | Schering-Plough Corp.     | \$ 531,738 |
| 4,000  | Takeda Chemical Inds. ORD | 176,768    |
| 1,800  | UCB SA ORD                | 77,455     |
| 5,300  | Warner-Lambert Co.        | 328,600    |

-----  
3,000,532  
-----

PRINTING & PUBLISHING--0.5%

|        |  |         |
|--------|--|---------|
| 12,500 | Banta Corp.                            | 306,250 |
| 5,900  | Deluxe Corp.                           | 212,769 |
| 8,600  | Mondadori (Arnoldo) Editore<br>SpA ORD | 149,225 |
| 6,000  | Pearson plc ORD                        | 114,336 |
| 37,400 | Seat Pagine Gialle SpA ORD             | 50,864  |
| 3,000  | Toppan Forms Co., Ltd. ORD             | 56,536  |
| 3,100  | VNU N.V. ORD                           | 131,488 |
| 2,620  | Wolters Kluwer NV ORD                  | 105,258 |

-----  
1,126,726  
-----

RAILROAD--0.2%

|       |  |         |
|-------|--|---------|
| 800   | Canadian National Railway<br>Company ORD | 51,179  |
| 8,000 | CSX Corp.                                | 375,500 |

-----  
426,679  
-----

REAL ESTATE--0.1%

|       |                                     |        |
|-------|-------------------------------------|--------|
| 900   | Arden Realty, Inc.                  | 23,006 |
| 500   | Equity Residential Properties Trust | 23,969 |
| 900   | Hospitality Properties Trust(1)     | 24,412 |
| 1,100 | Prologis Trust                      | 22,481 |
| 800   | Simon Property Group, Inc.          | 23,400 |

-----  
117,268  
-----

RESTAURANTS--0.4%

|        |                     |         |
|--------|---------------------|---------|
| 33,100 | CBRL Group, Inc.    | 572,009 |
| 6,000  | Foodmaker, Inc.(1)  | 162,000 |
| 900    | McDonald's Corp.    | 34,650  |
| 2,300  | PJ America, Inc.(1) | 53,978  |

-----  
822,637  
-----

RETAIL (APPAREL)--0.3%

|        |  |         |
|--------|--|---------|
| 3,600  | AnnTaylor Stores Corp.(1)                        | 155,475 |
| 1,400  | Chico's FAS, Inc.(1)                             | 31,675  |
| 1,000  | Children's Place Retail Stores,<br>Inc. (The)(1) | 38,719  |
| 2,150  | DM Management Co.(1)                             | 34,602  |
| 1,300  | Gucci Group N.V. New York Shares                 | 85,962  |
| 10,000 | Hennes & Mauritz AB Cl B ORD                     | 224,301 |

-----  
570,734  
-----

RETAIL (FOOD & DRUG)--0.2%

|       |                          |         |
|-------|--------------------------|---------|
| 1,800 | CVS Corp.                | 82,800  |
| 2,904 | Koninklijke Ahold NV ORD | 101,233 |

|       |                  |         |
|-------|------------------|---------|
| 4,200 | Safeway Inc. (1) | 195,300 |
| 2,100 | Universal Corp.  | 54,862  |
|       |                  | -----   |
|       |                  | 434,195 |
|       |                  | -----   |

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Strategic Conservative--Schedule of Investments

|                                    |  | (Continued) |
|------------------------------------|--|-------------|
| MAY 31, 1999 (UNAUDITED)           |  |             |
| Shares                             |  | Value       |
| -----                              |  |             |
| RETAIL (GENERAL MERCHANDISE)--1.2% |  |             |
| 1,900                              | Ames Department Stores, Inc. (1)               | \$ 77,841   |
| 660                                | Carrefour SA ORD                               | 86,528      |
| 10,800                             | Dillard's Inc. Cl A                            | 379,350     |
| 1,200                              | Douglas Holding AG ORD                         | 51,274      |
| 1,500                              | Fred's, Inc.                                   | 19,594      |
| 500                                | Lands' End, Inc. (1)                           | 21,375      |
| 4,100                              | May Department Stores Co. (The)                | 177,581     |
| 900                                | Neiman-Marcus Group, Inc. (1)                  | 24,806      |
| 5,700                              | Next Plc ORD                                   | 66,221      |
| 9,000                              | Penney (J.C.) Company, Inc.                    | 465,188     |
| 900                                | Pinault-Printemps-Redoute<br>SA ORD            | 153,165     |
| 200                                | Ryohin Keikaku Co. Limited ORD                 | 39,156      |
| 1,600                              | ShopKo Stores, Inc. (1)                        | 56,800      |
| 16,900                             | Wal-Mart Stores, Inc.                          | 720,362     |
|                                    |  | -----       |
|                                    |  | 2,339,241   |
|                                    |  | -----       |
| RETAIL (INTERNET) (2)              |  |             |
| 200                                | eBay Inc. (1)                                  | 35,419      |
|                                    |  | -----       |
| RETAIL (SPECIALTY)--0.6%           |  |             |
| 1,200                              | Best Buy Co., Inc. (1)                         | 54,600      |
| 1,600                              | Circuit City Stores-Circuit<br>City Group      | 114,900     |
| 4,621                              | Dixons Group plc ORD                           | 82,952      |
| 5,400                              | Home Depot, Inc.                               | 307,125     |
| 3,500                              | Starbucks Corp. (1)                            | 129,172     |
| 3,500                              | Sunglass Hut International, Inc. (1)           | 53,156      |
| 8,300                              | Toys 'R' Us, Inc. (1)                          | 191,419     |
| 2,200                              | Tractor Supply Co. (1)                         | 65,312      |
| 2,000                              | Yamada Denki ORD                               | 82,788      |
| 1,500                              | Zale Corp. (1)                                 | 57,844      |
|                                    |  | -----       |
|                                    |  | 1,139,268   |
|                                    |  | -----       |
| RUBBER & PLASTICS (2)              |  |             |
| 1,100                              | Tupperware Corp.                               | 24,475      |
|                                    |  | -----       |
| TELEPHONE COMMUNICATIONS--3.3%     |  |             |
| 300                                | Aliant Communications, Inc.                    | 14,100      |
| 2,700                              | ALLTEL Corp.                                   | 193,556     |
| 2,600                              | Ameritech Corp.                                | 171,112     |
| 5,400                              | AT&T Corp.                                     | 299,700     |
| 6,400                              | Bell Atlantic Corp.                            | 350,400     |
| 25,300                             | BellSouth Corp.                                | 1,193,844   |
| 15,287                             | British Telecommunications<br>plc ORD          | 254,835     |
| 14,600                             | Cable & Wireless Communications<br>plc ORD (1) | 138,642     |
| 21,889                             | Cable & Wireless Optus<br>Limited ORD (1)      | 41,832      |
| 9,824                              | COLT Telecom Group plc ORD (1)                 | 207,343     |
| 3,928                              | Energis plc ORD (1)                            | 94,729      |
| 900                                | Global TeleSystems Group, Inc. (1)             | 68,316      |
| Shares                             |  | Value       |
| -----                              |  |             |
| 15,200                             | GTE Corp.                                      | \$ 958,550  |
| 700                                | Intermedia Communications Inc. (1)             | 17,653      |
| 2                                  | Japan Telecom Co. Ltd. ORD                     | 24,359      |

|                          |                                     |           |
|--------------------------|-------------------------------------|-----------|
| 2,100                    | MCI WorldCom, Inc.(1)               | 181,322   |
| 17                       | Nippon Telegraph & Telephone<br>ORD | 165,082   |
| 23,000                   | SBC Communications Inc.             | 1,175,875 |
| 2,147                    | Sonera Group Oyj ORD                | 41,953    |
| 2,100                    | Sprint Corp.                        | 236,775   |
| 179                      | Swisscom AG ORD(1)                  | 64,458    |
| 800                      | Tele Danmark A/S ORD                | 81,591    |
| 16,300                   | Telecom Italia SpA ORD              | 167,832   |
| 5,834                    | Telefonica S.A. ORD(1)              | 279,554   |
| 1,300                    | Teleglobe Inc. ORD                  | 39,334    |
| 2,300                    | U S WEST, Inc.                      | 124,344   |
|                          |                                     | -----     |
|                          |                                     | 6,587,091 |
|                          |                                     | -----     |
| TEXTILES & APPAREL--0.1% |                                     |           |
| 1,600                    | Dexter Corp. (The)                  | 62,000    |
| 1,700                    | Polymer Group, Inc.(1)              | 20,825    |
| 750                      | Quiksilver, Inc.(1)                 | 21,375    |
| 1,600                    | VF Corp.                            | 73,600    |
|                          |                                     | -----     |
|                          |                                     | 177,800   |
|                          |                                     | -----     |
| TOBACCO--0.5%            |                                     |           |
| 1,300                    | Fortune Brands, Inc.                | 53,138    |
| 8,000                    | Imperial Tobacco Group plc ORD      | 89,932    |
| 2,500                    | Philip Morris Companies Inc.        | 96,406    |
| 22,100                   | UST Inc.                            | 674,050   |
|                          |                                     | -----     |
|                          |                                     | 913,526   |
|                          |                                     | -----     |
| TRANSPORTATION--0.1%     |                                     |           |
| 2,100                    | Atlas Air, Inc.(1)                  | 56,438    |
| 1,100                    | Eagle USA Airfreight, Inc.(1)       | 51,906    |
| 1,800                    | Forward Air Corp.(1)                | 49,106    |
| 1,500                    | Hertz Corp. Cl A                    | 82,406    |
|                          |                                     | -----     |
|                          |                                     | 239,856   |
|                          |                                     | -----     |
| UTILITIES--1.9%          |                                     |           |
| 1,000                    | AES Corp. (The)(1)                  | 49,750    |
| 20,500                   | AGL Resources Inc.                  | 386,938   |
| 14,200                   | Ameren Corp.                        | 581,312   |
| 1,000                    | Calpine Corp.(1)                    | 54,188    |
| 1,700                    | Energy East Corp.                   | 47,175    |
| 13,800                   | Florida Progress Corp.              | 578,738   |
| 17,600                   | FPL Group, Inc.                     | 1,024,100 |
| 1,400                    | KN Energy, Inc.                     | 30,012    |
| 3,000                    | LG&E Energy Corp.                   | 68,438    |
| 3,400                    | Minnesota Power & Light Co.         | 73,100    |
| 1,600                    | Northeast Utilities(1)              | 28,200    |
| 3,400                    | Sempra Energy                       | 73,100    |
| 7,700                    | Sierra Pacific Resources            | 280,088   |
| 4,300                    | Southern Co.                        | 122,012   |

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Strategic Conservative--Schedule of Investments

(Continued)

MAY 31, 1999 (UNAUDITED)

| Shares/Principal Amount       |   | Value      |
|-------------------------------|---|------------|
| -----                         |   | -----      |
| 4,900                         | Texas Utilities Co.                           | \$ 220,500 |
| 3,100                         | Utilicorp United Inc.                         | 77,306     |
|                               |   | -----      |
|                               |   | 3,694,957  |
|                               |   | -----      |
| WIRELESS COMMUNICATIONS--0.8% |   |            |
| 5,600                         | AirTouch Communications, Inc.(1)              | 562,800    |
| 7,000                         | Europolitan Holdings AB ORD                   | 60,608     |
| 700                           | Nextel Communications, Inc.(1)                | 25,791     |
| 3,700                         | Nokia Corp. ADR Cl A                          | 262,700    |
| 3                             | NTT Mobile Communication<br>Network, Inc. ORD | 163,190    |
| 4,700                         | Orange plc ORD(1)                             | 65,028     |

|        |                                |         |
|--------|--------------------------------|---------|
| 3,700  | Pinnacle Holdings Inc.(1)      | 66,947  |
| 700    | Sprint PCS(1)                  | 31,500  |
| 13,100 | Vodafone Group plc ORD         | 249,425 |
| 1,300  | VoiceStream Wireless Corp.(1)  | 35,100  |
| 1,300  | Western Wireless Corp. Cl A(1) | 31,809  |

-----  
1,554,898

TOTAL COMMON STOCKS

-----  
85,504,299

(Cost \$71,005,861)

U.S. TREASURY SECURITIES--10.4%

|             |  |           |
|-------------|--|-----------|
| \$6,600,000 | U.S. Treasury Notes, 5.50%,<br>3/31/00   | 6,624,959 |
| 6,100,000   | U.S. Treasury Notes, 6.625%,<br>7/31/01  | 6,245,218 |
| 575,000     | U.S. Treasury Notes, 5.75%,<br>8/15/03   | 576,218   |
| 1,000,000   | U.S. Treasury Notes, 4.75%,<br>2/15/04   | 965,172   |
| 1,000,000   | U.S. Treasury Notes, 7.875%,<br>11/15/04 | 1,097,748 |
| 950,000     | U.S. Treasury Notes, 6.625%,<br>5/15/07  | 998,721   |
| 1,000,000   | U.S. Treasury Notes, 5.50%,<br>5/15/09   | 990,914   |
| 1,050,000   | U.S. Treasury Bonds, 8.75%,<br>5/15/17   | 1,346,930 |
| 1,350,000   | U.S. Treasury Bonds, 7.875%,<br>2/15/21  | 1,630,481 |
| 100,000     | U.S. Treasury Bonds, 6.125%,<br>11/15/27 | 101,145   |

-----  
20,577,506

TOTAL U.S. TREASURY SECURITIES

(Cost \$20,762,267)

U.S. GOVERNMENT AGENCY SECURITIES--4.8%

|           |                       |           |
|-----------|-----------------------|-----------|
| 2,200,000 | FHLB, 5.05%, 3/1/00   | 2,195,666 |
| 1,350,000 | FHLMC, 7.93%, 1/20/05 | 1,463,515 |
| 500,000   | FNMA, 5.25%, 1/15/03  | 488,075   |
| 1,500,000 | FNMA, 7.69%, 9/13/06  | 1,556,700 |

Principal Amount

Value

|             |   |              |
|-------------|---|--------------|
| \$2,500,000 | FNMA MTN, 6.23%, 7/21/08  | \$ 2,428,690 |
| 1,500,000   | SLMA MTN, VRN, 5.22%,<br>6/1/99, resets weekly off the<br>3-month T-Bill plus 0.60% with<br>no caps | 1,501,755    |

TOTAL U.S. GOVERNMENT  
AGENCY SECURITIES

-----  
9,634,401

(Cost \$9,640,303)

SOVEREIGN GOVERNMENTS & AGENCIES--4.2%

|      |             |   |           |
|------|-------------|---|-----------|
| AUD  | 625,000     | Australian Government,<br>9.50%, 8/15/03          | 466,098   |
| USD  | 350,000     | Province of British Columbia,<br>5.375%, 10/29/08 | 323,519   |
| EURO | 882,339     | Deutschland Republic, 4.75%,<br>7/4/98            | 873,093   |
| EURO | 2,986,134   | Deutschland Republic,<br>6.00%, 9/15/03           | 3,445,295 |
| CAD  | 280,000     | Government of Canada,<br>5.00%, 3/15/00           | 189,974   |
| CAD  | 500,000     | Government of Canada,<br>6.00%, 6/1/08            | 352,590   |
| JPY  | 140,000,000 | Japan Global, 3.30%,<br>6/20/06                   | 1,320,331 |
| DKK  | 1,900,000   | Kingdom of Denmark,<br>8.00%, 3/15/06             | 324,608   |
| GBP  | 100,000     | U.K. Treasury Bonds, 7.50%,<br>12/7/06            | 184,395   |
| GBP  | 400,000     | U.K. Treasury Bonds, 9.00%,<br>8/6/12             | 885,226   |

TOTAL SOVEREIGN GOVERNMENTS  
& AGENCIES

-----  
8,365,129

(Cost \$9,009,739)

MORTGAGE-BACKED SECURITIES (3) --9.6%

|         |                                       |         |
|---------|---------------------------------------|---------|
| 460,671 | FHLMC Pool #E68523, 6.50%,<br>12/1/12 | 460,672 |
| 37,620  | FNMA Pool #343829, 6.50%,<br>4/1/11   | 37,547  |
| 584,855 | FNMA Pool #341477, 6.50%,<br>5/1/11   | 583,722 |
| 196,440 | FNMA Pool #346400, 6.50%,<br>5/1/11   | 196,060 |
| 343,402 | FNMA Pool #346779, 6.50%,<br>5/1/11   | 342,737 |
| 170,034 | FNMA Pool #369034, 6.50%,<br>2/1/12   | 169,682 |
| 302,563 | FNMA Pool #377181, 6.50%,<br>4/1/12   | 301,937 |
| 610,245 | FNMA Pool #378039, 6.50%,<br>5/1/12   | 608,983 |
| 66,944  | FNMA Pool #250576, 7.00%,<br>6/1/26   | 67,173  |

See Notes to Financial Statements

Strategic Conservative--Schedule of Investments

(Continued)

MAY 31, 1999 (UNAUDITED)

| Principal Amount |                                       | Value      |
|------------------|---------------------------------------|------------|
| \$ 507,351       | FNMA Pool #373510, 7.50%,<br>3/1/27   | \$ 519,000 |
| 2,265,330        | FNMA Pool #412562, 6.50%,<br>1/1/28   | 2,218,852  |
| 283,715          | GNMA Pool #351417, 7.00%,<br>1/15/24  | 285,131    |
| 96,849           | GNMA Pool #361446, 8.00%,<br>7/15/24  | 100,785    |
| 121,621          | GNMA Pool #377238, 8.50%,<br>7/20/24  | 127,911    |
| 176,423          | GNMA Pool #355903, 8.00%,<br>9/15/24  | 183,593    |
| 459,681          | GNMA Pool #404303, 8.25%,<br>10/15/24 | 484,483    |
| 30,478           | GNMA Pool #392995, 8.75%,<br>3/15/25  | 32,413     |
| 116,899          | GNMA Pool #001991, 9.00%,<br>4/20/25  | 123,787    |
| 412,229          | GNMA Pool #009297, 8.25%,<br>7/20/25  | 430,816    |
| 428,267          | GNMA Pool #412177, 7.00%,<br>9/15/25  | 430,155    |
| 380,814          | GNMA Pool #416856, 7.50%,<br>10/15/25 | 390,250    |
| 211,079          | GNMA Pool #425081, 7.50%,<br>2/15/26  | 216,277    |
| 22,008           | GNMA Pool #417549, 6.00%,<br>4/15/26  | 20,969     |
| 139,466          | GNMA Pool #372335, 7.50%,<br>4/15/26  | 142,901    |
| 177,191          | GNMA Pool #422006, 7.50%,<br>5/15/26  | 181,555    |
| 141,486          | GNMA Pool #402680, 8.00%,<br>5/15/26  | 147,177    |
| 213,939          | GNMA Pool #417068, 8.00%,<br>5/15/26  | 222,543    |
| 42,976           | GNMA Pool #402682, 7.50%,<br>6/15/26  | 44,034     |
| 705,438          | GNMA Pool #431942, 8.25%,<br>7/15/26  | 743,611    |
| 129,712          | GNMA Pool #002273, 9.00%,<br>8/20/26  | 137,351    |
| 756,965          | GNMA Pool #456569, 7.50%,<br>11/15/27 | 775,490    |
| 1,272,933        | GNMA Pool #457351, 7.00%,             |            |

|         |                                      |  |           |
|---------|--------------------------------------|--|-----------|
|         | 12/15/27                             |  | 1,277,091 |
| 543,237 | GNMA Pool #404525, 6.50%,<br>2/15/28 |  | 530,802   |
| 514,998 | GNMA Pool #436196, 6.50%,<br>2/15/28 |  | 503,209   |
| 54,059  | GNMA Pool #463081, 6.50%,<br>2/15/28 |  | 52,821    |
| 399,482 | GNMA Pool #256771, 6.50%,<br>3/15/28 |  | 390,338   |

Principal Amount

Value

|            |                                       |    |           |
|------------|---------------------------------------|----|-----------|
| \$ 395,482 | GNMA Pool #461658, 6.50%,<br>3/15/28  | \$ | 386,429   |
| 376,067    | GNMA Pool #462615, 6.50%,<br>3/15/28  |    | 367,458   |
| 3,438,257  | GNMA Pool #466804, 6.50%,<br>4/15/28  |    | 3,359,552 |
| 51,014     | GNMA Pool #474216, 6.50%,<br>4/15/28  |    | 49,846    |
| 505,585    | GNMA Pool #433786, 6.00%,<br>5/15/28  |    | 480,058   |
| 421,909    | GNMA Pool #481773, 6.00%,<br>7/15/28  |    | 400,608   |
| 484,371    | GNMA Pool #473140, 6.00%,<br>10/15/28 |    | 459,915   |

TOTAL MORTGAGE-BACKED SECURITIES

18,985,724

(Cost \$19,003,844)

ASSET-BACKED SECURITIES (3)--3.3%

|           |   |  |           |
|-----------|---|--|-----------|
| 600,000   | AMRESKO, INC., Series 1998-2,<br>Class A4 SEQ, 6.45%, 4/25/27   |  | 593,889   |
| 400,000   | Comed Transitional Funding Trust,<br>Series 1998-1, Class A6 SEQ,<br>5.63%, 6/25/09   |  | 380,262   |
| 1,200,000 | GMAC Commercial Mortgage<br>Securities Inc., Series 1999 C1,<br>Class A2 SEQ, 6.18%, 5/15/33                                      |  | 1,153,806 |
| 571,880   | Money Store (The) Home Equity<br>Trust, Series 1995 C, Class A9<br>SEQ, 6.375%, 9/15/11   |  | 573,724   |
| 500,000   | Money Store (The) Home Equity<br>Trust, Series 1997 C, Class AF6<br>SEQ, 6.67%, 2/15/25   |  | 503,502   |
| 946,482   | Morgan Stanley Capital I,<br>Series 1998 WF1, Class A1<br>SEQ, 6.25%, 7/15/07   |  | 935,753   |
| 678,325   | Nationslink Funding Corp.,<br>Series 1998-2, Class A1 SEQ,<br>6.00%, 11/20/07   |  | 663,236   |
| 1,000,000 | Nationslink Funding Corp.,<br>Series 1999-1, Class A2 SEQ,<br>6.32%, 11/20/08   |  | 971,515   |
| 216,454   | Textron Financial Corp. Receivables<br>Trust, Series 1997 A, Class A,<br>6.05%, 3/16/09 (Acquired<br>9/18/97, Cost \$216,167) (4) |  | 216,901   |
| 600,000   | United Companies Financial Corp.,<br>Home Equity Loan, Series<br>1997 C, Class A7, 6.85%,<br>1/15/29                              |  | 603,291   |

TOTAL ASSET-BACKED SECURITIES

6,595,879

(Cost \$6,749,617)

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Strategic Conservative--Schedule of Investments

(Continued)

MAY 31, 1999 (UNAUDITED)

Principal Amount

Value



|                                       |   |            |
|---------------------------------------|---|------------|
| CORPORATE BONDS--17.0%                |   |            |
| AEROSPACE & DEFENSE--0.1%             |   |            |
| \$ 200,000                            | Lockheed Martin Corp., 6.85%,<br>5/15/01  | \$ 202,417 |
| -----                                 |   |            |
| AUTOMOBILES & AUTO PARTS--0.4%        |   |            |
| 1,000,000                             | Ford Motor Co., 6.375%, 2/1/29  | 898,234    |
| -----                                 |   |            |
| BANKING--3.5%                         |   |            |
| 1,500,000                             | American Express Centurion Bank,<br>VRN, 4.85%, 6/18/99, resets<br>monthly off the 1-month LIBOR<br>minus 0.055% with no caps | 1,499,985  |
| 550,000                               | Citigroup Inc., 7.125%, 5/15/06   | 556,712    |
| 500,000                               | First Bank System Inc., 7.625%,<br>5/1/05   | 523,217    |
| 350,000                               | Fleet National Bank, 5.75%,<br>1/15/09  | 325,035    |
| 2,000,000                             | KeyBank N.A., VRN, 4.84%,<br>6/1/99, resets daily off the Fed<br>Funds rate plus 0.03% with<br>no caps                        | 2,000,000  |
| 1,000,000                             | NationsBank, N.A., VRN, 5.09%,<br>6/1/99, resets daily off the Fed<br>Funds rate plus 0.22% with<br>no caps                   | 1,000,180  |
| 1,000,000                             | NationsBank, N.A., 6.125%,<br>7/15/04   | 991,072    |
| -----                                 |   |            |
| 6,896,201                             |   |            |
| -----                                 |   |            |
| BROADCASTING & MEDIA--0.3%            |   |            |
| 600,000                               | British Sky Broadcasting, 6.875%,<br>2/23/09  | 573,948    |
| -----                                 |   |            |
| CHEMICALS & RESINS--0.3%              |   |            |
| 700,000                               | Monsanto Co., 6.60%, 12/1/28<br>(Acquired 12/4/98, Cost<br>\$697,480) (4)   | 644,126    |
| -----                                 |   |            |
| DIVERSIFIED COMPANIES--0.6%           |   |            |
| 1,300,000                             | Hutchison Whampoa Financial,<br>7.50%, 8/1/27 (Acquired<br>4/27/99-5/26/99, Cost<br>\$1,135,082) (4)                          | 1,133,122  |
| -----                                 |   |            |
| ENERGY (PRODUCTION & MARKETING)--0.9% |   |            |
| 500,000                               | Enron Corp., 6.75%, 7/1/05  | 493,133    |
| 600,000                               | Enron Corp., 6.625%, 11/15/05   | 588,450    |
| 800,000                               | USX Corp., 6.65%, 2/1/06  | 776,116    |
| -----                                 |   |            |
| 1,857,699                             |   |            |
| -----                                 |   |            |
| ENERGY (SERVICES)--0.3%               |   |            |
| 650,000                               | Petroleum Geo-Services ASA,<br>7.125%, 3/30/28  | 608,990    |
| -----                                 |   |            |
| Principal Amount                      |   |            |
| Value                                 |   |            |
| -----                                 |   |            |
| FINANCIAL SERVICES--3.7%              |   |            |
| \$1,000,000                           | Associates Corp., N.A., 6.25%,<br>11/1/08   | \$ 969,560 |
| 600,000                               | Comdisco Inc., 7.75%, 9/1/99  | 602,906    |
| 900,000                               | Ford Motor Credit Co., 6.55%,<br>9/10/02  | 906,442    |
| 2,000,000                             | GMAC, 8.00%, 10/1/99  | 2,018,575  |
| 350,000                               | Lehman Brothers Holdings Inc.,<br>6.625%, 4/1/04  | 344,936    |
| 500,000                               | Toyota Motor Credit Corp., 5.625%,<br>11/13/03  | 486,130    |
| 2,000,000                             | USL Capital Corp. MTN, Series D,<br>6.18%, 11/8/99  | 2,006,708  |
| -----                                 |   |            |
| 7,335,257                             |   |            |
| -----                                 |   |            |
| FOOD & BEVERAGE--0.8%                 |   |            |
| 800,000                               | Pepsi Bottling Group Inc., 5.625%,<br>2/17/09 (Acquired 2/3/99,<br>Cost \$796,536) (4)  | 746,310    |
| 800,000                               | Pepsi Bottling Group Inc., 7.00%,<br>3/1/29 (Acquired 3/3/99,   |            |

|                                   |   |           |
|-----------------------------------|---|-----------|
|                                   | Cost \$794,560) (4)   | 775,606   |
|                                   |   | -----     |
|                                   |   | 1,521,916 |
|                                   |   | -----     |
| INSURANCE--0.4%                   |   |           |
| 800,000                           | Conseco Inc., 6.40%, 6/15/01  | 785,122   |
|                                   |   | -----     |
| METALS & MINING--0.2%             |   |           |
| 100,000                           | Alcan Aluminium Ltd., 5.875%,<br>4/1/00   | 100,258   |
| 300,000                           | Barrick Gold Corp., 7.50%,<br>5/1/07  | 309,517   |
|                                   |   | -----     |
|                                   |   | 409,775   |
|                                   |   | -----     |
| OFFICE EQUIPMENT & SUPPLIES--0.3% |   |           |
| 550,000                           | Xerox Capital Trust, 8.00%,<br>2/1/27 (Acquired 7/17/97,<br>Cost \$572,132) (4) | 563,578   |
|                                   |   | -----     |
| PAPER & FOREST PRODUCTS--0.4%     |   |           |
| 850,000                           | Fort James Corp., 6.625%,<br>9/15/04  | 853,449   |
|                                   |   | -----     |
| PRINTING & PUBLISHING--0.3%       |   |           |
| 500,000                           | News America Holdings Inc.,<br>9.125%, 10/15/99                                 | 505,640   |
|                                   |   | -----     |
| RAILROAD--0.1%                    |   |           |
| 200,000                           | Norfolk Southern Corp., 7.90%,<br>5/15/97                                       | 211,774   |
|                                   |   | -----     |
| RETAIL (FOOD & DRUG)--0.7%        |   |           |
| 800,000                           | Rite Aid Corp., 6.70%, 12/15/01   | 802,180   |
| 750,000                           | Rite Aid Corp., 6.125%, 12/15/08<br>(Acquired 1/6/99, Cost<br>\$754,740) (4)    | 690,681   |
|                                   |   | -----     |
|                                   |   | 1,492,861 |
|                                   |   | -----     |

See Notes to Financial Statements

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Strategic Conservative--Schedule of Investments

|                                |  |              |
|--------------------------------|--|--------------|
|                                |  | (Continued)  |
|                                |  | -----        |
| MAY 31, 1999 (UNAUDITED)       |  |              |
| Principal Amount               |  | Value        |
|                                |  | -----        |
| TELEPHONE COMMUNICATIONS--2.3% |  |              |
| \$1,500,000                    | Cable & Wireless Communications<br>plc, 6.625%, 3/6/05 | \$ 1,476,278 |
| 400,000                        | Cincinnati Bell Inc., 6.30%,<br>12/1/28                | 363,874      |
| 800,000                        | GTE North Inc., Series H, 5.65%,<br>11/15/08           | 747,157      |
| 600,000                        | MCI WorldCom, Inc., 7.55%,<br>4/1/04                   | 621,907      |
| 500,000                        | MCI WorldCom, Inc., 6.40%,<br>8/15/05                  | 490,694      |
| 300,000                        | Sprint Capital Corp., 6.875%,<br>11/15/28              | 282,225      |
| 500,000                        | U S West Capital Funding Inc.,<br>6.125%, 7/15/02      | 496,960      |
|                                |  | -----        |
|                                |  | 4,479,095    |
|                                |  | -----        |
| UTILITIES--0.9%                |  |              |
| 300,000                        | Citizens Utilities Co., 7.60%,<br>6/1/06               | 311,664      |
| 700,000                        | Georgia Power Co., 5.50%,<br>12/1/05                   | 662,679      |
| 600,000                        | Southern Investments UK, 6.80%,<br>12/1/06             | 594,119      |
| 250,000                        | Virginia Electric & Power, 8.00%,<br>3/1/04            | 265,898      |
|                                |  | -----        |

|                                       |             |  |  |               |
|---------------------------------------|-------------|--|--|---------------|
|                                       |             |  |  | 1,834,360     |
| -----                                 |             |  |  |               |
| WIRELESS COMMUNICATIONS--0.5%         |             |  |  |               |
|                                       | 800,000     | TCI Communications, Inc., 8.75%,<br>8/1/15   |  | 944,437       |
| -----                                 |             |  |  |               |
| TOTAL CORPORATE BONDS                 |             |  |  | 33,752,001    |
| -----                                 |             |  |  |               |
| (Cost \$34,409,954)                   |             |  |  |               |
| COMMERCIAL PAPER(5)--5.8%             |             |  |  |               |
| BANKING--1.2%                         | 2,315,000   | Banque National de Paris, 4.82%,<br>6/15/99  |  | 2,309,377     |
| -----                                 |             |  |  |               |
| ENERGY (PRODUCTION & MARKETING)--0.7% |             |  |  |               |
|                                       | 1,500,000   | Motiva Enterprises LLC, 4.90%,<br>8/26/99 (Acquired 5/28/99,<br>Cost \$1,481,625) (4)  |  | 1,481,484     |
| -----                                 |             |  |  |               |
| FINANCIAL SERVICES--2.1%              |             |  |  |               |
|                                       | 1,500,000   | Quincy Capital Corp., 4.82%,<br>7/6/99 (Acquired 5/7/99,<br>Cost \$1,487,950) (4)  |  | 1,492,096     |
|                                       | 1,210,000   | Receivables Capital Corp., 4.81%,<br>6/16/99 (Acquired 5/7/99,<br>Cost \$1,203,533) (4)  |  | 1,206,898     |
|                                       | 1,500,000   | Windmill Funding Corp., 4.82%,<br>7/14/99 (Acquired 5/13/99,<br>Cost \$1,487,548) (4)  |  | 1,490,450     |
| -----                                 |             |  |  |               |
|                                       |             |  |  | 4,189,444     |
| -----                                 |             |  |  |               |
| Principal Amount                      |             |  |  | Value         |
| -----                                 |             |  |  |               |
| FOOD & BEVERAGE--0.5%                 |             |  |  |               |
|                                       | \$1,000,000 | Hershey Foods Corp., 4.85%,<br>9/3/99 (Acquired 5/28/99,<br>Cost \$986,797) (4)  |  | \$ 986,542    |
| -----                                 |             |  |  |               |
| INDUSTRIAL--0.5%                      |             |  |  |               |
|                                       | 1,000,000   | Siebe plc, 4.82%, 8/11/99<br>(Acquired 5/13/99, Cost<br>\$987,950) (4)   |  | 989,754       |
| -----                                 |             |  |  |               |
| INSURANCE--0.8%                       |             |  |  |               |
|                                       | 1,500,000   | Transamerica Occidental Life<br>Insurance Co., 4.82%, 7/19/99<br>(Acquired 5/13/99, Cost<br>\$1,486,544) (4)   |  | 1,489,416     |
| -----                                 |             |  |  |               |
| TOTAL COMMERCIAL PAPER                |             |  |  | 11,446,017    |
| -----                                 |             |  |  |               |
| (Cost \$11,453,202)                   |             |  |  |               |
| TEMPORARY CASH INVESTMENTS--1.9%      |             |  |  |               |
|                                       |             | Repurchase Agreement, Merrill Lynch & Co., Inc.,<br>(U.S. Treasury obligations), in a joint trading<br>account at 4.75%, dated 5/28/99, due<br>6/1/99 (Delivery value \$3,802,006) |  | 3,800,000     |
| -----                                 |             |  |  |               |
| (Cost \$3,800,000)                    |             |  |  |               |
| TOTAL INVESTMENT SECURITIES--100.0%   |             |  |  | \$198,660,956 |
| =====                                 |             |  |  |               |
| (Cost \$185,834,787)                  |             |  |  |               |

FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS

| Contracts<br>to Sell |      | Settlement<br>Date | Value       | Unrealized<br>Gain/(Loss) |
|----------------------|------|--------------------|-------------|---------------------------|
| 86,435               | CHF  | 6/30/99            | \$ 56,765   | \$ 340                    |
| 2,002,477            | EURO | 6/30/99            | 2,090,712   | 14,287                    |
| 282,924              | GBP  | 6/30/99            | 452,919     | (955)                     |
| 78,782,200           | JPY  | 6/30/99            | 650,770     | (618)                     |
| 230,125              | SEK  | 6/30/99            | 26,783      | 144                       |
|                      |      |                    | -----       | -----                     |
|                      |      |                    | \$3,277,949 | \$13,198                  |
|                      |      |                    | =====       | =====                     |

(Value on Settlement Date \$3,291,147)

Forward foreign currency exchange contracts are used by the portfolio management team in an effort to protect foreign investments against declines in foreign currencies. This is also known as hedging. The contracts are called "forward" because they allow your fund to exchange a foreign currency for U.S. dollars at a date in the future--and at a price (known as the exchange rate) agreed upon when the contract is initially entered into.

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Strategic Conservative--Schedule of Investments

(Continued)

MAY 31, 1999 (UNAUDITED)

NOTES TO SCHEDULE OF INVESTMENTS

ADR = American Depositary Receipt

AUD = Australian Dollar

CAD = Canadian Dollar

CHF = Swiss Franc

DKK = Danish Krone

FHLB = Federal Home Loan Bank

FHLMC = Federal Home Loan Mortgage Corporation

FNMA = Federal National Mortgage Association

GBP = British Pound

GNMA = Government National Mortgage Association

JPY = Japanese Yen

LIBOR = London Interbank Offered Rate

MTN = Medium Term Note

ORD = Foreign Ordinary Share

SEK = Swedish Krona

SLMA = Student Loan Marketing Association

VRN = Variable Rate Note. Interest reset date is indicated and used in calculating the weighted average portfolio maturity. Rate shown is effective May 31, 1999.

resets = The frequency with which a security's coupon changes, based on current market conditions or an underlying index. The more frequently a security resets, the less risk the investor is taking that the coupon will vary significantly from current market rates.

- (1) Non-income producing.
- (2) Industry is less than 0.05% of total investment securities.
- (3) Final maturity indicated. Expected remaining maturity used for purposes of calculating the weighted average portfolio maturity.
- (4) Security was purchased under Rule 144A or Section 4(2) of the Securities Act of 1933 or is a private placement and, unless registered under the Act or exempted from registration, may only be sold to qualified institutional investors. The aggregate value of restricted securities at May 31, 1999, was \$13,906,964, which represented 7.0% of net assets.
- (5) The rates for commercial paper are the yield to maturity at purchase.

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UNDERSTANDING THE SCHEDULE OF INVESTMENTS--This schedule tells you which investments your fund owned on the last day of the reporting period.

The schedule includes:

- \* a list of each investment
- \* the share amount (stocks) or principal amount (bonds) of each investment
- \* the market value of each investment
- \* the percentage of investments in each industry, as applicable
- \* the percent and dollar breakdown of each investment category

See Notes to Financial Statements

Strategic Moderate--Performance

TOTAL RETURNS AS OF MAY 31, 1999

<TABLE>

|                        | INVESTOR CLASS (INCEPTION 2/15/96) |         |                                   |                                      | ADVISOR CLASS (INCEPTION 10/2/96) |         |                                   |                                      |
|------------------------|------------------------------------|---------|-----------------------------------|--------------------------------------|-----------------------------------|---------|-----------------------------------|--------------------------------------|
|                        | STRATEGIC<br>MODERATE              | S&P 500 | LEHMAN<br>AGGREGATE<br>BOND INDEX | THREE-MONTH<br>U.S.<br>TREASURY BILL | STRATEGIC<br>MODERATE             | S&P 500 | LEHMAN<br>AGGREGATE<br>BOND INDEX | THREE-MONTH<br>U.S.<br>TREASURY BILL |
| <S>                    | <C>                                | <C>     | <C>                               | <C>                                  | <C>                               | <C>     | <C>                               | <C>                                  |
| 6 MONTHS(1)            | 6.14%                              | 12.59%  | -0.76%                            | 2.22%                                | 5.81%                             | 12.59%  | -0.76%                            | 2.22%                                |
| 1 YEAR                 | 5.76%                              | 21.04%  | 4.35%                             | 4.62%                                | 5.46%                             | 21.04%  | 4.35%                             | 4.62%                                |
| =====                  |                                    |         |                                   |                                      |                                   |         |                                   |                                      |
| AVERAGE ANNUAL RETURNS |                                    |         |                                   |                                      |                                   |         |                                   |                                      |
| 3 YEARS                | 12.19%                             | 27.07%  | 7.83%                             | 4.98%                                | --                                | --      | --                                | --                                   |
| LIFE OF FUND           | 12.10%                             | 25.66%  | 6.72%(2)                          | 4.99%(2)                             | 12.23%                            | 28.70%  | 7.56%(3)                          | 4.95%(3)                             |

</TABLE>

(1) Returns for periods less than one year are not annualized.

(2) Since 2/29/96, the date nearest the class's inception for which data are available.

(3) Since 9/30/96, the date nearest the class's inception for which data are available.

See pages 69-71 for more information about share classes, returns, and the comparative indices.

[mountain graph - data below]

GROWTH OF \$10,000 OVER LIFE OF FUND

Value on 5/31/99

|                    |          |
|--------------------|----------|
| S&P 500            | \$21,512 |
| Strategic Moderate | \$14,662 |
| Lehman Aggregate   | \$12,352 |
| Three-Month T-Bill | \$11,713 |

|          | S&P 500<br>Index | Strategic<br>Moderate | Lehman<br>Aggregate | Three-Month<br>T-Bill |
|----------|------------------|-----------------------|---------------------|-----------------------|
| 2/29/96  | \$10,000         | \$10,000              | \$10,000            | \$10,000              |
| 3/31/96  | \$10,096         | \$10,071              | \$9,930             | \$10,041              |
| 4/30/96  | \$10,244         | \$10,314              | \$9,874             | \$10,082              |
| 5/31/96  | \$10,508         | \$10,394              | \$9,855             | \$10,125              |
| 6/30/96  | \$10,548         | \$10,411              | \$9,987             | \$10,167              |
| 7/31/96  | \$10,081         | \$10,085              | \$10,014            | \$10,211              |
| 8/31/96  | \$10,294         | \$10,309              | \$9,997             | \$10,254              |
| 9/30/96  | \$10,873         | \$10,650              | \$10,171            | \$10,297              |
| 10/31/96 | \$11,173         | \$10,773              | \$10,396            | \$10,339              |
| 11/30/96 | \$12,016         | \$11,080              | \$10,574            | \$10,382              |
| 12/31/96 | \$11,778         | \$11,019              | \$10,476            | \$10,425              |
| 1/31/97  | \$12,513         | \$11,204              | \$10,508            | \$10,469              |
| 2/28/97  | \$12,612         | \$11,121              | \$10,535            | \$10,513              |
| 3/31/97  | \$12,095         | \$10,824              | \$10,418            | \$10,558              |
| 4/30/97  | \$12,816         | \$10,989              | \$10,574            | \$10,603              |
| 5/31/97  | \$13,599         | \$11,529              | \$10,674            | \$10,648              |
| 6/30/97  | \$14,204         | \$11,851              | \$10,801            | \$10,691              |
| 7/31/97  | \$15,333         | \$12,414              | \$11,093            | \$10,736              |
| 8/31/97  | \$14,475         | \$12,143              | \$10,999            | \$10,783              |
| 9/30/97  | \$15,267         | \$12,711              | \$11,160            | \$10,827              |
| 10/31/97 | \$14,757         | \$12,397              | \$11,322            | \$10,871              |
| 11/30/97 | \$15,440         | \$12,523              | \$11,374            | \$10,919              |
| 12/31/97 | \$15,705         | \$12,699              | \$11,489            | \$10,966              |
| 1/31/98  | \$15,878         | \$12,742              | \$11,636            | \$11,012              |

|          |          |          |          |          |
|----------|----------|----------|----------|----------|
| 2/28/98  | \$17,023 | \$13,353 | \$11,627 | \$11,058 |
| 3/31/98  | \$17,895 | \$13,819 | \$11,666 | \$11,105 |
| 4/30/98  | \$18,077 | \$13,928 | \$11,727 | \$11,150 |
| 5/31/98  | \$17,766 | \$13,862 | \$11,839 | \$11,197 |
| 6/30/98  | \$18,487 | \$14,084 | \$11,939 | \$11,243 |
| 7/31/98  | \$18,291 | \$13,974 | \$11,964 | \$11,289 |
| 8/31/98  | \$15,648 | \$12,717 | \$12,159 | \$11,335 |
| 9/30/98  | \$16,651 | \$13,015 | \$12,444 | \$11,378 |
| 10/31/98 | \$18,004 | \$13,393 | \$12,378 | \$11,416 |
| 11/30/98 | \$19,095 | \$13,815 | \$12,448 | \$11,458 |
| 12/31/98 | \$20,194 | \$14,318 | \$12,486 | \$11,501 |
| 1/31/99  | \$21,039 | \$14,457 | \$12,574 | \$11,542 |
| 2/28/99  | \$20,384 | \$13,972 | \$12,354 | \$11,585 |
| 3/31/99  | \$21,200 | \$14,315 | \$12,422 | \$11,628 |
| 4/30/99  | \$22,020 | \$14,826 | \$12,462 | \$11,669 |
| 5/31/99  | \$21,512 | \$14,662 | \$12,352 | \$11,713 |

10,000 investment made 2/29/96

The graph at left shows the growth of a \$10,000 investment over the life of the fund, while the graph below shows the fund's year-by-year performance. The S&P 500, Lehman Aggregate Bond, and Three-Month U.S. Treasury Bill (T-Bill) indices are provided for comparison in each graph. Strategic Moderate's total returns include operating expenses (such as transaction costs and management fees) that reduce returns, while the total returns of the indices do not. The graphs are based on Investor Class shares only; performance for other classes will vary due to differences in fee structures (see the Total Returns table above). Past performance does not guarantee future results. Investment return and principal value will fluctuate, and redemption value may be more or less than original cost.

[bar graph - data below]

ONE-YEAR RETURNS OVER LIFE OF FUND (PERIODS ENDING MAY 31)

| DATE  | Strategic | S&P 500 | Lehman    | Three-Month |
|-------|-----------|---------|-----------|-------------|
|       | Moderate  |         | Aggregate | T-Bill      |
|       | RETURN    | RETURN  | RETURN    | RETURN      |
| 5/96* | 3.94%     | 5.04%   | -1.45%    | 1.25%       |
| 5/97  | 10.92%    | 29.48%  | 8.32%     | 5.17%       |
| 5/98  | 20.24%    | 30.68%  | 10.91%    | 5.16%       |
| 5/99  | 5.76%     | 21.04%  | 4.35%     | 4.62%       |

\* From 2/29/96 (the date nearest the class's inception for which index data are available) to 5/31/96.

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Strategic Moderate--Q&A

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 An interview with Jeff Tyler and Brian Howell, portfolio managers on the Strategic Asset Allocation funds management team.

HOW DID STRATEGIC MODERATE PERFORM DURING THE SIX MONTHS ENDED MAY 31, 1999?

Strategic Moderate returned 6.14% for the six-month period (see the previous page for additional performance information).\* That return reflects Strategic Moderate's diversified investment approach. The portfolio's stock holdings helped the fund produce positive returns despite relatively poor performance by bonds (see pages 3 and 4 for a detailed discussion of world stock and bond markets for the last six months).

HOW IS STRATEGIC MODERATE MANAGED?

We manage Strategic Moderate to give shareholders long-term capital growth while trying to limit share price volatility and moderate losses in a down market. To do that, we generally allocate 60% of the fund's investments to stocks, 30% to bonds, and 10% to money market securities.

These weightings represent the portfolio's neutral position. We make modest adjustments around these percentages to try and enhance performance.

HOW DID YOU POSITION THE FUND RELATIVE TO ITS NEUTRAL ASSET MIX OVER THE LAST SIX MONTHS?

We ran the portfolio close to neutral, with only a very modest overweight in stocks. Within equities, we added more mid-sized and value shares in the last six months, putting less emphasis on bigger, higher-priced growth stocks.

CAN YOU ELABORATE ON YOUR DECISION TO OVERWEIGHT VALUE STOCKS?

Sure, but first let's take a step back. The last few years, investors focused on a handful of very large, fast-growing companies--typically traditional technology stocks, but also including some Internet shares. In effect, these stocks became highly leveraged plays on the U.S. economy--the better the economy, the faster the earnings for these companies were expected to grow, and the higher their stock price.

But rising interest rates over the last several months threatened those lofty growth assumptions, calling into question the extremely high valuations awarded many large-company growth stocks. As a result, we felt value shares had a better risk/return outlook than the largest growth stocks.

DID THE PORTFOLIO BENEFIT FROM ITS EMPHASIS ON VALUE STOCKS?

Yes, though we might have been a little early on that trade--many of these stocks generally underperformed large-cap growth shares until April and May. That's when interest rates shot higher, plus Compaq Computer, a leading high-tech firm, said profits would be much lower than expected. Many investors took money out of high-priced growth stocks and put it to work in undervalued sectors of the market. In general, that money went from growth to value and down the capitalization ladder from large- to mid-cap stocks. As a result, value outperformed growth and mid- beat large-cap for the six months (see page 3).

\* All fund returns referenced in this interview are for Investor Class shares.

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"WE FELT VALUE SHARES HAD A BETTER RISK/RETURN OUTLOOK THAN THE LARGEST GROWTH STOCKS."

[pie chart - data below]

ASSET ALLOCATION  
(AS OF MAY 31, 1999)  
PERCENT OF FUND INVESTMENTS

|                         |     |
|-------------------------|-----|
| U.S. Stocks             | 47% |
| U.S. Bonds              | 25% |
| Foreign Stocks          | 14% |
| Foreign Bonds           | 5%  |
| Money Market Securities | 9%  |

See page 70 for the fund's neutral asset mix.

Investment terms are defined in the Glossary on pages 71-72.

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Strategic Moderate--Q&A

(Continued)

WHAT CHANGES DID YOU MAKE TO THE BOND PORTION OF THE PORTFOLIO?

We made only very modest adjustments, adding some higher-yielding corporate bonds. One way to measure the relative attractiveness of corporate bonds is to look at the spread, or difference in yield, between corporates and Treasurys. The wider the yield spread, the more attractive corporate bonds become. In late 1998, the spread between corporates and Treasurys reached its widest level since the recession of 1990. With the economy and corporate profits generally healthy, we simply felt these values were too good to pass up.

DID YOU EMPHASIZE A PARTICULAR SECTOR OF THE CORPORATE BOND MARKET?

In general, we liked bonds issued by cyclical companies. Cyclical companies are closely tied to the health of the economy, so their bonds tend to perform best when the economy is strong. When fears of recession crippled the market in the third quarter of 1998, these bonds were severely punished and experienced sharp price declines. We used that opportunity to buy some of these securities at attractive prices. As economic growth improved and investors once again became interested in these bonds, cyclicals performed relatively well.

WHAT'S YOUR OUTLOOK FOR THE GLOBAL ECONOMY?

We have a generally positive outlook. Analysts expect global growth to come in at 2.5-3.0% this year, compared with only about 1.5% in 1998. Also in contrast to 1998, many think the U.S. will lag the rest of the world in 1999. Better economic growth would lead you to expect higher stock prices. Because world economies are so closely linked, more business overseas should also

benefit companies here at home.

ARE THERE ANY POTENTIAL RISKS TO THIS OUTLOOK?

Two issues we're watching carefully are inflation and the potential year 2000 (Y2K) computer problem. While it's impossible to predict the economic impact of the Y2K problem, we are taking steps to measure the Y2K-readiness of the issuers of the fund's portfolio securities. We'll also be keeping a close eye on the financial markets as we get closer to year-end.

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FUND'S U.S. STOCKS (AS OF MAY 31, 1999)

|                         |             |      |  |
|-------------------------|-------------|------|--|
| NUMBER OF COMPANIES     | 357         |      |  |
| DIVIDEND YIELD          | 1.38%       |      |  |
| PRICE/EARNINGS RATIO    | 23.7        |      |  |
|                         | % OF FUND'S | % OF |  |
|                         | U.S. STOCKS | FUND |  |
| TOP 5 U.S. STOCKS       |             |      |  |
| MICROSOFT CORP.         | 2.4%        | 1.1% |  |
| BELLSOUTH CORP.         | 1.6%        | 0.7% |  |
| SBC COMMUNICATIONS INC. | 1.4%        | 0.6% |  |
| WAL-MART STORES, INC.   | 1.4%        | 0.6% |  |
| CHASE MANHATTAN CORP.   | 1.4%        | 0.6% |  |

FUND'S FOREIGN STOCKS (AS OF MAY 31, 1999)

|                                     |                |      |      |
|-------------------------------------|----------------|------|------|
| NUMBER OF COMPANIES                 | 283            |      |      |
| DIVIDEND YIELD                      | 1.19%          |      |      |
|                                     | % OF FUND'S    | % OF |      |
|                                     | FOREIGN STOCKS | FUND |      |
| TOP 5 FOREIGN STOCKS                |                |      |      |
| MANNESMANN AG                       | GERMANY        | 2.3% | 0.3% |
| VIVENDI                             | FRANCE         | 1.5% | 0.2% |
| TELEFONICA S.A.                     | SPAIN          | 1.3% | 0.2% |
| BRITISH TELECOM-<br>MUNICATIONS PLC | U.K.           | 1.3% | 0.2% |
| VODAFONE GROUP PLC                  | U.K.           | 1.2% | 0.2% |

[pie chart - data below]

PERCENT OF FUND'S FOREIGN STOCKS

|                              |     |
|------------------------------|-----|
| Europe                       | 69% |
| Asia/Pacific                 | 22% |
| Americas<br>(excluding U.S.) | 9%  |

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Strategic Moderate--Q&A

(Continued)

AND WHAT ABOUT THE RISK OF INFLATION?

A big reason the inflation rate fell to its lowest level in a dozen years in 1998 was the weakness of the global economy. With growth rebounding this year, inflation has begun to pick up, though it remains modest by historical standards.

That brings us to the other reason inflation has declined throughout the 1990s--increased worker productivity. More productive workers explain why both wages and corporate profits rose while inflation fell. However, it's uncertain if productivity gains can continue at the same pace they have in the past. Federal Reserve Chairman Alan Greenspan said as much when announcing his intention to raise short-term interest rates to head off more serious inflation down the road. But it seems that a vigilant Fed and the ability of the global economy to produce more goods than there's currently demand for will keep inflation from getting out of hand anytime soon.

WHAT'S YOUR OUTLOOK FOR INTEREST RATES?

We've already seen a big increase in interest rates since the beginning of the year, so we don't expect rates to go much higher. Instead, we think it's more likely bond yields will trade in a relatively narrow range. Of course, that assumes inflation doesn't increase dramatically and that the world economy gradually improves.

GIVEN THIS OUTLOOK, HOW WILL YOU POSITION STRATEGIC MODERATE'S STOCK PORTFOLIO?



If we're right and we get good growth and modest inflation, stocks could do well. Value shares continue to look like good buys, so our biggest bet in U.S. equities is likely to be in that area. And with economic growth overseas expected to be even stronger than here at home, foreign stocks look very attractive. As a result, we may overweight foreign stocks relative to foreign bonds going forward.

AND HOW DO YOU EXPECT TO POSITION THE FUND'S BONDS?

Strong growth and relatively stable rates make a very appealing environment for corporate bonds. However, the outlook is somewhat clouded by Y2K. We think the prudent thing to do is keep an eye on this situation and do our best to position the portfolio to respond to the investment challenges and opportunities Y2K might present.

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"ANALYSTS EXPECT GLOBAL GROWTH TO COME IN AT 2.5-3.0% THIS YEAR, COMPARED WITH ONLY ABOUT 1.5% IN 1998. BETTER ECONOMIC GROWTH WOULD LEAD YOU TO EXPECT HIGHER STOCK PRICES."

FUND'S U.S. BONDS (AS OF MAY 31, 1999)  
 NUMBER OF SECURITIES 139  
 WEIGHTED AVERAGE MATURITY 8.3 YEARS  
 AVERAGE DURATION 4.7 YEARS

[pie chart - data below]

PERCENT OF FUND'S U.S. BONDS  
 Corporate 44%  
 Mortgage-Backed 17%  
 U.S. Treasury 21%  
 Asset-Backed 7%  
 U.S. Govt. Agency 11%

FUND'S FOREIGN BONDS (AS OF MAY 31, 1999)  
 NUMBER OF SECURITIES 9  
 WEIGHTED AVERAGE MATURITY 8.9 YEARS  
 AVERAGE DURATION 6.1 YEARS

[pie chart - data below]

PERCENT OF FUND'S FOREIGN BONDS  
 Europe 72%  
 Asia/Pacific 22%  
 Americas (excluding U.S.) 6%

Strategic Moderate--Schedule of Investments

MAY 31, 1999 (UNAUDITED)

| Shares                        |                                | Value      |
|-------------------------------|--------------------------------|------------|
| COMMON STOCKS & RIGHTS--60.3% |                                |            |
| AEROSPACE & DEFENSE--1.5%     |                                |            |
| 1,200                         | Alliant Techsystems Inc. (1)   | \$ 102,000 |
| 2,900                         | Aviation Sales Co. (1)         | 111,650    |
| 1,900                         | Avondale Industries, Inc. (1)  | 69,350     |
| 16,300                        | Boeing Co.                     | 688,675    |
| 10,700                        | Bombardier Inc. Cl B ORD       | 166,229    |
| 4,300                         | Cobham PLC ORD                 | 63,694     |
| 6,300                         | Cordant Technologies Inc.      | 305,550    |
| 3,600                         | EG&G, Inc.                     | 106,875    |
| 3,500                         | General Dynamics Corp.         | 230,125    |
| 13,100                        | Goodrich (B.F.) Company (The)  | 530,550    |
| 16,100                        | Lockheed Martin Corp.          | 651,044    |
| 1,700                         | Newport News Shipbuilding Inc. | 46,750     |
| 8,200                         | Raytheon Co. Cl B              | 558,112    |
| 14,700                        | United Technologies Corp.      | 912,319    |
|                               |                                | -----      |
|                               |                                | 4,542,923  |
|                               |                                | -----      |
| AIRLINES (2)                  |                                |            |
| 1,100                         | AMR Corp. (1)                  | 71,569     |
| 600                           | Delta Air Lines Inc.           | 34,425     |
|                               |                                | -----      |

|                                |   |           |
|--------------------------------|---|-----------|
|                                |   | 105,994   |
| -----                          |   |           |
| AUTOMOBILES & AUTO PARTS--1.1% |   |           |
| 4,400                          | Coachmen Industries, Inc.               | 96,800    |
| 15,800                         | Cooper Tire and Rubber Company          | 375,250   |
| 2,236                          | DaimlerChrysler AG ORD                  | 192,828   |
| 1,817                          | Delphi Automotive Systems Corp.(1)      | 35,659    |
| 20,500                         | Ford Motor Co.                          | 1,169,781 |
| 41,000                         | Fuji Heavy Industries Ltd. ORD          | 266,551   |
| 2,600                          | General Motors Corp.                    | 179,400   |
| 2,000                          | Johnson Controls, Inc.                  | 126,125   |
| 3,800                          | National R.V. Holdings, Inc.(1)         | 97,612    |
| 50                             | Porsche AG ORD                          | 113,855   |
| 32,700                         | Superior Industries International, Inc. | 815,456   |
|                                |   | -----     |
|                                |   | 3,469,317 |
|                                |   | -----     |

BANKING--6.1%

|        |   |           |
|--------|---|-----------|
| 56,739 | Anglo Irish Bank Corp. plc ORD                    | 155,823   |
| 9,300  | Argentaria SA ORD                                 | 208,281   |
| 15,700 | Australia & New Zealand Banking<br>Group Ltd. ORD | 113,883   |
| 13,700 | Banc One Corp.                                    | 774,906   |
| 7,066  | Banca Popolare Commercio e<br>Industria ORD       | 160,900   |
| 4,382  | Banca Popolare di Brescia ORD                     | 172,850   |
| 2,600  | Banca Popolare di Lodi ORD                        | 28,315    |
| 7,495  | Banco Mello, S.A. ORD                             | 69,127    |
| 14,109 | Bank of Ireland ORD                               | 261,293   |
| 45     | Bank Sarasin & Cie Cl B ORD                       | 76,014    |
| 29,300 | BankAmerica Corp.                                 | 1,895,344 |
| 7,500  | Barclays PLC ORD                                  | 227,352   |

Shares

Value

|        |   |              |
|--------|---|--------------|
| -----  |   |              |
| 27,700 | Chase Manhattan Corp.                               | \$ 2,008,250 |
| 10,100 | Citigroup Inc.                                      | 669,125      |
| 24,500 | Dao Heng Bank Group Ltd. ORD                        | 95,097       |
| 4,000  | Deutsche Pfandbrief-und<br>Hypotheckenbank AG ORD   | 345,994      |
| 20,450 | Equitable Banking Corp. ORD                         | 51,327       |
| 4,900  | Fifth Third Bancorp                                 | 334,272      |
| 22,900 | First Union Corp.                                   | 1,054,831    |
| 37,900 | First Virginia Banks, Inc.                          | 1,883,156    |
| 4,100  | Housing & Commercial Bank,<br>Korea ORD(1)          | 112,367      |
| 2,400  | HSBC Holdings plc ORD                               | 78,610       |
| 62,200 | Keppel Bank ORD                                     | 136,299      |
| 30,500 | KeyCorp   | 1,059,875    |
| 5,000  | Kookmin Bank ORD                                    | 75,684       |
| 19,100 | Mellon Bank Corp.                                   | 681,631      |
| 941    | National Bank of Greece S.A.<br>ORD                 | 65,626       |
| 8,900  | National Westminster Bank PLC<br>ORD                | 204,089      |
| 3,800  | Northern Trust Corp.                                | 343,900      |
| 1,800  | Piraeus Bank S.A. ORD                               | 52,810       |
| 9,100  | PNC Bank Corp.                                      | 520,975      |
| 17,800 | Regions Financial Corp.                             | 674,731      |
| 4,100  | Shinhan Bank GDR(1)                                 | 78,002       |
| 2,000  | Societe Generale Cl A ORD                           | 363,085      |
| 26,000 | Standard Chartered plc ORD                          | 393,244      |
| 11,000 | Sumitomo Bank, Ltd. (The) ORD                       | 132,436      |
| 38,800 | Summit Bancorp.                                     | 1,588,375    |
| 2,000  | Toronto-Dominion Bank (The)<br>ORD                  | 105,560      |
| 1,300  | UBS AG ORD  | 376,207      |
| 3,600  | Unibanco-Uniao de Bancos<br>Brasileiros S.A. GDR(1) | 81,225       |
| 567    | Van der Moolen Holding N.V. ORD                     | 36,872       |
| 10,800 | Wachovia Corp.                                      | 953,100      |
| 5,600  | Wells Fargo & Co.                                   | 224,000      |
| 10,000 | Wing Hang Bank Ltd. ORD                             | 28,241       |
| 5,300  | Zions Bancorporation                                | 337,875      |
|        |   | -----        |
|        |   | 19,290,959   |
|        |   | -----        |

BIOTECHNOLOGY--0.6%

|       |                                  |         |
|-------|----------------------------------|---------|
| 9,600 | Amgen Inc.(1)                    | 607,500 |
| 4,500 | Biogen, Inc.(1)                  | 490,781 |
| 5,700 | Duramed Pharmaceuticals, Inc.(1) | 83,719  |

|       |  |           |
|-------|--|-----------|
| 1,500 | IDEC Pharmaceuticals Corp.(1)                  | 75,609    |
| 2,700 | MedImmune, Inc.(1)                             | 171,619   |
| 4,800 | Pharmaceutical Product<br>Development, Inc.(1) | 127,500   |
| 6,100 | Protein Design Labs, Inc.(1)                   | 119,331   |
| 1,100 | QIAGEN N.V.(1)                                 | 77,619    |
| 3,100 | Ventana Medical Systems, Inc.(1)               | 61,903    |
|       |  | -----     |
|       |  | 1,815,581 |
|       |  | -----     |

See Notes to Financial Statements

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Strategic Moderate--Schedule of Investments

(Continued)

MAY 31, 1999 (UNAUDITED)

| Shares                             |  | Value     |
|------------------------------------|--|-----------|
| -----                              |  |           |
| BROADCASTING & MEDIA--1.9%         |  |           |
| 9,600                              | BEC World Public Co., Limited<br>ORD           | \$ 51,724 |
| 2,900                              | Capital Radio plc ORD                          | 40,727    |
| 21,400                             | CBS Corp.(1)                                   | 893,450   |
| 11,600                             | Clear Channel Communications,<br>Inc.(1)       | 766,325   |
| 1,300                              | Cogeco Cable, Inc. ORD                         | 26,722    |
| 4,000                              | EchoStar Communications<br>Corp. Cl A(1)       | 458,000   |
| 15,600                             | Fox Entertainment Group,<br>Inc. Cl A(1)       | 397,800   |
| 6,700                              | Grupo Televisa S.A. GDR(1)                     | 280,144   |
| 1,264                              | Havas Advertising SA ORD                       | 246,990   |
| 10,000                             | Infinity Broadcasting Corp. Cl A(1)            | 255,625   |
| 13,100                             | Mediaset SpA ORD                               | 106,077   |
| 4,400                              | Modern Times Group<br>MTG AB Cl B ORD(1)       | 96,647    |
| 200                                | NRJ SA ORD                                     | 42,728    |
| 3,800                              | NTL Inc.(1)                                    | 358,862   |
| 1,600                              | PrimaCom AG ORD(1)                             | 65,030    |
| 3,100                              | RCN Corp.(1)                                   | 128,262   |
| 8,300                              | Rogers Communications,<br>Inc. Cl B ORD(1)     | 171,175   |
| 1,000                              | Societe Television<br>Francaise 1 ORD          | 239,694   |
| 1,700                              | Telewest Communications<br>plc ADR(1)          | 73,312    |
| 66,000                             | TeleWest Communications<br>plc ORD(1)          | 283,511   |
| 9,200                              | United International Holdings,<br>Inc. Cl A(1) | 658,950   |
| 3,700                              | United Pan-Europe<br>Communications NV ORD(1)  | 226,537   |
| 1,400                              | Westwood One, Inc.(1)                          | 48,650    |
|                                    |  | -----     |
|                                    |  | 5,916,942 |
|                                    |  | -----     |
| BUILDING & HOME IMPROVEMENTS--0.2% |  |           |
| 2,600                              | Centex Construction Products Inc.              | 93,275    |
| 3,400                              | Elcor Corp.                                    | 137,275   |
| 6,000                              | York International Corporation                 | 253,125   |
|                                    |  | -----     |
|                                    |  | 483,675   |
|                                    |  | -----     |
| BUSINESS SERVICES & SUPPLIES--1.0% |  |           |
| 4,100                              | Acxiom Corp.(1)                                | 111,084   |
| 1,065                              | Altran Technologies SA ORD                     | 240,957   |
| 5,200                              | Athlon Groep N.V. ORD                          | 132,228   |
| 12,500                             | Capita Group Plc ORD                           | 123,604   |
| 14,400                             | CGI Group, Inc. ORD(1)                         | 313,097   |
| 6,800                              | CSG Systems International, Inc.(1)             | 221,425   |
| 1,000                              | DIS Deutscher Industrie<br>Service AG ORD      | 50,023    |
| 5,780                              | Korea Telecom Corporation ORD                  | 329,536   |
| 1,700                              | MAXIMUS, Inc.(1)                               | 50,575    |

Shares

Value

|         |  |    |         |
|---------|--|----|---------|
| 5,000   | Metzler Group, Inc. (The) (1)                  | \$ | 164,531 |
| 3,000   | NCO Group, Inc.(1)                             |    | 91,969  |
| 13      | NTT Data Corp. ORD                             |    | 86,014  |
| 5,837   | Parity plc ORD                                 |    | 56,503  |
| 3,400   | Professional Detailing, Inc.(1)                |    | 90,312  |
| 200     | PubliGroupe S.A. ORD                           |    | 121,780 |
| 4,600   | Quanta Services, Inc.(1)                       |    | 156,112 |
| 6,800   | Quintiles Transnational Corp.(1)               |    | 275,825 |
| 4,800   | Securitas AB Cl B ORD                          |    | 68,336  |
| 161,000 | Singapore Technologies<br>Engineering Ltd. ORD |    | 175,467 |
| 700     | Sixt AG ORD                                    |    | 51,430  |
| 1,000   | Toyo Information Systems Co., Ltd.<br>ORD      |    | 27,075  |
| 2,100   | Triad Group PLC ORD                            |    | 14,460  |
| 2,748   | Unique International NV ORD                    |    | 62,718  |
| 700     | VA Technologie AG ORD                          |    | 58,725  |
| 1,800   | Valassis Communications, Inc.(1)               |    | 62,662  |
| 26,500  | WPP Group plc ORD                              |    | 213,876 |

-----  
3,350,324  
-----

CHEMICALS & RESINS--0.7%

|        |  |  |         |
|--------|--|--|---------|
| 6,000  | Air Products and Chemicals, Inc.                               |  | 246,000 |
| 1,500  | Compagnie Francaise d'Etudes et<br>de Construction Technip ORD |  | 162,575 |
| 6,000  | Dow Chemical Co.   |  | 729,000 |
| 4,800  | du Pont (E.I.) de Nemours & Co.                                |  | 314,100 |
| 17,200 | IMC Global Inc.  |  | 360,125 |
| 18,700 | Lubrizol Corp.   |  | 514,250 |

-----  
2,326,050  
-----

COMMUNICATIONS EQUIPMENT--1.8%

|        |  |  |           |
|--------|--|--|-----------|
| 16,700 | Andrew Corp.(1)  |  | 258,328   |
| 17,200 | ANTEC Corp.(1)   |  | 503,638   |
| 7,400  | C-COR Electronics, Inc.(1)                             |  | 176,444   |
| 5,600  | CIENA Corp.(1)   |  | 160,825   |
| 5,500  | CommScope, Inc.(1)                                     |  | 144,375   |
| 5,650  | Comverse Technology, Inc.(1)                           |  | 381,552   |
| 4,000  | FORE Systems, Inc.(1)                                  |  | 137,375   |
| 1,400  | Gilat Satellite Networks Ltd.(1)                       |  | 74,025    |
| 5,400  | Harmonic Lightwaves, Inc.(1)                           |  | 266,288   |
| 6,700  | Harris Corp.   |  | 253,344   |
| 756    | International Contract<br>Manufacturing Limited ORD(1) |  | 661       |
| 4,300  | JDS Fitel Inc. ORD(1)                                  |  | 291,422   |
| 24,500 | Lucent Technologies Inc.                               |  | 1,393,438 |
| 3,200  | Motorola, Inc.   |  | 265,000   |
| 9,600  | Newbridge Networks Corp.(1)                            |  | 265,200   |
| 4,000  | Nortel Networks Corp.                                  |  | 300,000   |
| 4,600  | Polycom, Inc.(1)                                       |  | 117,588   |
| 3,900  | Powerwave Technologies, Inc.(1)                        |  | 89,944    |
| 5,700  | QUALCOMM Inc.(1)                                       |  | 554,147   |

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Strategic Moderate--Schedule of Investments

(Continued)

MAY 31, 1999 (UNAUDITED)

| Shares |   | Value                       |
|--------|---|-----------------------------|
| 4,900  | Tandberg ASA ORD(1)                       | \$ 65,695                   |
| 2,000  | Terayon Communication<br>Systems, Inc.(1) | 64,375                      |
|        |   | -----<br>5,763,664<br>----- |

COMPUTER PERIPHERALS--0.9%

|        |  |  |           |
|--------|--|--|-----------|
| 14,100 | Cisco Systems Inc.(1)                        |  | 1,536,459 |
| 6,500  | EMC Corp. (Mass.) (1)                        |  | 647,562   |
| 1,100  | Lexmark International Group,<br>Inc. Cl A(1) |  | 149,738   |

|       |                              |         |
|-------|------------------------------|---------|
| 7,700 | Psion plc ORD                | 96,177  |
| 9,000 | Seagate Technology, Inc. (1) | 271,688 |

-----  
2,701,624  
-----

COMPUTER SOFTWARE & SERVICES--3.8%

|        |   |           |
|--------|---|-----------|
| 3,400  | Advantage Learning Systems, Inc. (1)    | 75,225    |
| 6,400  | Amdocs Ltd. (1)                         | 146,800   |
| 11,500 | America Online Inc.                     | 1,372,812 |
| 2,800  | American Management System, Inc. (1)    | 88,988    |
| 4,800  | At Home Corp. Series A (1)              | 608,250   |
| 2,100  | Baltimore Technologies plc ORD (1)      | 29,173    |
| 1,300  | BroadVision, Inc. (1)                   | 67,559    |
| 20,800 | Cadence Design Systems, Inc. (1)        | 267,800   |
| 2,026  | Cap Gemini SA ORD                       | 291,584   |
| 4,500  | Computershare Limited ORD (1)           | 41,106    |
| 3,300  | Compuware Corp. (1)                     | 102,403   |
| 1,606  | Delta Informatics S.A. ORD              | 74,669    |
| 1,700  | Eidos plc ORD (1)                       | 56,624    |
| 3,900  | Equant NV New York Shares (1)           | 323,456   |
| 500    | Excalibur Technologies Corp. (1)        | 7,062     |
| 7,262  | Fibernet Group plc ORD (1)              | 54,249    |
| 9,900  | First Data Corp.                        | 444,881   |
| 1,600  | FortuneCity.com, Inc. ORD (1)           | 29,514    |
| 2,000  | Fundtech Ltd. (1)                       | 64,625    |
| 3,100  | Getronics N.V. ORD                      | 119,535   |
| 597    | GFI Informatique (1)                    | 72,793    |
| 10,200 | GTECH Holdings Corp. (1)                | 251,812   |
| 3,100  | IBS AB ORD (1)                          | 60,526    |
| 2,810  | Icon Medialab International AB ORD (1)  | 104,503   |
| 5,300  | International Integration Inc. (1)      | 100,866   |
| 1,200  | Intraware, Inc. (1)                     | 26,400    |
| 3,800  | Keane, Inc. (1)                         | 110,200   |
| 46,300 | LibertyOne Limited ORD (1)              | 25,971    |
| 11,900 | Logica plc ORD                          | 110,335   |
| 2,434  | London Bridge Software Holdings plc ORD | 63,922    |
| 12,444 | Mandator AB ORD                         | 85,327    |
| 1,000  | Meitec ORD                              | 30,614    |
| 17,000 | Mentor Graphics Corp. (1)               | 214,094   |
| 43,000 | Microsoft Corp. (1)                     | 3,470,906 |
| 3,300  | National Instruments Corp. (1)          | 125,297   |

Shares

Value

|        |                                    |            |
|--------|------------------------------------|------------|
| 4,800  | NCR Corp. (1)                      | \$ 187,500 |
| 12,000 | Novell, Inc. (1)                   | 281,625    |
| 5,400  | Open Text Corp. (1)                | 163,181    |
| 1,600  | Oracle Corp. (1)                   | 39,650     |
| 3,557  | Ordina N.V. ORD (1)                | 90,078     |
| 4,900  | Proxicom, Inc. (1)                 | 101,981    |
| 1,700  | QRS Corp. (1)                      | 126,225    |
| 3,800  | Sage Group plc (The) ORD           | 131,287    |
| 600    | Sapient Corp. (1)                  | 38,269     |
| 1,972  | Sigma AB Cl B ORD                  | 15,355     |
| 6,800  | Sterling Software, Inc. (1)        | 165,325    |
| 1,500  | Sumisho Computer Systems Corp. ORD | 50,117     |
| 3,500  | Tieto Corp. Cl B ORD               | 122,192    |
| 28,600 | Unisys Corp. (1)                   | 1,085,012  |
| 1,193  | Unit 4 ORD (1)                     | 24,306     |
| 5,200  | USWeb Corp. (1)                    | 132,112    |
| 900    | Veritas Software Corp. (1)         | 79,397     |

-----  
11,953,493  
-----

COMPUTER SYSTEMS--1.3%

|        |                                       |           |
|--------|---------------------------------------|-----------|
| 18,500 | Apple Computer, Inc. (1)              | 814,578   |
| 15,900 | Compaq Computer Corp.                 | 376,631   |
| 10,100 | Dell Computer Corp. (1)               | 347,503   |
| 22,000 | Fujitsu Ltd. ORD                      | 365,716   |
| 2,000  | Gateway 2000, Inc. (1)                | 121,625   |
| 10,200 | Hewlett-Packard Co.                   | 961,988   |
| 9,000  | International Business Machines Corp. | 1,046,812 |

-----  
4,034,853  
-----

CONSTRUCTION & PROPERTY

## DEVELOPMENT--0.2%

|       |                                       |         |
|-------|---------------------------------------|---------|
| 4,300 | Centex Corp.                          | 159,369 |
| 6,900 | CRH plc ORD                           | 117,786 |
| 1,100 | Dycom Industries, Inc.(1)             | 53,075  |
| 7,300 | Insituform Technologies, Inc. Cl A(1) | 121,591 |
| 4,600 | Lafarge Corp.                         | 153,812 |
| 4,800 | Pulte Corp.                           | 114,300 |
|       |                                       | -----   |
|       |                                       | 719,933 |
|       |                                       | -----   |

## CONSUMER PRODUCTS--1.0%

|        |                            |         |
|--------|----------------------------|---------|
| 3,600  | Avon Products, Inc.        | 177,975 |
| 2,200  | Chattem, Inc.(1)           | 80,025  |
| 100    | Clarins                    | 8,598   |
| 2,300  | Clorox Co. (The)           | 232,156 |
| 307    | Fancl Corp. ORD            | 36,128  |
| 500    | Gillette Company           | 25,500  |
| 4,700  | Helen of Troy Ltd.(1)      | 74,466  |
| 19,000 | Kao Corporation ORD        | 519,113 |
| 7,400  | Procter & Gamble Co. (The) | 690,975 |
| 24,000 | Shiseido Co., Ltd. ORD     | 353,537 |
| 1,140  | Tomy Company, Ltd. ORD     | 76,178  |

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## Strategic Moderate--Schedule of Investments

(Continued)

MAY 31, 1999 (UNAUDITED)

| Shares                                      |  | Value      |
|---|--|------------|
| 11,200                                      | Whirlpool Corp.  | \$ 722,400 |
| 1,000                                       | World Co., Ltd. ORD                                    | 60,322     |
|   |  | -----      |
|   |  | 3,057,373  |
|   |  | -----      |
| CONTROL & MEASUREMENT(2)                    |  |            |
| 1,000                                       | Orbotech Ltd.(1)                                       | 43,000     |
|   |  | -----      |
| DIVERSIFIED COMPANIES--2.0%                 |  |            |
| 26,100                                      | BBA Group plc ORD                                      | 184,317    |
| 4,650                                       | Bodycote International plc ORD                         | 62,549     |
| 6,500                                       | Brambles Industries Limited ORD                        | 173,273    |
| 4,900                                       | DCC plc ORD  | 39,831     |
| 18,100                                      | General Electric Co. (U.S.)                            | 1,840,544  |
| 26,000                                      | Keppel Telecommunications &<br>Transportation Ltd. ORD | 35,571     |
| 18,200                                      | Minnesota Mining &<br>Manufacturing Co.                | 1,560,650  |
| 26,500                                      | Swire Pacific Ltd. Cl A ORD                            | 126,439    |
| 16,800                                      | Tyco International Ltd.                                | 1,467,900  |
| 2,232                                       | Unilever N.V. New York Shares                          | 145,778    |
| 8,509                                       | Vivendi ORD  | 629,603    |
| 29,000                                      | Wharf (Holdings) Ltd. ORD                              | 73,858     |
| 22,000                                      | Wing Tai Holdings Ltd. ORD                             | 24,742     |
|   |  | -----      |
|   |  | 6,365,055  |
|   |  | -----      |
| EDUCATION(2)                                |  |            |
| 800   | Benesse Corporation ORD                                | 68,864     |
|   |  | -----      |
| ELECTRICAL & ELECTRONIC<br>COMPONENTS--3.4% |  |            |
| 5,300                                       | Advanced Energy Industries, Inc.(1)                    | 131,506    |
| 7,100                                       | Aeroflex Inc.(1)                                       | 103,394    |
| 15,200                                      | Arrow Electronics, Inc.(1)                             | 264,100    |
| 4,500                                       | ASM Lithography Holding N.V.<br>New York Shares(1)     | 198,281    |
| 21,800                                      | Avnet, Inc.  | 949,662    |
| 900   | Broadcom Corp. Cl A(1)                                 | 86,119     |
| 4,300                                       | Celestica Inc.(1)                                      | 170,388    |
| 6,100                                       | Conexant Systems, Inc.(1)                              | 235,803    |
| 59,000                                      | Datacraft Asia Limited ORD                             | 210,040    |
| 5,600                                       | DII Group, Inc.(1)                                     | 183,575    |
| 1,000                                       | Hi/fn, Inc.(1)   | 57,844     |
| 33,000                                      | Intel Corp.  | 1,788,188  |

|        |   |         |
|--------|---|---------|
| 3,000  | KLA-Tencor Corporation(1)                       | 136,594 |
| 20     | Kudelski SA ORD                                 | 75,294  |
| 200    | Linear Technology Corp.                         | 10,594  |
| 3,700  | Micron Technology, Inc.(1)                      | 140,369 |
| 23,000 | Natsteel Electronics Ltd. ORD                   | 76,667  |
| 1,900  | Optical Coating Laboratory, Inc.                | 123,381 |
| 2,400  | Phillips Electronics N.V. New<br>York Shares(1) | 206,400 |
| 8,400  | Pinnacle Systems, Inc.(1)                       | 432,075 |
| 1,800  | PMC-Sierra, Inc.(1)                             | 87,356  |
| 1,700  | Qlogic Corp.(1)                                 | 186,788 |

Shares

Value

|        |   |            |
|--------|---|------------|
| 2,300  | Rockwell International Corp.            | \$ 126,931 |
| 1,804  | Samsung Electronics ORD                 | 125,505    |
| 180    | Samsung Electronics Rights ORD(1)       | 2,049      |
| 3,300  | Sanmina Corp.(1)                        | 247,603    |
| 4,200  | Sawtek Inc.(1)                          | 166,950    |
| 1,800  | SGL CARBON Aktiengesellschaft<br>ORD(1) | 125,683    |
| 2,400  | Siemens AG ORD                          | 161,325    |
| 1,784  | Softbank S.A. GDR                       | 57,534     |
| 7,900  | Solelectron Corp.(1)                    | 432,525    |
| 5,300  | Sony Corp. ORD                          | 495,478    |
| 5,100  | Teradyne, Inc.(1)                       | 269,344    |
| 6,500  | Texas Instruments Inc.                  | 710,938    |
| 5,300  | Thomas & Betts Corp.                    | 226,906    |
| 6,000  | Tokyo Electron Ltd. ORD                 | 329,342    |
| 5,000  | Uniphase Corp.(1)                       | 671,719    |
| 5,500  | Unitrode Corp.(1)                       | 114,469    |
| 12,900 | Vishay Intertechnology, Inc.            | 268,481    |
| 2,900  | Xilinx, Inc.(1)                         | 128,778    |
|        |   | -----      |
|        |   | 10,515,978 |
|        |   | -----      |

ENERGY (PRODUCTION & MARKETING)--2.9%

|        |  |           |
|--------|--|-----------|
| 4,800  | Anadarko Petroleum Corp.                     | 180,000   |
| 18,800 | Apache Corp.                                 | 676,800   |
| 15,900 | Atlantic Richfield Co.                       | 1,330,631 |
| 3,706  | BP Amoco Plc ADR                             | 397,005   |
| 28,000 | Burlington Resources Inc.                    | 1,202,250 |
| 4,200  | Chevron Corp.                                | 389,288   |
| 1,900  | Elf Aquitaine SA ORD                         | 274,836   |
| 19,900 | Exxon Corp.                                  | 1,589,512 |
| 7,300  | Mobil Corp.                                  | 739,125   |
| 16,500 | Murphy Oil Corp.                             | 809,531   |
| 11,900 | Royal Dutch Petroleum Co. New<br>York Shares | 673,094   |
| 2,700  | Sunoco, Inc.                                 | 82,181    |
| 2,400  | Texaco Inc.                                  | 157,200   |
| 11,800 | Union Pacific Resources                      | 164,462   |
| 6,400  | Unocal Corp.                                 | 254,400   |
|        |  | -----     |
|        |  | 8,920,315 |
|        |  | -----     |

ENERGY (SERVICES)--0.4%

|        |                              |           |
|--------|------------------------------|-----------|
| 21,900 | Baker Hughes Inc.            | 681,638   |
| 780    | Daehan City Gas Co. ORD      | 23,811    |
| 2,300  | IHC Caland N.V. ORD          | 90,485    |
| 7,500  | Reliant Energy, Inc.         | 228,750   |
| 1,900  | Schlumberger Ltd.            | 114,356   |
| 1,110  | Seoul City Gas Co., Ltd. ORD | 36,412    |
| 5,800  | Tidewater Inc.               | 148,262   |
|        |                              | -----     |
|        |                              | 1,323,714 |
|        |                              | -----     |

ENVIRONMENTAL SERVICES--0.1%

|       |                        |         |
|-------|------------------------|---------|
| 4,880 | Waste Management, Inc. | 258,030 |
|       |                        | -----   |

See Notes to Financial Statements

Strategic Moderate--Schedule of Investments

(Continued)

MAY 31, 1999 (UNAUDITED)

| Shares                     |  | Value      |
|----------------------------|--|------------|
| FINANCIAL SERVICES--2.6%   |  |            |
| 33,000                     | Amvescap Plc ORD   | \$ 301,214 |
| 19,759                     | Banca Intesa S.p.A. ORD                                      | 100,488    |
| 5,400                      | Capital One Financial Corp.                                  | 813,712    |
| 13,300                     | CIT Group, Inc. (The) Cl A                                   | 385,700    |
| 3,300                      | Close Brothers Group plc ORD                                 | 36,331     |
| 1,700                      | Credit Suisse Group ORD                                      | 294,955    |
| 12,000                     | Fannie Mae   | 816,000    |
| 6,700                      | Federal Home Loan Mortgage Corporation                       | 390,694    |
| 3,100                      | Franklin Resources, Inc.                                     | 134,850    |
| 41,000                     | Grupo Financiero Banorte S.A. de C.V. Cl O ORD(1)            | 52,190     |
| 6,804                      | ING Groep N.V. ORD   | 363,403    |
| 145                        | Julius Baer Holding AG ORD                                   | 438,603    |
| 3,828                      | Kempen & Company NV ORD                                      | 205,053    |
| 1,400                      | Lehman Brothers Holdings Inc.                                | 76,475     |
| 17,800                     | Lloyds TSB Group plc ORD                                     | 235,158    |
| 9,700                      | Man (E D & F) Group plc ORD                                  | 50,560     |
| 3,900                      | Merrill Lynch & Co., Inc.                                    | 327,600    |
| 10,200                     | Morgan Stanley Dean Witter, Discover & Co.                   | 984,300    |
| 71,200                     | National Finance and Securities Public Co., Ltd. Cl F ORD(1) | 41,239     |
| 5,224                      | Provident Financial plc ORD                                  | 77,464     |
| 6,800                      | Providian Financial Corp.                                    | 652,375    |
| 4,300                      | Schwab (Charles) Corp.                                       | 454,994    |
| 300                        | Shohkoh Fund & Co., Ltd. ORD                                 | 166,893    |
| 25,800                     | Skandia Forsakrings AB ORD                                   | 442,269    |
| 100                        | Vontobel Holding AG Cl B ORD                                 | 163,682    |
|                            |  | -----      |
|                            |  | 8,006,202  |
|                            |  | -----      |
| FOOD & BEVERAGE--2.5%      |  |            |
| 3,200                      | American Italian Pasta Co. Cl A(1)                           | 88,000     |
| 98,665                     | Archer-Daniels-Midland Co.                                   | 1,479,975  |
| 3,100                      | Coca-Cola Company (The)                                      | 211,769    |
| 14,100                     | Coca-Cola Enterprises, Inc.                                  | 511,125    |
| 8,700                      | Diageo plc ORD   | 91,462     |
| 5,000                      | Earthgrains Company  | 117,188    |
| 900                        | Groupe Danone ORD  | 247,615    |
| 4,200                      | Heineken NV ORD  | 233,296    |
| 2,800                      | Hormel Foods Corp.   | 110,950    |
| 9,800                      | IBP, Inc.  | 210,088    |
| 60,800                     | Interstate Bakeries Corp.                                    | 1,330,000  |
| 36,800                     | J.D. Wetherspoon plc ORD                                     | 184,155    |
| 4,200                      | Keebler Foods Co.(1)   | 140,700    |
| 13,000                     | Kirin Brewery Company, Ltd. ORD                              | 148,599    |
| 142                        | Nestle S.A. ORD  | 255,207    |
| 500                        | Nong Shim Company Limited ORD(1)                             | 28,882     |
| 4,300                      | Panamerican Beverages Inc. Cl A                              | 99,706     |
| Shares                     |  |            |
|                            |  | Value      |
|                            |  | -----      |
| 5,900                      | PepsiCo, Inc.  | \$ 211,294 |
| 8,800                      | Quaker Oats Co. (The)  | 581,350    |
| 48,800                     | San Miguel Corporation Cl B ORD                              | 109,656    |
| 2,000                      | Seagram Co. Ltd. (The)                                       | 103,875    |
| 7,400                      | Suiza Foods Corp.(1)   | 271,025    |
| 41,600                     | Tyson Foods, Inc. Cl A                                       | 956,800    |
|                            |  | -----      |
|                            |  | 7,722,717  |
|                            |  | -----      |
| FURNITURE & FURNISHINGS(2) |  |            |
| 3,659                      | Dorel Industries Inc. Cl B ORD(1)                            | 81,915     |
| HEALTHCARE--1.3%           |  |            |
| 16,400                     | Aetna Inc.   | 1,489,325  |
| 7,600                      | Apria Healthcare Group Inc.(1)                               | 156,750    |
| 13,200                     | Beckman Coulter Inc.   | 669,900    |
| 54,900                     | Columbia/HCA Healthcare Corp.                                | 1,293,581  |
| 8,000                      | Eisai Company, Ltd. ORD                                      | 148,459    |
| 5,700                      | Hooper Holmes, Inc.  | 103,312    |
| 2,400                      | PacifiCare Health Systems, Inc. Cl B(1)                      | 207,225    |
| 2,400                      | TLC The Laser Center Inc.(1)                                 | 105,300    |
|                            |  | -----      |



|  |  |           |
|--|--|-----------|
|  |  | 4,173,852 |
| INDUSTRIAL--0.1%                       |  | -----     |
| 51,000                                 | Invensys plc ORD                                     | 232,348   |
|  |  | -----     |
| INDUSTRIAL EQUIPMENT & MACHINERY--0.5% |  |           |
| 5,700                                  | Ashtead Group plc ORD                                | 14,513    |
| 7,500                                  | Ingersoll-Rand Co.                                   | 477,656   |
| 7,140                                  | Mannesmann AG ORD                                    | 974,765   |
|  |  | -----     |
|  |  | 1,466,934 |
|  |  | -----     |
| INSURANCE--2.2%                        |  |           |
| 420                                    | Allianz AG ORD                                       | 114,678   |
| 12,500                                 | Allstate Corp.                                       | 455,469   |
| 4,400                                  | American International Group, Inc.                   | 502,975   |
| 2,993                                  | ASR Verzekeringsgroep N.V. ORD                       | 206,020   |
| 6,100                                  | Assicurazioni Generali ORD                           | 216,778   |
| 3,375                                  | Axa-UAP ORD  | 388,657   |
| 1,800                                  | Blanch (E.W.) Holdings, Inc.                         | 115,200   |
| 16,600                                 | Chubb Corp. (The)                                    | 1,163,038 |
| 24,600                                 | CNA Financial Corp.(1)                               | 1,068,562 |
| 4,700                                  | Companhia de Seguros Mundial<br>Confianca, SA ORD(1) | 135,090   |
| 1,970                                  | Ethniki General Insurance<br>Co. ORD(1)              | 119,386   |
| 9,500                                  | Fidelity National Financial, Inc.                    | 160,906   |
| 10,800                                 | First American Financial Corp.<br>(The)              | 177,525   |
| 5,150                                  | Fortis AG ORD  | 165,037   |
| 4,400                                  | Gallagher (Arthur J.) & Co.                          | 214,225   |
| 3,700                                  | LandAmerica Financial Group, Inc.                    | 106,144   |
| 8,800                                  | Lincoln National Corp.                               | 895,400   |

See Notes to Financial Statements

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Strategic Moderate--Schedule of Investments

|                             |   |             |
|-----------------------------|---|-------------|
|                             |   | (Continued) |
| MAY 31, 1999 (UNAUDITED)    |   |             |
| Shares                      |   | Value       |
|                             |   | -----       |
| 4,400                       | Loews Corp.                               | \$ 357,775  |
| 28,800                      | Mediolanum SpA ORD                        | 195,991     |
| 600                         | Pohjola Group Insurance Corp.<br>Cl B ORD | 27,513      |
| 76,160                      | Premafin Finanziaria S.p.A. ORD(1)        | 48,257      |
| 1,800                       | Sampo Insurance Co.<br>plc Cl A ORD       | 54,400      |
|                             |   | -----       |
|                             |   | 6,889,026   |
|                             |   | -----       |
| LEISURE--0.7%               |   |             |
| 565                         | Accor SA ORD                              | 138,489     |
| 1,800                       | Anchor Gaming(1)                          | 80,719      |
| 9,900                       | Circus Circus Enterprises, Inc.(1)        | 209,138     |
| 12,200                      | Eastman Kodak Co.                         | 825,025     |
| 15,600                      | NH Hoteles, S.A. ORD(1)                   | 199,155     |
| 7,200                       | Mirage Resorts, Inc.(1)                   | 147,600     |
| 100                         | Moevenpick Holding AG Bearer<br>ORD       | 45,831      |
| 6,700                       | Park Place Entertainment Corp.(1)         | 70,350      |
| 9,500                       | Viacom, Inc. Cl B(1)                      | 365,750     |
|                             |   | -----       |
|                             |   | 2,082,057   |
|                             |   | -----       |
| MACHINERY & EQUIPMENT--1.0% |   |             |
| 350                         | ABB AG ORD(1)                             | 495,662     |
| 500                         | Aixtron AG ORD                            | 109,426     |
| 7,000                       | Brooks Automation, Inc.(1)                | 128,188     |
| 4,300                       | Case Corp.                                | 202,100     |
| 21,100                      | Cooper Industries, Inc.                   | 1,045,769   |
| 100                         | Georg Fischer AG ORD                      | 32,605      |
| 4,500                       | Lam Research Corp.(1)                     | 124,734     |
| 10,300                      | Premark International, Inc.               | 368,869     |
| 4,000                       | PRI Automation, Inc.(1)                   | 98,000      |

|       |                         |         |
|-------|-------------------------|---------|
| 1,700 | Sidel SA ORD            | 235,630 |
| 500   | Swisslog Holding AG ORD | 58,926  |
| 1,000 | UNION TOOL CO. ORD      | 63,367  |

-----  
2,963,276  
-----

MEDICAL EQUIPMENT & SUPPLIES--0.8%

|       |                                   |         |
|-------|-----------------------------------|---------|
| 1,200 | Andrx Corp.(1)                    | 120,712 |
| 2,200 | Bard (C.R.), Inc.                 | 100,512 |
| 7,300 | Boston Scientific Corp.(1)        | 276,944 |
| 1,800 | Closure Medical Corp.(1)          | 55,856  |
| 9,700 | CONMED Corp.(1)                   | 329,497 |
| 8,700 | Guidant Corp.                     | 435,000 |
| 5,000 | Hillbrand Industries, Inc.        | 209,688 |
| 4,000 | IDEXX Laboratories, Inc.(1)       | 101,750 |
| 4,500 | KeraVision, Inc.(1)               | 44,719  |
| 1,900 | Novoste Corp.(1)                  | 48,509  |
| 3,300 | Ocular Sciences, Inc.(1)          | 100,959 |
| 3,050 | Priority Healthcare Corp. Cl B(1) | 104,653 |
| 7,200 | VISX, Inc.(1)                     | 373,725 |
| 4,100 | Wesley Jessen VisionCare, Inc.(1) | 127,228 |
| 3,500 | Xomed Surgical Products, Inc.(1)  | 143,281 |

-----  
2,573,033  
-----

Shares

Value

METALS & MINING--0.2%

|        |   |            |
|--------|---|------------|
| 5,132  | Aalberts Industries N.V. ORD            | \$ 112,315 |
| 4,500  | Alcoa Inc.                              | 247,500    |
| 19,200 | Broken Hill Proprietary Co.<br>Ltd. ORD | 196,965    |

-----  
556,780  
-----

OFFICE EQUIPMENT & SUPPLIES--0.1%

|       |                                  |         |
|-------|----------------------------------|---------|
| 6,600 | Electronics for Imaging, Inc.(1) | 323,606 |
| 800   | Sindo Ricoh Co. ORD              | 33,731  |

-----  
357,337  
-----

PACKAGING & CONTAINERS--0.2%

|        |                     |         |
|--------|---------------------|---------|
| 400    | Fuji Seal, Inc. ORD | 36,210  |
| 21,500 | Tenneco Inc.        | 501,219 |

-----  
537,429  
-----

PAPER & FOREST PRODUCTS--0.5%

|        |                             |         |
|--------|-----------------------------|---------|
| 600    | Chesapeake Corp.            | 21,638  |
| 8,900  | Consolidated Papers, Inc.   | 246,975 |
| 1,700  | Georgia-Pacific Corp.       | 146,944 |
| 4,858  | International Paper Co.     | 242,900 |
| 5,400  | Rayonier, Inc.              | 251,775 |
| 17,500 | Westvaco Corp.              | 499,844 |
| 1,400  | Weyerhaeuser Co.            | 86,888  |
| 2,000  | Willamette Industries, Inc. | 84,750  |

-----  
1,581,714  
-----

PHARMACEUTICALS--2.6%

|        |   |           |
|--------|---|-----------|
| 4,800  | American Home Products Corp.              | 276,600   |
| 5,200  | AstraZeneca Group plc ORD                 | 206,593   |
| 13,700 | Bristol-Myers Squibb Co.                  | 940,162   |
| 6,100  | ChiRex Inc.(1)                            | 183,953   |
| 6,000  | Forest Laboratories, Inc.(1)              | 285,750   |
| 7,900  | Genentech, Inc.(1)                        | 691,744   |
| 5,400  | Glaxo Wellcome plc ORD                    | 151,501   |
| 4,100  | Johnson & Johnson                         | 379,762   |
| 3,600  | Lilly (Eli) & Co.                         | 257,175   |
| 2,200  | Merck & Co., Inc.                         | 148,500   |
| 180    | Novartis AG ORD                           | 261,158   |
| 6,900  | Pfizer, Inc.                              | 738,300   |
| 9,200  | Pharmacia & Upjohn Inc.                   | 510,025   |
| 3,401  | Pliva d.d. GDR                            | 55,096    |
| 500    | QLT PhotoTherapeutics Inc.(1)             | 21,859    |
| 3,200  | QLT PhotoTherapeutics Inc. ORD(1)         | 140,782   |
| 32,700 | Schering-Plough Corp.                     | 1,473,544 |
| 4,000  | Shire Pharmaceuticals Group<br>PLC ORD(1) | 31,483    |
| 63,800 | SkyePharma plc ORD(1)                     | 57,213    |
| 7,000  | Takeda Chemical Inds. ORD                 | 309,345   |

|        |                    |           |
|--------|--------------------|-----------|
| 3,600  | UCB SA ORD         | 154,909   |
| 14,800 | Warner-Lambert Co. | 917,600   |
|        |                    | -----     |
|        |                    | 8,193,054 |
|        |                    | -----     |

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Strategic Moderate--Schedule of Investments

|                             |   | (Continued) |
|-----------------------------|---|-------------|
| MAY 31, 1999 (UNAUDITED)    |   |             |
| Shares                      |   | Value       |
| -----                       |   |             |
| PRINTING & PUBLISHING--0.8% |   |             |
| 16,700                      | Banta Corp.                                       | \$ 409,150  |
| 16,900                      | Deluxe Corp.                                      | 609,456     |
| 8,100                       | Gruppo Editoriale L'Espresso ORD                  | 133,374     |
| 17,400                      | Mondadori (Arnoldo) Editore<br>SpA ORD            | 301,921     |
| 12,800                      | Pearson plc ORD                                   | 243,918     |
| 79,200                      | Seat Pagine Gialle SpA ORD                        | 107,712     |
| 13,750                      | Singapore Press Holdings Ltd.<br>ORD              | 188,116     |
| 6,000                       | Toppan Forms Co., Ltd. ORD                        | 113,072     |
| 6,300                       | VNU N.V. ORD                                      | 267,218     |
| 5,648                       | Wolters Kluwer NV ORD                             | 226,908     |
|                             |   | -----       |
|                             |   | 2,600,845   |
|                             |   | -----       |
| RAILROAD--0.2%              |   |             |
| 1,600                       | Canadian National Railway<br>Company ORD          | 102,357     |
| 11,300                      | CSX Corp.   | 530,394     |
|                             |   | -----       |
|                             |   | 632,751     |
|                             |   | -----       |
| REAL ESTATE--0.3%           |   |             |
| 2,200                       | Arden Realty, Inc.                                | 56,238      |
| 11,000                      | Cheung Kong (Holdings) Ltd. ORD                   | 89,365      |
| 23,300                      | City Developments Limited ORD                     | 139,125     |
| 10,100                      | Corporacion GEO, S.A. de C.V.<br>Series B ORD(1)  | 39,162      |
| 42,000                      | DBS Land Limited ORD                              | 74,504      |
| 1,200                       | Equity Residential Properties Trust               | 57,525      |
| 14,000                      | Henderson Land Development<br>Company Ltd. ORD    | 70,589      |
| 2,300                       | Hospitality Properties Trust(1)                   | 62,388      |
| 47,000                      | Keppel Land Ltd. ORD                              | 79,832      |
| 2,700                       | Prologis Trust                                    | 55,181      |
| 2,000                       | Simon Property Group, Inc.                        | 58,500      |
| 23,000                      | Singapore Land Limited ORD                        | 63,200      |
|                             |   | -----       |
|                             |   | 845,609     |
|                             |   | -----       |
| RESTAURANTS--0.5%           |   |             |
| 46,600                      | CBRL Group, Inc.                                  | 805,306     |
| 15,900                      | Foodmaker, Inc.(1)                                | 429,300     |
| 3,100                       | McDonald's Corp.                                  | 119,350     |
| 3,800                       | PizzaExpress plc ORD                              | 56,592      |
| 5,700                       | PJ America, Inc.(1)                               | 133,772     |
| 4,000                       | Skylark Co., Ltd. ORD                             | 74,723      |
|                             |   | -----       |
|                             |   | 1,619,043   |
|                             |   | -----       |
| RETAIL (APPAREL)--0.5%      |   |             |
| 9,800                       | AnnTaylor Stores Corp.(1)                         | 423,238     |
| 3,600                       | Chico's FAS, Inc.(1)                              | 81,450      |
| 2,600                       | Children's Place Retail Stores, Inc.<br>(The) (1) | 100,669     |
| 5,700                       | DM Management Co.(1)                              | 91,734      |
| 700                         | Fast Retailing Co. Ltd. ORD                       | 33,988      |
|                             |   | -----       |
|                             |   | Value       |
|                             |   | -----       |
| 2,700                       | Gucci Group N.V. New York Shares                  | \$ 178,538  |

|                                    |                                      |           |
|------------------------------------|--------------------------------------|-----------|
| 21,200                             | Hennes & Mauritz AB Cl B ORD         | 475,519   |
| 2,089                              | Matalan PLC ORD(1)                   | 27,899    |
|                                    |                                      | -----     |
|                                    |                                      | 1,413,035 |
|                                    |                                      | -----     |
| RETAIL (FOOD & DRUG)--0.3%         |                                      |           |
| 4,400                              | CVS Corp.                            | 202,400   |
| 5,786                              | Koninklijke Ahold NV ORD             | 201,699   |
| 11,000                             | Safeway Inc. (1)                     | 511,500   |
| 5,800                              | Universal Corp.                      | 151,525   |
|                                    |                                      | -----     |
|                                    |                                      | 1,067,124 |
|                                    |                                      | -----     |
| RETAIL (GENERAL MERCHANDISE)--1.7% |                                      |           |
| 5,400                              | Ames Department Stores, Inc. (1)     | 221,231   |
| 1,320                              | Carrefour SA ORD                     | 173,055   |
| 15,200                             | Dillard's Inc. Cl A                  | 533,900   |
| 100                                | Don Quijote Co., Ltd. ORD(1)         | 28,803    |
| 2,500                              | Douglas Holding AG ORD               | 106,820   |
| 4,000                              | Fred's, Inc.                         | 52,250    |
| 200                                | Galleries Lafayette ORD              | 289,718   |
| 4,400                              | Grupo Elektra, S.A. de C.V. GDR      | 23,925    |
| 2,200                              | Homac Corp. ORD                      | 45,624    |
| 1,500                              | Lands' End, Inc. (1)                 | 64,125    |
| 6,100                              | May Department Stores Co. (The)      | 264,206   |
| 11,400                             | Next Plc ORD                         | 132,443   |
| 12,600                             | Penney (J.C.) Company, Inc.          | 651,262   |
| 1,900                              | Pinault-Printemps-Redoute            |           |
|                                    | SA ORD                               | 323,348   |
| 400                                | Ryohin Keikaku Co. Limited ORD       | 78,311    |
| 2,400                              | Shinsegae Department Store           |           |
|                                    | Co. ORD                              | 107,265   |
| 4,400                              | ShopKo Stores, Inc. (1)              | 156,200   |
| 47,600                             | Wal-Mart Stores, Inc.                | 2,028,950 |
|                                    |                                      | -----     |
|                                    |                                      | 5,281,436 |
|                                    |                                      | -----     |
| RETAIL (INTERNET) (2)              |                                      |           |
| 600                                | eBay Inc. (1)                        | 106,256   |
|                                    |                                      | -----     |
| RETAIL (SPECIALTY)--0.9%           |                                      |           |
| 3,300                              | Best Buy Co., Inc. (1)               | 150,150   |
| 4,500                              | Circuit City Stores-Circuit          |           |
|                                    | City Group                           | 323,156   |
| 4,400                              | DeoDeo Corporation ORD               | 43,451    |
| 9,642                              | Dixons Group plc ORD                 | 173,085   |
| 15,000                             | Home Depot, Inc.                     | 853,125   |
| 9,000                              | Starbucks Corp. (1)                  | 332,156   |
| 9,100                              | Sunglass Hut International, Inc. (1) | 138,206   |
| 400                                | TAG Heuer International SA ORD(1)    | 37,058    |
| 11,600                             | Toys 'R' Us, Inc. (1)                | 267,525   |
| 5,400                              | Tractor Supply Co. (1)               | 160,312   |
| 5,000                              | Yamada Denki ORD                     | 206,970   |
| 4,200                              | Zale Corp. (1)                       | 161,962   |
|                                    |                                      | -----     |
|                                    |                                      | 2,847,156 |
|                                    |                                      | -----     |

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Strategic Moderate--Schedule of Investments

(Continued)

MAY 31, 1999 (UNAUDITED)

| Shares                         |                             | Value     |
|--------------------------------|-----------------------------|-----------|
| -----                          |                             | -----     |
| STEEL(2)                       |                             |           |
| 11,300                         | Hylsamex S.A. ORD(1)        | \$ 24,904 |
|                                |                             | -----     |
| TELEPHONE COMMUNICATIONS--4.7% |                             |           |
| 21,800                         | AAPT Limited ORD(1)         | 78,774    |
| 800                            | Aliant Communications, Inc. | 37,600    |
| 7,600                          | ALLTEL Corp.                | 544,825   |
| 7,200                          | Ameritech Corp.             | 473,850   |
| 15,500                         | AT&T Corp.                  | 860,250   |
| 10,600                         | Bell Atlantic Corp.         | 580,350   |
| 48,500                         | BellSouth Corp.             | 2,288,594 |

|         |   |            |
|---------|---|------------|
| 32,276  | British Telecommunications<br>plc ORD         | 538,043    |
| 29,100  | Cable & Wireless Communications<br>plc ORD(1) | 276,334    |
| 43,493  | Cable & Wireless Optus<br>Limited ORD(1)      | 83,119     |
| 19,568  | COLT Telecom Group plc ORD(1)                 | 412,998    |
| 400     | Dacom Corp. ORD                               | 28,874     |
| 85      | Dacom Corp. Rights ORD(1)                     | 1,864      |
| 8,278   | Energis plc ORD(1)                            | 199,635    |
| 7,400   | Esat Telecom Group PLC ADR(1)                 | 273,338    |
| 2,700   | Global TeleSystems Group, Inc.(1)             | 204,947    |
| 24,300  | GTE Corp.                                     | 1,532,419  |
| 2,400   | Intermedia Communications Inc.(1)             | 60,525     |
| 4       | Japan Telecom Co. Ltd. ORD                    | 48,718     |
| 5,700   | MCI WorldCom, Inc.(1)                         | 492,159    |
| 36      | Nippon Telegraph & Telephone<br>ORD           | 349,586    |
| 196,500 | PT Telekomunikasi Indonesia ORD               | 91,353     |
| 1,500   | RSL Communications, Ltd. Cl A(1)              | 33,844     |
| 39,700  | SBC Communications Inc.                       | 2,029,662  |
| 150     | SK Telecom Co. Ltd. ADR                       | 2,138      |
| 4,353   | Sonera Group Oyj ORD                          | 85,059     |
| 5,000   | Sprint Corp.                                  | 563,750    |
| 364     | Swisscom AG ORD(1)                            | 131,077    |
| 1,600   | Tele Danmark A/S ORD                          | 163,183    |
| 34,500  | Telecom Italia SpA ORD                        | 355,227    |
| 11,719  | Telefonica S.A. ORD(1)                        | 561,552    |
| 4,200   | Telefonos de Mexico,<br>S.A. Cl L ADR         | 335,738    |
| 2,700   | Teleglobe Inc. ORD                            | 81,693     |
| 6,800   | Telesp Participacoes S.A. ADR                 | 148,750    |
| 1,103   | Telinfo NV ORD                                | 126,062    |
| 6,900   | U S WEST, Inc.                                | 373,031    |
| 6,600   | Viatel, Inc.(1)                               | 296,175    |
|         |   | -----      |
|         |   | 14,745,096 |
|         |   | -----      |

TEXTILES & APPAREL--0.2%

|       |                        |         |
|-------|------------------------|---------|
| 4,700 | Dexter Corp. (The)     | 182,125 |
| 3,600 | Polymer Group, Inc.(1) | 44,100  |
| 1,700 | Quiksilver, Inc.(1)    | 48,450  |

Shares

Value

|       |                         |            |
|-------|-------------------------|------------|
| 2,500 | Tommy Hilfiger Corp.(1) | \$ 187,656 |
| 4,200 | VF Corp.                | 193,200    |
|       |                         | -----      |
|       |                         | 655,531    |
|       |                         | -----      |

TOBACCO--0.5%

|        |                                |           |
|--------|--------------------------------|-----------|
| 3,500  | Fortune Brands, Inc.           | 143,062   |
| 16,000 | Imperial Tobacco Group plc ORD | 179,864   |
| 7,700  | Philip Morris Companies Inc.   | 296,931   |
| 30,900 | UST Inc.                       | 942,450   |
|        |                                | -----     |
|        |                                | 1,562,307 |
|        |                                | -----     |

TRANSPORTATION--0.3%

|        |                                   |         |
|--------|-----------------------------------|---------|
| 5,300  | Atlas Air, Inc.(1)                | 142,438 |
| 2,900  | Eagle USA Airfreight, Inc.(1)     | 136,844 |
| 4,700  | Forward Air Corp.(1)              | 128,222 |
| 7,800  | Go-Ahead Group PLC (The) ORD      | 110,104 |
| 4,200  | Hertz Corp. Cl A                  | 230,738 |
| 24,000 | Sembcorp Logistics Limited ORD(1) | 70,957  |
|        |                                   | -----   |
|        |                                   | 819,303 |
|        |                                   | -----   |

UTILITIES--2.1%

|        |   |           |
|--------|---|-----------|
| 2,600  | AES Corp. (The)(1)                      | 129,350   |
| 28,700 | AGL Resources Inc.                      | 541,712   |
| 19,900 | Ameren Corp.                            | 814,656   |
| 2,500  | Calpine Corp.(1)                        | 135,469   |
| 79,600 | Cogeneration Public Co.,<br>Ltd. ORD(1) | 60,043    |
| 19,700 | Florida Progress Corp.                  | 826,169   |
| 26,900 | FPL Group, Inc.                         | 1,565,244 |
| 4,900  | KN Energy, Inc.                         | 105,044   |
| 2,400  | Korea Electric Power Corp. ORD          | 73,466    |
| 8,100  | LG&E Energy Corp.                       | 184,781   |
| 10,300 | Minnesota Power & Light Co.             | 221,450   |

|        |                                |           |
|--------|--------------------------------|-----------|
| 5,100  | Northeast Utilities(1)         | 89,888    |
| 9,800  | Semptra Energy                 | 210,700   |
| 11,100 | Sierra Pacific Resources       | 403,762   |
| 12,900 | Southern Co.                   | 366,038   |
| 8,800  | Texas Utilities Co.            | 396,000   |
| 8,500  | Utilicorp United Inc.          | 211,969   |
| 1,273  | Vestas Wind Systems A/S ORD(1) | 87,387    |
|        |                                | -----     |
|        |                                | 6,423,128 |
|        |                                | -----     |

WIRELESS COMMUNICATIONS--1.1%

|        |   |           |
|--------|---|-----------|
| 14,300 | AirTouch Communications, Inc.(1)              | 1,437,150 |
| 12,000 | Europolitan Holdings AB ORD                   | 103,899   |
| 1,900  | Nextel Communications, Inc.(1)                | 70,003    |
| 7,400  | Nokia Corp. ADR Cl A                          | 525,400   |
| 6      | NTT Mobile Communication<br>Network, Inc. ORD | 326,379   |
| 9,300  | Orange plc ORD(1)                             | 128,672   |
| 869    | Panafon SA ORD(1)                             | 21,595    |
| 9,300  | Pinnacle Holdings Inc.(1)                     | 168,272   |

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Strategic Moderate--Schedule of Investments

(Continued)

MAY 31, 1999 (UNAUDITED)

| Shares/Principal Amount |                                | Value     |
|-------------------------|--------------------------------|-----------|
|                         |                                | -----     |
| 2,100                   | Sprint PCS(1)                  | \$ 94,500 |
| 27,700                  | Vodafone Group plc ORD         | 527,409   |
| 3,300                   | VoiceStream Wireless Corp.(1)  | 89,100    |
| 3,400                   | Western Wireless Corp. Cl A(1) | 83,194    |
|                         |                                | -----     |
|                         |                                | 3,575,573 |
|                         |                                | -----     |

TOTAL COMMON STOCKS & RIGHTS

188,664,432

(Cost \$152,835,905)

PREFERRED STOCKS--0.3%

ENERGY (PRODUCTION & MARKETING)--0.1%

|           |                              |         |
|-----------|------------------------------|---------|
| 1,250,000 | Petroleo Brasileiro S.A. ORD | 176,097 |
|           |                              | -----   |

FINANCIAL SERVICES--0.2%

|     |  |         |
|-----|--|---------|
| 948 | Marschollek, Lautenschlaeger und<br>Partner AG ORD | 493,979 |
|     |  | -----   |

RETAIL (SPECIALTY) (2)

|       |                 |        |
|-------|-----------------|--------|
| 1,700 | Fielmann AG ORD | 66,260 |
|       |                 | -----  |

TELEPHONE COMMUNICATIONS(2)

|           |                                 |        |
|-----------|---------------------------------|--------|
| 6,600,000 | Embratel Participacoes S.A. ORD | 91,455 |
|           |                                 | -----  |

UTILITIES(2)

|           |  |         |
|-----------|--|---------|
| 7,200,000 | Centrais Electricas Brasileiras<br>S.A. Cl B ORD | 150,901 |
|           |  | -----   |

WIRELESS COMMUNICATIONS(2)

|            |  |        |
|------------|--|--------|
| 18,100,000 | Tele Sudeste Celular<br>Participacoes S.A. ORD | 85,797 |
|            |  | -----  |

TOTAL PREFERRED STOCKS

1,064,489

(Cost \$719,527)

U.S. TREASURY SECURITIES--5.2%

|             |   |           |
|-------------|---|-----------|
| \$1,300,000 | U.S. Treasury Notes, 7.75%,<br>11/30/99 | 1,318,299 |
| 4,750,000   | U.S. Treasury Notes, 5.50%,<br>3/31/00  | 4,767,960 |
| 3,425,000   | U.S. Treasury Notes, 6.625%,<br>7/31/01 | 3,506,537 |
| 2,000,000   | U.S. Treasury Notes, 4.75%,<br>2/15/04  | 1,930,343 |
| 500,000     | U.S. Treasury Notes, 7.875%,            |           |

|           |  |           |
|-----------|--|-----------|
|           | 11/15/04                                 | 548,874   |
| 750,000   | U.S. Treasury Notes, 4.75%,<br>11/15/08  | 697,938   |
| 700,000   | U.S. Treasury Notes, 5.50%,<br>5/15/09   | 693,640   |
| 1,200,000 | U.S. Treasury Bonds, 8.75%,<br>5/15/17   | 1,539,349 |
| 150,000   | U.S. Treasury Bonds, 7.875%,<br>2/15/21  | 181,165   |
| 800,000   | U.S. Treasury Bonds, 6.125%,<br>11/15/27 | 809,157   |

Principal Amount Value

-----  
\$ 400,000 U.S. Treasury Bonds, 5.25%,  
11/15/28 \$ 362,322

TOTAL U.S. TREASURY SECURITIES 16,355,584

(Cost \$16,502,763)

U.S. GOVERNMENT AGENCY SECURITIES--2.7%

|           |  |           |
|-----------|--|-----------|
| 3,300,000 | FHLB, 5.05%, 3/1/00  | 3,293,499 |
| 500,000   | FNMA, 5.25%, 1/15/03   | 488,075   |
| 3,300,000 | FNMA MTN, 6.23%, 7/21/08   | 3,205,871 |
| 1,500,000 | SLMA MTN, VRN, 5.22%,<br>6/1/99 resets weekly off the<br>3-month T-Bill plus 0.60%<br>with no caps | 1,501,755 |

TOTAL U.S. GOVERNMENT  
AGENCY SECURITIES 8,489,200

(Cost \$8,599,932)

SOVEREIGN GOVERNMENTS & AGENCIES--5.6%

|      |             |   |           |
|------|-------------|---|-----------|
| AUD  | 1,360,000   | Australian Government,<br>9.50%, 8/15/03          | 1,014,230 |
| USD  | 200,000     | Province of British Columbia,<br>5.375%, 10/29/08 | 184,868   |
| EURO | 1,899,196   | Deutschland Republic,<br>4.75%, 7/4/98            | 1,879,295 |
| EURO | 6,494,851   | Deutschland Republic,<br>6.00%, 9/15/03           | 7,493,527 |
| CAD  | 560,000     | Government of Canada,<br>5.00%, 3/15/00           | 379,947   |
| CAD  | 1,000,000   | Government of Canada,<br>6.00%, 6/1/08            | 705,180   |
| JPY  | 300,000,000 | Japan Global, 3.30%,<br>6/20/06                   | 2,829,280 |
| DKK  | 4,100,000   | Kingdom of Denmark,<br>8.00%, 3/15/06             | 700,469   |
| GBP  | 200,000     | U.K. Treasury Bonds, 7.50%,<br>12/7/06            | 368,791   |
| GBP  | 900,000     | U.K. Treasury Bonds, 9.00%,<br>8/6/12             | 1,991,759 |

TOTAL SOVEREIGN GOVERNMENTS  
& AGENCIES 17,547,346

(Cost \$18,766,139)

MORTGAGE-BACKED SECURITIES(3)--4.3%

|         |                                       |         |
|---------|---------------------------------------|---------|
| 230,334 | FHLMC Pool #E68523, 6.50%,<br>12/1/12 | 230,337 |
| 50,342  | FHLMC Pool #C00465, 8.00%,<br>6/1/26  | 52,365  |
| 220,523 | FHLMC Pool #D72306, 8.00%,<br>6/1/26  | 229,382 |
| 91,254  | FHLMC Pool #D72431, 8.00%,<br>6/1/26  | 94,920  |

See Notes to Financial Statements

| Principal Amount |                                       | Value      |
|------------------|---------------------------------------|------------|
| \$ 158,622       | FHLMC Pool #D72499, 8.00%,<br>7/1/26  | \$ 164,994 |
| 723,415          | FNMA Pool #373899, 6.50%,<br>3/1/12   | 721,918    |
| 140,990          | FNMA Pool #125477, 6.50%,<br>4/1/12   | 140,698    |
| 656,172          | FNMA Pool #369085, 6.50%,<br>4/1/12   | 654,814    |
| 37,662           | FNMA Pool #377181, 6.50%,<br>4/1/12   | 37,584     |
| 481,060          | FNMA Pool #377379, 6.50%,<br>4/1/12   | 480,065    |
| 160,449          | FNMA Pool #341078, 7.00%,<br>5/1/26   | 160,998    |
| 267,776          | FNMA Pool #250576, 7.00%,<br>6/1/26   | 268,693    |
| 507,351          | FNMA Pool #373510, 7.50%,<br>3/1/27   | 519,000    |
| 1,083,419        | FNMA Pool #412562, 6.50%,<br>1/1/28   | 1,061,189  |
| 175,542          | GNMA Pool #397233, 9.50%,<br>2/20/25  | 188,093    |
| 50,797           | GNMA Pool #392995, 8.75%,<br>3/15/25  | 54,022     |
| 116,899          | GNMA Pool #001991, 9.00%,<br>4/20/25  | 123,787    |
| 207,717          | GNMA Pool #416856, 7.50%,<br>10/15/25 | 212,864    |
| 124,806          | GNMA Pool #421254, 7.50%,<br>11/15/25 | 127,898    |
| 26,492           | GNMA Pool #373704, 6.00%,<br>4/15/26  | 25,241     |
| 218,045          | GNMA Pool #416761, 7.50%,<br>6/15/26  | 223,416    |
| 756,965          | GNMA Pool #456569, 7.50%,<br>11/15/27 | 775,490    |
| 909,238          | GNMA Pool #457351, 7.00%,<br>12/15/27 | 912,208    |
| 1,143,675        | GNMA Pool #449491, 7.50%,<br>12/15/27 | 1,171,665  |
| 467,365          | GNMA Pool #461623, 6.50%,<br>1/15/28  | 456,666    |
| 603,455          | GNMA Pool #450628, 6.50%,<br>3/15/28  | 589,641    |
| 28,059           | GNMA Pool #421388, 6.00%,<br>4/15/26  | 26,734     |
| 1,473,539        | GNMA Pool #466804, 6.50%,<br>4/15/28  | 1,439,808  |
| 456,774          | GNMA Pool #454559, 6.00%,<br>5/15/28  | 433,712    |
| 421,811          | GNMA Pool #474782, 6.00%,<br>5/15/28  | 400,514    |
| 387,081          | GNMA Pool #403868, 6.50%,<br>5/15/28  | 378,221    |

| Principal Amount |                                      | Value     |
|------------------|--------------------------------------|-----------|
| \$ 60,531        | GNMA Pool #403912, 6.50%,<br>5/15/28 | \$ 59,146 |
| 61,878           | GNMA Pool #465798, 6.50%,<br>5/15/28 | 60,462    |
| 484,937          | GNMA Pool #475802, 6.00%,<br>7/15/28 | 460,453   |
| 497,301          | GNMA Pool #438917, 6.00%,<br>8/15/28 | 472,193   |

TOTAL MORTGAGE-BACKED SECURITIES 13,409,191

(Cost \$17,409,447)

| Principal Amount                   |   | Value     |
|------------------------------------|---|-----------|
| ASSET-BACKED SECURITIES (3) --1.7% |   |           |
| 1,200,000                          | AMRESKO, INC., Series 1998-2,<br>Class A4 SEQ, 6.45%, 4/25/27                       | 1,187,778 |
| 300,000                            | Comed Transitional Funding Trust,<br>Series 1998-1, Class A6 SEQ,<br>5.63%, 6/25/09 | 285,196   |



|         |  |         |
|---------|--|---------|
| 900,000 | GMAC Commercial Mortgage Securities Inc., Series 1999 C1, Class A2 SEQ, 6.18%, 5/15/33                                   | 865,354 |
| 381,253 | Money Store (The) Home Equity Trust, Series 1995 C, Class A9 SEQ, 6.375%, 9/15/11  | 382,483 |
| 500,000 | Money Store (The) Home Equity Trust, Series 1997 C, Class AF4 SEQ, 6.37%, 8/15/17  | 502,022 |
| 300,000 | Money Store (The) Home Equity Trust, Series 1997 C, Class AF6 SEQ, 6.67%, 2/15/25  | 302,102 |
| 567,889 | Morgan Stanley Capital I, Series 1998 WF1, Class A1 SEQ, 6.25%, 7/15/07  | 561,452 |
| 387,614 | Nationslink Funding Corp., Series 1998-2, Class A1 SEQ, 6.00%, 11/20/07  | 378,992 |
| 300,000 | Nationslink Funding Corp., Series 1999-1, Class A2 SEQ, 6.32%, 11/20/08  | 291,454 |
| 108,227 | Textron Financial Corp. Receivables Trust, Series 1997 A, Class A, 6.05%, 3/16/09 (Acquired 9/18/97, Cost \$108,084) (4) | 108,451 |
| 300,000 | United Companies Financial Corp., Home Equity Loan, Series 1997 C, Class A7, 6.85%, 1/15/29                              | 301,646 |

TOTAL ASSET-BACKED SECURITIES

5,166,930

(Cost \$5,264,974)

See Notes to Financial Statements

Strategic Moderate--Schedule of Investments

(Continued)

MAY 31, 1999 (UNAUDITED)

| Principal Amount               |  | Value      |
|--------------------------------|--|------------|
| CORPORATE BONDS--11.8%         |  |            |
| AEROSPACE & DEFENSE--0.1%      |  |            |
| \$ 400,000                     | Lockheed Martin Corp., 6.85%, 5/15/01  | \$ 404,834 |
| AIRLINES--0.2%                 |  |            |
| 500,000                        | Continental Airlines, Inc., 8.00%, 12/15/05  | 498,125    |
| AUTOMOBILES & AUTO PARTS--0.2% |  |            |
| 550,000                        | Lear Corp., 7.96%, 5/15/05 (Acquired 5/13/99, Cost \$550,000) (4)  | 550,000    |
| 250,000                        | Stanadyne Automotive Corp., Series B, 10.25%, 12/15/07 (Acquired 7/22/98, Cost \$258,125) (4)                      | 232,500    |
|                                |  | 782,500    |
| BANKING--1.9%                  |  |            |
| 2,000,000                      | American Express Centurion Bank, VRN, 4.85%, 6/18/99 resets monthly off the 1-month LIBOR minus 0.05% with no caps | 1,999,980  |
| 500,000                        | Bay View Capital Corp., 9.125%, 8/15/02  | 465,000    |
| 400,000                        | Citigroup Inc., 7.125%, 5/15/06  | 404,882    |
| 650,000                        | First Bank System Inc., 7.625%, 5/1/05   | 680,182    |
| 1,000,000                      | KeyBank N.A., VRN, 4.72%, 6/1/99 resets daily off the Fed Funds rate plus 0.22% with no caps                       | 1,000,000  |
| 500,000                        | NationsBank Corporation, 6.125%,   |            |

|   |  |       |           |
|---|--|-------|-----------|
|   | 7/15/04  |       | 495,536   |
| 1,000,000                                   | NationsBank, N.A., VRN, 5.09%,<br>6/1/99 resets daily<br>off the Fed Funds rate plus 0.22%<br>with no caps |       | 1,000,180 |
|   |  |       | -----     |
|   |  |       | 6,045,760 |
|   |  |       | -----     |
| BROADCASTING & MEDIA--0.4%                  |  |       |           |
| 300,000                                     | British Sky Broadcasting, 6.875%,<br>2/23/09   |       | 286,974   |
| 500,000                                     | Charter Communication Holdings<br>LLC, 8.625%, 4/1/09 (Acquired<br>3/12/99, Cost \$498,475) (4)            |       | 492,500   |
| 250,000                                     | Fox Family Worldwide Inc., 9.25%,<br>11/1/07   |       | 240,000   |
| 250,000                                     | Imax Corp., 7.875%, 12/1/05  |       | 242,188   |
| 100,000                                     | Tele-Communications Inc., 8.25%,<br>1/15/03  |       | 105,911   |
|   |  |       | -----     |
|   |  |       | 1,367,573 |
|   |  |       | -----     |
| Principal Amount                            |  | Value |           |
| -----                                       |  |       |           |
| CHEMICALS & RESINS--0.3%                    |  |       |           |
| \$ 250,000                                  | Lyondell Chemical Co., Series B,<br>9.875%, 5/1/07 (Acquired<br>5/11/99, Cost \$253,750) (4)               | \$    | 253,438   |
| 450,000                                     | Monsanto Co., 6.60%, 12/1/28<br>(Acquired 12/4/98-3/11/99,<br>Cost \$444,900) (4)                          |       | 414,081   |
| 250,000                                     | Scotts Co. (The), 8.675%, 1/15/09<br>(Acquired 1/14/99, Cost<br>\$250,000) (4)                             |       | 252,188   |
|   |  |       | -----     |
|   |  |       | 919,707   |
|   |  |       | -----     |
| COMPUTER SOFTWARE & SERVICES--0.1%          |  |       |           |
| 250,000                                     | Unisys Corp., 12.00%, 4/15/03  |       | 274,062   |
|   |  |       | -----     |
| DIVERSIFIED COMPANIES--0.1%                 |  |       |           |
| 300,000                                     | Hutchison Whampoa Financial,<br>7.50%, 8/1/27 (Acquired<br>4/7/99, Cost \$260,577) (4)                     |       | 261,490   |
|   |  |       | -----     |
| ELECTRICAL & ELECTRONIC<br>COMPONENTS--0.2% |  |       |           |
| 250,000                                     | DII Group, Inc., 8.50%, 9/15/07<br>(Acquired 9/17/97, Cost<br>\$250,000) (4)                               |       | 251,562   |
| 250,000                                     | Flextronics International Ltd.,<br>Series B, 8.75%, 10/15/07   |       | 251,562   |
| 250,000                                     | Trench Electric & Trench Inc.,<br>10.25%, 12/15/07   |       | 247,188   |
|   |  |       | -----     |
|   |  |       | 750,312   |
|   |  |       | -----     |
| ENERGY (PRODUCTION & MARKETING)--0.9%       |  |       |           |
| 250,000                                     | Belco Oil & Gas Corp., 8.875%,<br>9/15/07  |       | 245,000   |
| 400,000                                     | Enron Corp., 6.625%, 11/15/05  |       | 392,300   |
| 500,000                                     | Ocean Energy, Inc., 9.75%,<br>10/1/06  |       | 515,625   |
| 750,000                                     | Oryx Energy Co., 8.375%,<br>7/15/04  |       | 797,253   |
| 200,000                                     | Triton Energy Ltd., 8.75%,<br>4/15/02  |       | 199,500   |
| 600,000                                     | USX Corp., 6.65%, 2/1/06   |       | 582,087   |
|   |  |       | -----     |
|   |  |       | 2,731,765 |
|   |  |       | -----     |
| ENERGY (SERVICES)--0.3%                     |  |       |           |
| 500,000                                     | Cliffs Drilling Company, 10.25%,<br>5/15/03  |       | 505,625   |
| 400,000                                     | Petroleum Geo-Services ASA,<br>7.125%, 3/30/28   |       | 374,763   |
|   |  |       | -----     |
|   |  |       | 880,388   |
|   |  |       | -----     |
| FINANCIAL SERVICES--1.8%                    |  |       |           |
| 400,000                                     | Comdisco Inc., 7.75%, 9/1/99   |       | 401,937   |

|           |  |           |
|-----------|--|-----------|
| 600,000   | Ford Motor Credit Co., 6.55%,<br>9/10/02           | 604,295   |
| 2,000,000 | GMAC, 8.00%, 10/1/99                               | 2,018,575 |
| 250,000   | Intertek Finance PLC, Series B,<br>10.25%, 11/1/06 | 244,062   |

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Strategic Moderate--Schedule of Investments

|                                   |   | (Continued) |
|-----------------------------------|---|-------------|
| MAY 31, 1999 (UNAUDITED)          |   |             |
| Principal Amount                  |   | Value       |
| \$ 500,000                        | Metris Companies Inc., 10.00%,<br>11/1/04   | \$ 511,250  |
| 2,000,000                         | USL Capital Corp. MTN, Series D,<br>6.18%, 11/8/99  | 2,006,708   |
|                                   |   | -----       |
|                                   |   | 5,786,827   |
|                                   |   | -----       |
| FOOD & BEVERAGE--0.4%             |   |             |
| 600,000                           | Pepsi Bottling Group Inc., 5.625%,<br>2/17/09 (Acquired 2/3/99,<br>Cost \$597,402) (4)    | 559,732     |
| 600,000                           | Pepsi Bottling Group Inc., 7.00%,<br>3/1/29 (Acquired 3/12/99,<br>Cost \$498,475) (4)     | 581,704     |
|                                   |   | -----       |
|                                   |   | 1,141,436   |
|                                   |   | -----       |
| HEALTHCARE--0.1%                  |   |             |
| 400,000                           | Aetna Services, Inc., 6.75%,<br>8/15/01   | 402,780     |
|                                   |   | -----       |
| INSURANCE--0.2%                   |   |             |
| 600,000                           | Conseco Inc., 6.40%, 6/15/01  | 588,841     |
|                                   |   | -----       |
| LEISURE--0.1%                     |   |             |
| 100,000                           | Paramount Communications, Inc.,<br>7.50%, 1/15/02   | 102,072     |
| 100,000                           | Time Warner Inc., 8.11%,<br>8/15/06   | 107,110     |
|                                   |   | -----       |
|                                   |   | 209,182     |
|                                   |   | -----       |
| MACHINERY & EQUIPMENT--0.2%       |   |             |
| 500,000                           | United Rentals, Inc., Series B,<br>9.50%, 6/1/08  | 508,125     |
|                                   |   | -----       |
| METALS & MINING--0.3%             |   |             |
| 100,000                           | Alcan Aluminium Ltd., 5.875%,<br>4/1/00   | 100,258     |
| 300,000                           | Barrick Gold Corp., 7.50%,<br>5/1/07  | 309,517     |
| 250,000                           | Golden Northwest Aluminum,<br>12.00%, 12/15/06 (Acquired<br>12/14/98, Cost \$250,000) (4) | 257,500     |
| 250,000                           | Kaiser Aluminum & Chemical,<br>12.75%, 2/1/98   | 254,375     |
|                                   |   | -----       |
|                                   |   | 921,650     |
|                                   |   | -----       |
| OFFICE EQUIPMENT & SUPPLIES--0.3% |   |             |
| 250,000                           | Fisher Scientific International Inc.,<br>7.125%, 12/15/05                                 | 238,438     |
| 250,000                           | Fisher Scientific International Inc.,<br>9.00%, 2/1/08                                    | 242,500     |
| 350,000                           | Xerox Capital Trust, 8.00%,<br>2/1/27 (Acquired 7/17/97,<br>Cost \$364,084) (4)           | 358,640     |
|                                   |   | -----       |
|                                   |   | 839,578     |
|                                   |   | -----       |
| PACKAGING & CONTAINERS--0.2%      |   |             |
| 550,000                           | Owens-Illinois Inc., 7.15%,   |             |

5/15/05

529,926

| Principal Amount               |  | Value      |
|--------------------------------|--|------------|
| PAPER & FOREST PRODUCTS--0.2%  |  |            |
| \$ 150,000                     | Domtar, Inc. 8.75%, 8/1/06   | \$ 155,812 |
| 600,000                        | Fort James Corp., 6.625%,<br>9/15/04   | 602,434    |
|                                |  | 758,246    |
| RAILROAD--0.2%                 |  |            |
| 450,000                        | Norfolk Southern Corp., 7.90%,<br>5/15/97                                    | 476,492    |
| REAL ESTATE--0.2%              |  |            |
| 400,000                        | Chelsea GCA Realty Partners,<br>7.25%, 10/21/07                              | 378,850    |
| 300,000                        | Spieker Properties, Inc., 6.80%,<br>12/15/01                                 | 300,265    |
|                                |  | 679,115    |
| RETAIL (FOOD & DRUG)--0.3%     |  |            |
| 550,000                        | Rite Aid Corp., 6.70%, 12/15/01  | 551,499    |
| 500,000                        | Rite Aid Corp., 6.125%, 12/15/08<br>(Acquired 1/6/99, Cost<br>\$503,160) (4) | 460,454    |
|                                |  | 1,011,953  |
| RETAIL (SPECIALTY)--0.2%       |  |            |
| 500,000                        | Sonic Automotive, Inc., Series B,<br>11.00%, 8/1/08                          | 496,250    |
| STEEL--0.2%                    |  |            |
| 250,000                        | Armco Inc., 9.00%, 9/15/07<br>(Acquired 9/9/97, Cost<br>\$248,700) (4)       | 259,062    |
| 550,000                        | Pohang Iron & Steel Co., Ltd.,<br>7.375%, 5/15/05                            | 525,955    |
|                                |  | 785,017    |
| TELEPHONE COMMUNICATIONS--1.3% |  |            |
| 1,000,000                      | Cable & Wireless Communications<br>plc, 6.625%, 3/6/05                       | 984,186    |
| 300,000                        | Cincinnati Bell Inc., 6.30%,<br>12/1/28                                      | 272,905    |
| 550,000                        | GTE North Inc., Series H, 5.65%,<br>11/15/08                                 | 513,670    |
| 400,000                        | MCI WorldCom, Inc., 7.55%,<br>4/1/04   | 414,605    |
| 300,000                        | MCI WorldCom, Inc., 6.40%,<br>8/15/05  | 294,417    |
| 250,000                        | Qwest Communications<br>International Inc., Series B,<br>8.29%, 2/1/03(5)    | 192,188    |
| 1,250,000                      | Qwest Communications<br>International Inc., Series B,<br>7.50%, 11/1/08      | 1,263,298  |
| 300,000                        | Sprint Capital Corp., 6.875%,<br>11/15/28                                    | 282,225    |
|                                |  | 4,217,494  |

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Strategic Moderate--Schedule of Investments

(Continued)

MAY 31, 1999 (UNAUDITED)

| Principal Amount     | Value |
|----------------------|-------|
| TRANSPORTATION--0.1% |       |

|                                       |  |            |
|---------------------------------------|--|------------|
| \$ 250,000                            | Atlas Air, Inc., 10.75%, 8/1/05  | \$ 258,750 |
| -----                                 |  |            |
| UTILITIES--0.4%                       |  |            |
| 500,000                               | Georgia Power Co., 5.50%,<br>12/1/05   | 473,342    |
| 400,000                               | PG&E Corp., 6.25%, 3/1/04  | 398,981    |
| 300,000                               | Southern Investments UK, 6.80%,<br>12/1/06   | 297,060    |
| -----                                 |  |            |
|                                       |  | 1,169,383  |
| -----                                 |  |            |
| WIRELESS COMMUNICATIONS--0.4%         |  |            |
| 250,000                               | 360 Communications Co.,<br>7.125%, 3/1/03  | 255,167    |
| 250,000                               | Orange plc, 8.00%, 8/1/08  | 245,000    |
| 600,000                               | TCI Communications, Inc., 8.75%,<br>8/1/15   | 708,328    |
| -----                                 |  |            |
|                                       |  | 1,208,495  |
| -----                                 |  |            |
| TOTAL CORPORATE BONDS                 |  | 36,906,056 |
| -----                                 |  |            |
| (Cost \$36,405,676)                   |  |            |
| COMMERCIAL PAPER(6)--5.9%             |  |            |
| BANKING--0.7%                         |  |            |
| 2,000,000                             | Banque National de Paris, 4.82%,<br>6/15/99  | 1,995,141  |
| -----                                 |  |            |
| ENERGY (PRODUCTION & MARKETING)--0.9% |  |            |
| 1,700,000                             | Motiva Enterprises LLC, 4.90%,<br>8/26/99 (Acquired 5/28/99,<br>Cost \$1,679,175) (4)                        | 1,679,015  |
| 1,150,000                             | Statoil-Den Norske Stats, 4.79%,<br>6/17/99 (Acquired 5/13/99,<br>Cost \$1,144,645) (4)                      | 1,146,897  |
| -----                                 |  |            |
|                                       |  | 2,825,912  |
| -----                                 |  |            |
| FINANCIAL SERVICES--2.5%              |  |            |
| 800,000                               | Abbey National North America<br>Corp., 4.83%, 8/9/99   | 792,026    |
| 1,700,000                             | Credit Suisse First Boston Inc.,<br>4.90%, 9/1/99 (Acquired<br>5/25/99, Cost \$1,677,324) (4)                | 1,677,594  |
| 1,700,000                             | Falcon Asset Securities Corp.,<br>4.85%, 7/7/99 (Acquired<br>5/25/99, Cost \$1,690,152) (4)                  | 1,690,810  |
| 1,357,000                             | Quincy Capital Corp., 4.82%,<br>6/22/99 (Acquired 5/25/99,<br>Cost \$1,351,913) (4)                          | 1,352,426  |
| 500,000                               | UBS Finance (Delaware) Inc.,<br>4.92%, 10/12/99  | 490,526    |
| 1,700,000                             | Windmill Funding Corp., 4.82%,<br>7/14/99 (Acquired 5/13/99,<br>Cost \$1,685,888) (4)                        | 1,689,176  |
| -----                                 |  |            |
|                                       |  | 7,692,558  |
| -----                                 |  |            |
| Principal Amount                      |  | Value      |
| -----                                 |  |            |
| FOOD & BEVERAGE--0.3%                 |  |            |
| \$1,000,000                           | Hershey Foods Corp., 4.85%,<br>9/3/99 (Acquired 5/28/99,<br>Cost \$986,797) (4)                              | \$ 986,542 |
| -----                                 |  |            |
| INDUSTRIAL--0.5%                      |  |            |
| 1,700,000                             | Siebe plc, 4.82%, 8/11/99<br>(Acquired 5/13/99, Cost<br>\$1,679,515) (4)                                     | 1,682,582  |
| -----                                 |  |            |
| INSURANCE--0.6%                       |  |            |
| 1,700,000                             | Transamerica Occidental Life<br>Insurance Co., 4.82%, 7/19/99<br>(Acquired 5/13/99, Cost<br>\$1,684,750) (4) | 1,688,005  |
| -----                                 |  |            |
| METALS & MINING--0.4%                 |  |            |
| 1,400,000                             | Rio Tinto America Inc., 4.81%,<br>6/17/99 (Acquired 5/25/99,   |            |

Cost \$1,395,698) (4)

1,396,223

TOTAL COMMERCIAL PAPER

18,266,963

(Cost \$18,260,611)

TEMPORARY CASH INVESTMENTS--2.2%

Repurchase Agreement, Merrill Lynch & Co.,  
Inc., (U.S. Treasury obligations), in a joint  
trading account at 4.75%, dated 5/28/99,  
due 6/1/99 (Delivery value \$6,803,589)

6,800,000

(Cost \$6,800,000)

TOTAL INVESTMENT SECURITIES--100.0%

\$312,670,191

(Cost \$281,564,974)

FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS

| Contracts<br>to Sell | Settlement<br>Date | Value       | Unrealized<br>Gain/(Loss) |
|----------------------|--------------------|-------------|---------------------------|
| 221,951 CHF          | 6/30/99            | \$ 145,763  | \$ 873                    |
| 4,970,508 EURO       | 6/30/99            | 5,189,524   | 35,464                    |
| 664,030 GBP          | 6/30/99            | 1,063,013   | (2,242)                   |
| 179,058,180 JPY      | 6/30/99            | 1,479,086   | (1,404)                   |
| 620,425 SEK          | 6/30/99            | 72,207      | 388                       |
|                      |                    | \$7,949,593 | \$33,079                  |

(Value on Settlement Date \$7,982,672)

Forward foreign currency exchange contracts are used by the portfolio management team in an effort to protect foreign investments against declines in foreign currencies. This is also known as hedging. The contracts are called "forward" because they allow your fund to exchange a foreign currency for U.S. dollars at a date in the future--and at a price (known as the exchange rate) agreed upon when the contract is initially entered into.

See Notes to Financial Statements

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Strategic Moderate--Schedule of Investments

(Continued)

MAY 31, 1999 (UNAUDITED)

NOTES TO SCHEDULE OF INVESTMENTS

ADR = American Depositary Receipt

AUD = Australian Dollar

CAD = Canadian Dollar

CHF = Swiss Franc

DKK = Danish Krone

FHLB = Federal Home Loan Bank

FHLMC = Federal Home Loan Mortgage Corporation

FNMA = Federal National Mortgage Association

GBP = British Pound

GDR = Global Depositary Receipt

GNMA = Government National Mortgage Association

JPY = Japanese Yen

MTN = Medium Term Note

ORD = Foreign Ordinary Share

SEK = Swedish Krona

VRN = Variable Rate Note. Interest reset date is indicated and used in calculating the weighted average portfolio maturity. Rate shown is effective May 31, 1999.

resets = The frequency with which a security's coupon changes, based on current market conditions or an underlying index. The more frequently a security resets, the less risk the investor is taking that the coupon will vary significantly from current market rates.

- (1) Non-income producing.
- (2) Industry is less than 0.05% of total investment securities.
- (3) Final maturity indicated. Expected remaining maturity used for purposes of calculating the weighted average portfolio maturity.
- (4) Security was purchased under Rule 144A or Section 4(2) of the Securities Act of 1933 or is a private placement and, unless registered under the Act or exempted from registration, may only be sold to qualified institutional investors. The aggregate value of restricted securities at May 31, 1999, was \$20,282,572, which represented 6.5% of net assets.
- (5) Step-coupon security. Yield to maturity at purchase is indicated. These securities become interest bearing at a predetermined rate and future date and are purchased at a substantial discount from their value at maturity.
- (6) The rates for commercial paper are the yield to maturity at purchase.

-----  
 UNDERSTANDING THE SCHEDULE OF INVESTMENTS--This schedule tells you which investments your fund owned on the last day of the reporting period.

The schedule includes:

- \* a list of each investment
- \* the share amount (stocks) or principal amount (bonds) of each investment
- \* the market value of each investment
- \* the percentage of investments in each industry, as applicable
- \* the percent and dollar breakdown of each investment category

See Notes to Financial Statements

Strategic Aggressive--Performance

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 TOTAL RETURNS AS OF MAY 31, 1999

<TABLE>

|                        | INVESTOR CLASS (INCEPTION 2/15/96) |         |                                   |                                      | ADVISOR CLASS (INCEPTION 10/2/96) |         |                                   |                                      |
|------------------------|------------------------------------|---------|-----------------------------------|--------------------------------------|-----------------------------------|---------|-----------------------------------|--------------------------------------|
|                        | STRATEGIC<br>AGGRESSIVE            | S&P 500 | LEHMAN<br>AGGREGATE<br>BOND INDEX | THREE-MONTH<br>U.S.<br>TREASURY BILL | STRATEGIC<br>AGGRESSIVE           | S&P 500 | LEHMAN<br>AGGREGATE<br>BOND INDEX | THREE-MONTH<br>U.S.<br>TREASURY BILL |
| <S>                    | <C>                                | <C>     | <C>                               | <C>                                  | <C>                               | <C>     | <C>                               | <C>                                  |
| 6 MONTHS(1)            | 7.90%                              | 12.59%  | -0.76%                            | 2.22%                                | 7.81%                             | 12.59%  | -0.76%                            | 2.22%                                |
| 1 YEAR                 | 5.32%                              | 21.04%  | 4.35%                             | 4.62%                                | 4.91%                             | 21.04%  | 4.35%                             | 4.62%                                |
| =====                  |                                    |         |                                   |                                      |                                   |         |                                   |                                      |
| AVERAGE ANNUAL RETURNS |                                    |         |                                   |                                      |                                   |         |                                   |                                      |
| 3 YEARS                | 12.64%                             | 27.07%  | 7.83%                             | 4.98%                                | --                                | --      | --                                | --                                   |
| LIFE OF FUND           | 13.01%                             | 25.66%  | 6.72%(2)                          | 4.99%(2)                             | 12.94%                            | 28.70%  | 7.56%(3)                          | 4.95%(3)                             |

- (1) Returns for periods less than one year are not annualized.
- (2) Since 2/29/96, the date nearest the class's inception for which data are available.
- (3) Since 9/30/96, the date nearest the class's inception for which data are available.

See pages 69-71 for more information about share classes, returns, and the comparative indices.

[mountain graph - data below]

GROWTH OF \$10,000 OVER LIFE OF FUND

Value on 5/31/99

|                      |          |
|----------------------|----------|
| S&P 500              | \$21,512 |
| Strategic Aggressive | \$15,054 |
| Lehman Aggregate     | \$12,352 |
| Three-Month T-Bill   | \$11,713 |

|          | S&P 500<br>Index | Strategic<br>Aggressive | Lehman<br>Aggregate | Three-Month<br>T-Bill |
|----------|------------------|-------------------------|---------------------|-----------------------|
| 2/29/96  | \$10,000         | \$10,000                | \$10,000            | \$10,000              |
| 3/31/96  | \$10,096         | \$10,101                | \$9,930             | \$10,041              |
| 4/30/96  | \$10,244         | \$10,423                | \$9,874             | \$10,082              |
| 5/31/96  | \$10,508         | \$10,544                | \$9,855             | \$10,125              |
| 6/30/96  | \$10,548         | \$10,524                | \$9,987             | \$10,167              |
| 7/31/96  | \$10,081         | \$10,081                | \$10,014            | \$10,211              |
| 8/31/96  | \$10,294         | \$10,323                | \$9,997             | \$10,254              |
| 9/30/96  | \$10,873         | \$10,767                | \$10,171            | \$10,297              |
| 10/31/96 | \$11,173         | \$10,848                | \$10,396            | \$10,339              |
| 11/30/96 | \$12,016         | \$11,150                | \$10,574            | \$10,382              |
| 12/31/96 | \$11,778         | \$11,069                | \$10,476            | \$10,425              |
| 1/31/97  | \$12,513         | \$11,353                | \$10,508            | \$10,469              |
| 2/28/97  | \$12,612         | \$11,191                | \$10,535            | \$10,513              |
| 3/31/97  | \$12,095         | \$10,805                | \$10,418            | \$10,558              |
| 4/30/97  | \$12,816         | \$11,008                | \$10,574            | \$10,603              |
| 5/31/97  | \$13,599         | \$11,658                | \$10,674            | \$10,648              |
| 6/30/97  | \$14,204         | \$12,063                | \$10,801            | \$10,691              |
| 7/31/97  | \$15,333         | \$12,774                | \$11,093            | \$10,736              |
| 8/31/97  | \$14,475         | \$12,408                | \$10,999            | \$10,783              |
| 9/30/97  | \$15,267         | \$13,078                | \$11,160            | \$10,827              |
| 10/31/97 | \$14,757         | \$12,571                | \$11,322            | \$10,871              |
| 11/30/97 | \$15,440         | \$12,693                | \$11,374            | \$10,919              |
| 12/31/97 | \$15,705         | \$12,866                | \$11,489            | \$10,966              |
| 1/31/98  | \$15,878         | \$12,908                | \$11,636            | \$11,012              |
| 2/28/98  | \$17,023         | \$13,698                | \$11,627            | \$11,058              |
| 3/31/98  | \$17,895         | \$14,295                | \$11,666            | \$11,105              |
| 4/30/98  | \$18,077         | \$14,444                | \$11,727            | \$11,150              |
| 5/31/98  | \$17,766         | \$14,295                | \$11,839            | \$11,197              |
| 6/30/98  | \$18,487         | \$14,615                | \$11,939            | \$11,243              |
| 7/31/98  | \$18,291         | \$14,466                | \$11,964            | \$11,289              |
| 8/31/98  | \$15,648         | \$12,696                | \$12,159            | \$11,335              |
| 9/30/98  | \$16,651         | \$12,994                | \$12,444            | \$11,378              |
| 10/31/98 | \$18,004         | \$13,420                | \$12,378            | \$11,416              |
| 11/30/98 | \$19,095         | \$13,953                | \$12,448            | \$11,458              |
| 12/31/98 | \$20,194         | \$14,639                | \$12,486            | \$11,501              |
| 1/31/99  | \$21,039         | \$14,906                | \$12,574            | \$11,542              |
| 2/28/99  | \$20,384         | \$14,286                | \$12,354            | \$11,585              |
| 3/31/99  | \$21,200         | \$14,744                | \$12,422            | \$11,628              |
| 4/30/99  | \$22,020         | \$15,277                | \$12,462            | \$11,669              |
| 5/31/99  | \$21,512         | \$15,054                | \$12,352            | \$11,713              |

\$10,000 investment made 2/29/96

The graph at left shows the growth of a \$10,000 investment over the life of the fund, while the graph below shows the fund's year-by-year performance. The S&P 500, Lehman Aggregate Bond, and Three-Month U.S. Treasury Bill (T-Bill) indices are provided for comparison in each graph. Strategic Aggressive's total returns include operating expenses (such as transaction costs and management fees) that reduce returns, while the total returns of the indices do not. The graphs are based on Investor Class shares only; performance for other classes will vary due to differences in fee structures (see the Total Returns table above). Past performance does not guarantee future results. Investment return and principal value will fluctuate, and redemption value may be more or less than original cost.

[bar graph - data below]

ONE-YEAR RETURNS OVER LIFE OF FUND (PERIODS ENDING MAY 31)

| DATE  | Strategic<br>Aggressive<br>RETURN | S&P 500<br>RETURN | Lehman<br>Aggregate<br>RETURN | Three-Month<br>T-Bill<br>RETURN |
|-------|-----------------------------------|-------------------|-------------------------------|---------------------------------|
| 5/96* | 5.44%                             | 5.04%             | -1.45%                        | 1.25%                           |
| 5/97  | 10.55%                            | 29.48%            | 8.32%                         | 5.17%                           |
| 5/98  | 22.62%                            | 30.68%            | 10.91%                        | 5.16%                           |
| 5/99  | 5.32%                             | 21.04%            | 4.35%                         | 4.62%                           |

\* From 2/29/96 (the date nearest the class's inception for which index data are available) to 5/31/96.



## Strategic Aggressive--Q&amp;A

An interview with Jeff Tyler and Brian Howell, portfolio managers on the Strategic Asset Allocation funds management team.

HOW DID STRATEGIC AGGRESSIVE PERFORM DURING THE SIX MONTHS ENDED MAY 31, 1999?

Strategic Aggressive returned 7.90% for the six-month period (see the previous page for additional performance information).\* That return reflects the blended performance of the fund's stock, bond, and cash portfolios. Strategic Aggressive's stock holdings helped the fund produce healthy returns despite relatively poor performance by bonds (see pages 3 and 4 for a detailed discussion of world stock and bond markets for the last six months).

HOW IS STRATEGIC AGGRESSIVE MANAGED RELATIVE TO ITS BENCHMARK?

We manage Strategic Aggressive to give shareholders long-term capital growth in a well-diversified portfolio of stocks, bonds, and cash. To do that, we generally allocate 75% of the fund's investments to stocks, 20% to bonds, and 5% to money market securities.

These weightings represent the portfolio's neutral position. We make modest adjustments around these percentages to try and enhance performance.

HOW DID YOU POSITION THE FUND RELATIVE TO ITS NEUTRAL ASSET MIX OVER THE LAST SIX MONTHS?

We ran the portfolio close to neutral, with only a very modest overweight in stocks. Within equities, we added more mid-sized and value shares in the last six months, putting less emphasis on bigger, higher-priced growth stocks.

CAN YOU ELABORATE ON YOUR DECISION TO OVERWEIGHT VALUE STOCKS?

Sure, but first let's take a step back. The last few years, investors focused on a handful of very large, fast-growing companies--typically traditional technology stocks, but also including some Internet shares. In effect, these stocks became highly leveraged plays on the U.S. economy--the better the economy, the faster the earnings for these companies were expected to grow, and the higher their stock price.

But rising interest rates over the last several months threatened those lofty growth assumptions, calling into question the extremely high valuations awarded many large-company growth stocks. As a result, we felt value shares had a better risk/return outlook than the largest growth stocks.

DID THE PORTFOLIO BENEFIT FROM ITS EMPHASIS ON VALUE STOCKS?

Yes, though we might have been a little early on that trade--many of these stocks generally underperformed large-cap growth shares until April and May. That's when interest rates shot higher, plus Compaq Computer, a leading high-tech firm, said profits would be much lower than expected. Many investors took money out of high-priced growth stocks and put it to work in undervalued sectors of the market. In general, that money went from growth to value and down the capitalization ladder from large- to mid-cap stocks. As a result, value outperformed growth and mid- beat large-cap for the six months (see page 3).

\* All fund returns referenced in this interview are for Investor Class shares.

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"WE FELT VALUE SHARES HAD A BETTER RISK/RETURN OUTLOOK THAN THE LARGEST GROWTH STOCKS."

[pie chart - data below]

ASSET ALLOCATION  
(AS OF MAY 31, 1999)  
PERCENT OF FUND INVESTMENTS

|                         |     |
|-------------------------|-----|
| U.S. Stocks             | 59% |
| U.S. Bonds              | 13% |
| Foreign Stocks          | 18% |
| Foreign Bonds           | 5%  |
| Money Market Securities | 5%  |

See page 70 for the fund's neutral asset mix.

Investment terms are defined in the Glossary on pages 71-72.

Strategic Aggressive--Q&amp;A

(Continued)

## WHAT CHANGES DID YOU MAKE TO THE BOND PORTION OF THE PORTFOLIO?

We made only very modest adjustments, adding some higher-yielding corporate bonds. One way to measure the relative attractiveness of corporate bonds is to look at the spread, or difference in yield, between corporates and Treasurys. The wider the yield spread, the more attractive corporate bonds become. In late 1998, the spread between corporates and Treasurys reached its widest level since the recession of 1990. With the economy and corporate profits generally healthy, we simply felt these values were too good to pass up.

## DID YOU EMPHASIZE A PARTICULAR SECTOR OF THE CORPORATE BOND MARKET?

In general, we liked bonds issued by cyclical companies. Cyclical companies are closely tied to the health of the economy, so their bonds tend to perform best when the economy is strong. When fears of recession crippled the market in the third quarter of 1998, these bonds were severely punished and experienced sharp price declines. We used that opportunity to buy some of these securities at attractive prices. As economic growth improved and investors once again became interested in these bonds, cyclicals performed relatively well.

## WHAT'S YOUR OUTLOOK FOR THE GLOBAL ECONOMY?

We have a generally positive outlook. Analysts expect global growth to come in at 2.5-3.0% this year, compared with only about 1.5% in 1998. Also in contrast to 1998, many think the U.S. will lag the rest of the world in 1999. Better economic growth would lead you to expect higher stock prices. Because world economies are so closely linked, more business overseas should also benefit companies here at home.

## ARE THERE ANY POTENTIAL RISKS TO THIS OUTLOOK?

Two issues we're watching carefully are inflation and the potential year 2000 (Y2K) computer problem. While it's impossible to predict the economic impact of the Y2K problem, we are taking steps to measure the Y2K-readiness of the issuers of the fund's portfolio securities. We'll also be keeping a close eye on the financial markets as we get closer to year-end.

## AND WHAT ABOUT THE RISK OF INFLATION?

A big reason the inflation rate fell to its lowest level in a dozen years in 1998 was the weakness of the global economy. With growth rebounding this year, inflation has begun to pick up, though it remains modest by historical standards.

[left margin]

## FUND'S U.S. STOCKS (AS OF MAY 31, 1999)

|                               |             |      |  |
|-------------------------------|-------------|------|--|
| NUMBER OF COMPANIES           | 355         |      |  |
| DIVIDEND YIELD                | 1.14%       |      |  |
| PRICE/EARNINGS RATIO          | 25.8        |      |  |
|                               | % OF FUND'S | % OF |  |
|                               | U.S. STOCKS | FUND |  |
| TOP 5 U.S. STOCKS             |             |      |  |
| MICROSOFT CORP.               | 2.5%        | 1.5% |  |
| WAL-MART STORES, INC.         | 1.5%        | 0.9% |  |
| GENERAL ELECTRIC CO. (U.S.)   | 1.5%        | 0.9% |  |
| TYCO INTERNATIONAL LTD.       | 1.4%        | 0.8% |  |
| AIRTOUCH COMMUNICATIONS, INC. | 1.3%        | 0.8% |  |

## FUND'S FOREIGN STOCKS (AS OF MAY 31, 1999)

|  |         |                |      |
|--|---------|----------------|------|
| NUMBER OF COMPANIES                                | 283     |                |      |
| DIVIDEND YIELD                                     | 1.18%   |                |      |
|  | COUNTRY | % OF FUND'S    | % OF |
|  |         | FOREIGN STOCKS | FUND |
| TOP 5 FOREIGN STOCKS                               |         |                |      |
| MANNESMANN AG                                      | GERMANY | 2.1%           | 0.4% |
| MARSCHOLLEK,<br>LAUTENSCHLAEGER<br>UND PARTNER UND | GERMANY | 1.5%           | 0.3% |
| TELEFONICA S.A.                                    | SPAIN   | 1.3%           | 0.2% |
| BRITISH TELECOM-<br>MUNICATIONS PLC                | U.K.    | 1.2%           | 0.2% |

[pie chart - data below]

PERCENT OF FUND'S FOREIGN STOCKS

|                              |     |
|------------------------------|-----|
| Europe                       | 68% |
| Asia/Pacific                 | 22% |
| Americas<br>(excluding U.S.) | 10% |

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Strategic Aggressive--Q&A

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(Continued)

That brings us to the other reason inflation has declined throughout the 1990s--increased worker productivity. More productive workers explain why both wages and corporate profits rose while inflation fell. However, it's uncertain if productivity gains can continue at the same pace they have in the past. Federal Reserve Chairman Alan Greenspan said as much when announcing his intention to raise short-term interest rates to head off more serious inflation down the road. But it seems that a vigilant Fed and the ability of the global economy to produce more goods than there's currently demand for will keep inflation from getting out of hand anytime soon.

WHAT'S YOUR OUTLOOK FOR INTEREST RATES?

We've already seen a big increase in interest rates since the beginning of the year, so we don't expect rates to go much higher. Instead, we think it's more likely bond yields will trade in a relatively narrow range. Of course, that assumes inflation doesn't increase dramatically and that the world economy gradually improves.

GIVEN THIS OUTLOOK, HOW WILL YOU POSITION STRATEGIC AGGRESSIVE'S STOCK PORTFOLIO?

If we're right and we get good growth and modest inflation, stocks could do well. Value shares continue to look like good buys, so our biggest bet in U.S. equities is likely to be in that area. And with economic growth overseas expected to be even stronger than here at home, foreign stocks look very attractive. As a result, we may overweight foreign stocks relative to foreign bonds going forward.

AND HOW DO YOU EXPECT TO POSITION THE FUND'S BONDS?

Strong growth and relatively stable rates make a very appealing environment for corporate bonds. However, the outlook is somewhat clouded by Y2K. We think the prudent thing to do is keep an eye on this situation and do our best to position the portfolio to respond to the investment challenges and opportunities Y2K might present.

[right margin]

"ANALYSTS EXPECT GLOBAL GROWTH TO COME IN AT 2.5-3.0% THIS YEAR, COMPARED WITH ONLY ABOUT 1.5% IN 1998. BETTER ECONOMIC GROWTH WOULD LEAD YOU TO EXPECT HIGHER STOCK PRICES."

FUND'S U.S. BONDS (AS OF MAY 31, 1999)

|                           |           |
|---------------------------|-----------|
| NUMBER OF SECURITIES      | 90        |
| WEIGHTED AVERAGE MATURITY | 7.9 YEARS |
| AVERAGE DURATION          | 4.8 YEARS |

[pie chart - data below]

PERCENT OF FUND'S U.S. BONDS

|                   |     |
|-------------------|-----|
| Corporate         | 56% |
| Mortgage-Backed   | 15% |
| U.S. Treasury     | 14% |
| Asset-Backed      | 8%  |
| U.S. Govt. Agency | 6%  |
| Other             | 1%  |

FUND'S FOREIGN BONDS (AS OF MAY 31, 1999)

|                           |           |
|---------------------------|-----------|
| NUMBER OF SECURITIES      | 14        |
| WEIGHTED AVERAGE MATURITY | 9.0 YEARS |
| AVERAGE DURATION          | 6.1 YEARS |

[pie chart - data below]

|                                 |     |
|---------------------------------|-----|
| PERCENT OF FUND'S FOREIGN BONDS |     |
| Europe                          | 56% |
| Asia/Pacific                    | 17% |
| Americas<br>(excluding U.S.)    | 27% |

Strategic Aggressive--Schedule of Investments

MAY 31, 1999 (UNAUDITED)

Shares Value

COMMON STOCKS & RIGHTS--75.9%

AEROSPACE & DEFENSE--1.7%

|        |                                |            |
|--------|--------------------------------|------------|
| 1,300  | Alliant Techsystems Inc.(1)    | \$ 110,500 |
| 3,100  | Aviation Sales Co.(1)          | 119,350    |
| 1,900  | Avondale Industries, Inc.(1)   | 69,350     |
| 8,500  | Boeing Co.                     | 359,125    |
| 7,500  | Bombardier Inc. Cl B ORD       | 116,516    |
| 3,500  | Cobham PLC ORD                 | 51,844     |
| 3,400  | Cordant Technologies Inc.      | 164,900    |
| 1,900  | EG&G, Inc.                     | 56,406     |
| 1,700  | General Dynamics Corp.         | 111,775    |
| 6,800  | Goodrich (B.F.) Company (The)  | 275,400    |
| 8,400  | Lockheed Martin Corp.          | 339,675    |
| 2,000  | Newport News Shipbuilding Inc. | 55,000     |
| 4,300  | Raytheon Co. Cl B              | 292,669    |
| 11,700 | United Technologies Corp.      | 726,131    |
|        |                                | -----      |
|        |                                | 2,848,641  |
|        |                                | -----      |

AIRLINES(2)

|     |                      |        |
|-----|----------------------|--------|
| 500 | AMR Corp.(1)         | 32,531 |
| 400 | Delta Air Lines Inc. | 22,950 |
|     |                      | -----  |
|     |                      | 55,481 |
|     |                      | -----  |

AUTOMOBILES & AUTO PARTS--1.3%

|        |   |           |
|--------|---|-----------|
| 4,300  | Coachmen Industries, Inc.               | 94,600    |
| 10,500 | Cooper Tire and Rubber Company          | 249,375   |
| 1,585  | DaimlerChrysler AG ORD                  | 136,687   |
| 838    | Delphi Automotive Systems Corp.(1)      | 16,446    |
| 11,500 | Ford Motor Co.                          | 656,219   |
| 27,000 | Fuji Heavy Industries Ltd. ORD          | 175,534   |
| 1,200  | General Motors Corp.                    | 82,800    |
| 2,100  | Johnson Controls, Inc.                  | 132,431   |
| 4,100  | National R.V. Holdings, Inc.(1)         | 105,319   |
| 50     | Porsche AG ORD                          | 113,855   |
| 16,900 | Superior Industries International, Inc. | 421,444   |
|        |   | -----     |
|        |   | 2,184,710 |
|        |   | -----     |

BANKING--7.1%

|        |   |         |
|--------|---|---------|
| 44,799 | Anglo Irish Bank Corp. plc ORD                    | 123,032 |
| 6,600  | Argentaria SA ORD                                 | 147,812 |
| 10,900 | Australia & New Zealand Banking<br>Group Ltd. ORD | 79,065  |
| 6,888  | Banc One Corp.                                    | 389,602 |
| 5,860  | Banca Popolare Commercio e<br>Industria ORD       | 133,438 |
| 3,677  | Banca Popolare di Brescia ORD                     | 145,041 |
| 2,000  | Banca Popolare di Lodi ORD                        | 21,781  |
| 5,959  | Banco Mello, S.A. ORD                             | 54,960  |
| 9,672  | Bank of Ireland ORD                               | 179,122 |
| 40     | Bank Sarasin & Cie Cl B ORD                       | 67,568  |
| 15,201 | BankAmerica Corp.                                 | 983,315 |

Shares Value

|        |   |            |
|--------|---|------------|
| 5,200  | Barclays PLC ORD                                | \$ 157,630 |
| 17,000 | Chase Manhattan Corp.                           | 1,232,500  |
| 10,200 | Citigroup Inc.                                  | 675,750    |
| 19,500 | Dao Heng Bank Group Ltd. ORD                    | 75,689     |
| 2,800  | Deutsche Pfandbrief-und<br>Hypotheekbank AG ORD | 242,196    |

|        |   |            |
|--------|---|------------|
| 17,850 | Equitable Banking Corp. ORD(1)                      | 44,801     |
| 6,800  | Fifth Third Bancorp                                 | 463,888    |
| 11,900 | First Union Corp.                                   | 548,144    |
| 19,900 | First Virginia Banks, Inc.                          | 988,781    |
| 3,200  | Housing & Commercial Bank,<br>Korea ORD(1)          | 87,701     |
| 1,600  | HSBC Holdings plc ORD                               | 52,407     |
| 51,000 | Keppel Bank ORD                                     | 111,757    |
| 16,300 | KeyCorp   | 566,425    |
| 3,900  | Kookmin Bank ORD                                    | 59,034     |
| 10,400 | Mellon Bank Corp.                                   | 371,150    |
| 712    | National Bank of Greece S.A.<br>ORD                 | 49,655     |
| 6,200  | National Westminster Bank PLC<br>ORD                | 142,174    |
| 3,700  | Northern Trust Corp.                                | 334,850    |
| 1,400  | Piraeus Bank S.A. ORD                               | 41,075     |
| 4,900  | PNC Bank Corp.                                      | 280,525    |
| 9,000  | Regions Financial Corp.                             | 341,156    |
| 2,700  | Shinhan Bank GDR(1)                                 | 51,368     |
| 1,400  | Societe Generale Cl A ORD                           | 254,160    |
| 18,100 | Standard Chartered plc ORD                          | 273,758    |
| 8,000  | Sumitomo Bank, Ltd. (The) ORD                       | 96,317     |
| 20,000 | Summit Bancorp.                                     | 818,750    |
| 1,400  | Toronto-Dominion Bank<br>(The) ORD                  | 73,892     |
| 945    | UBS AG ORD  | 273,474    |
| 3,100  | Unibanco-Uniao de Bancos<br>Brasileiros S.A. GDR(1) | 69,944     |
| 428    | Van der Moolen Holding<br>N.V. ORD                  | 27,833     |
| 5,700  | Wachovia Corp.                                      | 503,025    |
| 5,700  | Wells Fargo & Co.                                   | 228,000    |
| 8,000  | Wing Hang Bank Ltd. ORD                             | 22,593     |
| 5,100  | Zions Bancorporation                                | 325,125    |
|        |   | -----      |
|        |   | 12,210,263 |
|        |   | -----      |

BIOTECHNOLOGY--1.0%

|       |  |         |
|-------|--|---------|
| 5,100 | Amgen Inc.(1)                                  | 322,734 |
| 4,700 | Biogen, Inc.(1)                                | 512,594 |
| 6,200 | Duramed Pharmaceuticals, Inc.(1)               | 91,062  |
| 1,500 | IDEC Pharmaceuticals Corp.(1)                  | 75,609  |
| 2,600 | MedImmune, Inc.(1)                             | 165,262 |
| 5,100 | Pharmaceutical Product<br>Development, Inc.(1) | 135,469 |
| 5,900 | Protein Design Labs, Inc.(1)                   | 115,419 |
| 900   | QIAGEN N.V. New York Shares(1)                 | 63,506  |

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Strategic Aggressive--Schedule of Investments

(Continued)

MAY 31, 1999 (UNAUDITED)

| Shares |                                     | Value      |
|--------|-------------------------------------|------------|
| 2,600  | QLT PhotoTherapeutics, Inc. ORD (1) | \$ 114,386 |
| 2,900  | Ventana Medical Systems, Inc.(1)    | 57,909     |
|        |                                     | -----      |
|        |                                     | 1,653,950  |
|        |                                     | -----      |

BROADCASTING & MEDIA--3.0%

|        |  |         |
|--------|--|---------|
| 7,900  | BEC World Public Co., Limited<br>ORD     | 42,565  |
| 2,300  | Capital Radio plc ORD                    | 32,301  |
| 16,200 | CBS Corporation(1)                       | 676,350 |
| 12,000 | Clear Channel Communications,<br>Inc.(1) | 792,750 |
| 1,100  | Cogeco Cable, Inc. ORD                   | 22,611  |
| 3,100  | EchoStar Communications Corp.<br>Cl A(1) | 354,950 |
| 16,800 | Fox Entertainment Group, Inc.<br>Cl A(1) | 428,400 |
| 4,500  | Grupo Televisa S.A. GDR(1)               | 188,156 |
| 1,115  | Havas Advertising SA ORD                 | 217,874 |
| 10,800 | Infinity Broadcasting Corp. Cl A(1)      | 276,075 |

|        |  |           |
|--------|--|-----------|
| 9,200  | Mediaset SpA ORD                               | 74,497    |
| 3,500  | Modern Times Group<br>MTG AB Cl B ORD(1)       | 76,878    |
| 200    | NRJ SA ORD                                     | 42,728    |
| 3,600  | NTL Inc.(1)                                    | 339,975   |
| 1,300  | PrimaCom AG ORD(1)                             | 52,837    |
| 3,000  | RCN Corp.(1)                                   | 124,125   |
| 5,800  | Rogers Communications, Inc.<br>Cl B ORD(1)     | 119,616   |
| 700    | Societe Television<br>Francaise 1 ORD          | 167,786   |
| 1,300  | Telewest Communications<br>plc ADR(1)          | 56,062    |
| 45,700 | TeleWest Communications<br>plc ORD(1)          | 196,310   |
| 8,500  | United International Holdings,<br>Inc. Cl A(1) | 608,812   |
| 2,600  | United Pan-Europe<br>Communications NV ORD(1)  | 159,188   |
| 1,500  | Westwood One, Inc.(1)                          | 52,125    |
|        |  | -----     |
|        |  | 5,102,971 |
|        |  | -----     |

BUILDING & HOME IMPROVEMENTS--0.2%

|       |                                   |         |
|-------|-----------------------------------|---------|
| 1,400 | Centex Construction Products Inc. | 50,225  |
| 3,600 | Elcor Corp.                       | 145,350 |
| 3,200 | York International Corporation    | 135,000 |
|       |                                   | -----   |
|       |                                   | 330,575 |
|       |                                   | -----   |

BUSINESS SERVICES & SUPPLIES--1.6%

|        |                                    |         |
|--------|------------------------------------|---------|
| 4,300  | Acxiom Corp.(1)                    | 116,503 |
| 850    | Altran Technologies SA ORD         | 192,313 |
| 4,400  | Athlon Groep N.V. ORD              | 111,885 |
| 8,300  | Capita Group Plc ORD               | 82,073  |
| 12,000 | CGI Group, Inc. ORD(1)             | 260,914 |
| 6,600  | CSG Systems International, Inc.(1) | 214,912 |

Shares

Value

|         |  |           |
|---------|--|-----------|
| 800     | DIS Deutscher Industrie Service<br>AG ORD      | \$ 40,019 |
| 3,890   | Korea Telecom Corporation ORD(1)               | 221,781   |
| 1,700   | MAXIMUS, Inc.(1)                               | 50,575    |
| 2,800   | Metzler Group, Inc. (The)(1)                   | 92,138    |
| 2,800   | NCO Group, Inc.(1)                             | 85,838    |
| 10      | NTT Data Corp. ORD                             | 66,165    |
| 4,575   | Parity plc ORD                                 | 44,287    |
| 3,200   | Professional Detailing, Inc.(1)                | 85,000    |
| 200     | PubliGroupe S.A. ORD                           | 121,780   |
| 4,000   | Quanta Services, Inc.(1)                       | 135,750   |
| 6,700   | Quintiles Transnational Corp.(1)               | 271,769   |
| 3,300   | Securitas AB Cl B ORD                          | 46,981    |
| 113,000 | Singapore Technologies<br>Engineering Ltd. ORD | 123,154   |
| 600     | Sixt AG ORD                                    | 44,083    |
| 1,000   | Toyo Information Systems Co.,<br>Ltd. ORD      | 27,075    |
| 1,600   | Triad Group PLC ORD                            | 11,017    |
| 2,424   | Unique International NV ORD                    | 55,323    |
| 600     | VA Technologie AG ORD                          | 50,336    |
| 1,800   | Valassis Communications, Inc.(1)               | 62,662    |
| 18,900  | WPP Group plc ORD                              | 152,538   |
|         |  | -----     |
|         |  | 2,766,871 |
|         |  | -----     |

CHEMICALS & RESINS--0.7%

|        |  |           |
|--------|--|-----------|
| 3,200  | Air Products and Chemicals, Inc.                               | 131,200   |
| 1,100  | Compagnie Francaise d'Etudes et<br>de Construction Technip ORD | 119,222   |
| 3,200  | Dow Chemical Co.   | 388,800   |
| 2,500  | du Pont (E.I.) de Nemours & Co.                                | 163,594   |
| 9,200  | IMC Global Inc.  | 192,625   |
| 10,000 | Lubrizol Corp.   | 275,000   |
|        |  | -----     |
|        |  | 1,270,441 |
|        |  | -----     |

COMMUNICATIONS EQUIPMENT--2.6%

|        |                            |         |
|--------|----------------------------|---------|
| 8,700  | Andrew Corp.(1)            | 134,578 |
| 16,200 | ANTEC Corp.(1)             | 474,356 |
| 7,700  | C-COR Electronics, Inc.(1) | 183,597 |

|        |  |         |
|--------|--|---------|
| 5,400  | CIENA Corp.(1)   | 155,081 |
| 6,100  | CommScope, Inc.(1)                                     | 160,125 |
| 3,300  | Comverse Technology, Inc.(1)                           | 222,853 |
| 4,100  | FORE Systems, Inc.(1)                                  | 140,809 |
| 1,100  | Gilat Satellite Networks Ltd.(1)                       | 58,162  |
| 5,500  | Harmonic Lightwaves, Inc.(1)                           | 271,219 |
| 3,600  | Harris Corp.   | 136,125 |
| 622    | International Contract<br>Manufacturing Limited ORD(1) | 544     |
| 3,000  | JDS Fitel Inc. ORD(1)                                  | 203,317 |
| 16,500 | Lucent Technologies Inc.                               | 938,438 |
| 1,700  | Motorola, Inc.   | 140,781 |
| 9,100  | Newbridge Networks Corp.(1)                            | 251,388 |
| 2,700  | Nortel Networks Corp.                                  | 202,500 |
| 4,900  | Polycom, Inc.(1)                                       | 125,256 |

See Notes to Financial Statements

Strategic Aggressive--Schedule of Investments

(Continued)

MAY 31, 1999 (UNAUDITED)

| Shares                             |  | Value     |
|------------------------------------|--|-----------|
| 4,000                              | Powerwave Technologies, Inc.(1)              | \$ 92,250 |
| 5,600                              | QUALCOMM Inc.(1)                             | 544,425   |
| 4,100                              | Tandberg ASA ORD(1)                          | 54,970    |
| 1,800                              | Terayon Communication<br>Systems, Inc.(1)    | 57,938    |
|                                    |  | -----     |
|                                    |  | 4,548,712 |
|                                    |  | -----     |
| COMPUTER PERIPHERALS--1.4%         |  |           |
| 12,000                             | Cisco Systems Inc.(1)                        | 1,307,625 |
| 7,500                              | EMC Corp. (Mass.) (1)                        | 747,188   |
| 500                                | Lexmark International Group,<br>Inc. Cl A(1) | 68,062    |
| 6,400                              | Psion plc ORD                                | 79,939    |
| 8,500                              | Seagate Technology, Inc.(1)                  | 256,594   |
|                                    |  | -----     |
|                                    |  | 2,459,408 |
|                                    |  | -----     |
| COMPUTER SOFTWARE & SERVICES--5.5% |  |           |
| 3,500                              | Advantage Learning Systems, Inc.(1)          | 77,438    |
| 5,300                              | Amdocs Ltd.(1)                               | 121,569   |
| 9,600                              | America Online Inc.                          | 1,146,000 |
| 1,500                              | American Management<br>System, Inc.(1)       | 47,672    |
| 4,900                              | At Home Corp. Series A(1)                    | 620,922   |
| 1,700                              | Baltimore Technologies plc ORD(1)            | 23,616    |
| 1,200                              | BroadVision, Inc.(1)                         | 62,362    |
| 11,100                             | Cadence Design Systems, Inc.(1)              | 142,912   |
| 1,458                              | Cap Gemini SA ORD                            | 209,837   |
| 3,600                              | Computershare Limited ORD(1)                 | 32,885    |
| 2,200                              | Compuware Corp.(1)                           | 68,269    |
| 1,309                              | Delta Informatics S.A. ORD                   | 60,860    |
| 1,400                              | Eidos plc ORD(1)                             | 46,631    |
| 2,600                              | Equant NV New York Shares(1)                 | 215,638   |
| 200                                | Excalibur Technologies Corp.(1)              | 2,825     |
| 5,947                              | Fibernet Group plc ORD(1)                    | 44,426    |
| 10,200                             | First Data Corp.                             | 458,362   |
| 1,300                              | FortuneCity.com, Inc. ORD(1)                 | 23,980    |
| 1,700                              | Fundtech Ltd.(1)                             | 54,931    |
| 2,100                              | Getronics N.V. ORD                           | 80,975    |
| 5,500                              | GTECH Holdings Corp.(1)                      | 135,781   |
| 2,500                              | IBS AB ORD(1)                                | 48,812    |
| 2,290                              | Icon Medialab International<br>AB ORD(1)     | 85,165    |
| 5,200                              | International Integration Inc.(1)            | 98,962    |
| 1,000                              | Intraware, Inc.(1)                           | 22,000    |
| 1,800                              | Keane, Inc.(1)                               | 52,200    |
| 36,800                             | LibertyOne Limited ORD(1)                    | 20,642    |
| 8,200                              | Logica plc ORD                               | 76,029    |
| 2,025                              | London Bridge Software Holdings<br>plc ORD   | 53,181    |
| 10,048                             | Mandator AB ORD                              | 68,898    |

|        |                          |           |
|--------|--------------------------|-----------|
| 800    | Meitec ORD               | 24,491    |
| 16,100 | Mentor Graphics Corp.(1) | 202,759   |
| 31,700 | Microsoft Corp.(1)       | 2,558,784 |

| Shares                                    |                                       | Value      |
|---|---------------------------------------|------------|
| 3,300                                     | National Instruments Corp.(1)         | \$ 125,297 |
| 2,600                                     | NCR Corp.(1)                          | 101,562    |
| 10,900                                    | Novell, Inc.(1)                       | 255,809    |
| 4,500                                     | Open Text Corp.(1)                    | 135,984    |
| 1,600                                     | Oracle Corp.(1)                       | 39,650     |
| 2,871                                     | Ordina N.V. ORD(1)                    | 72,706     |
| 5,000                                     | Proxicom, Inc.(1)                     | 104,062    |
| 1,800                                     | QRS Corp.(1)                          | 133,650    |
| 3,200                                     | Sage Group plc (The) ORD              | 110,557    |
| 700                                       | Sapient Corp.(1)                      | 44,647     |
| 1,612                                     | Sigma AB Cl B ORD                     | 12,552     |
| 3,500                                     | Sterling Software, Inc.(1)            | 85,094     |
| 1,000                                     | Sumisho Computer Systems Corp. ORD    | 33,412     |
| 2,900                                     | Tieto Corp. Cl B ORD                  | 101,245    |
| 23,100                                    | Unisys Corp.(1)                       | 876,356    |
| 944                                       | Unit 4 ORD(1)                         | 19,233     |
| 5,700                                     | USWeb Corp.(1)                        | 144,816    |
| 900                                       | Veritas Software Corp.(1)             | 79,397     |
|   |                                       | -----      |
|   |                                       | 9,465,843  |
|   |                                       | -----      |
| COMPUTER SYSTEMS--1.5%                    |                                       |            |
| 9,600                                     | Apple Computer, Inc.(1)               | 422,700    |
| 8,600                                     | Compaq Computer Corp.                 | 203,712    |
| 5,200                                     | Dell Computer Corp.(1)                | 178,912    |
| 16,000                                    | Fujitsu Ltd. ORD                      | 265,975    |
| 1,000                                     | Gateway 2000, Inc.(1)                 | 60,812     |
| 5,200                                     | Hewlett-Packard Co.                   | 490,425    |
| 7,600                                     | International Business Machines Corp. | 883,975    |
|   |                                       | -----      |
|   |                                       | 2,506,511  |
|   |                                       | -----      |
| CONSTRUCTION & PROPERTY DEVELOPMENT--0.3% |                                       |            |
| 2,000                                     | Centex Corp.                          | 74,125     |
| 4,900                                     | CRH plc ORD                           | 83,645     |
| 2,900                                     | D.R. Horton, Inc.                     | 49,300     |
| 1,200                                     | Dycom Industries, Inc.(1)             | 57,900     |
| 7,800                                     | Insituform Technologies, Inc. Cl A(1) | 129,919    |
| 2,400                                     | Lafarge Corp.                         | 80,250     |
| 2,500                                     | Pulte Corp.                           | 59,531     |
|   |                                       | -----      |
|   |                                       | 534,670    |
|   |                                       | -----      |
| CONSUMER PRODUCTS--1.2%                   |                                       |            |
| 1,900                                     | Avon Products, Inc.                   | 93,931     |
| 2,300                                     | Chattem, Inc.(1)                      | 83,662     |
| 100                                       | Clarins ORD                           | 8,598      |
| 1,100                                     | Clorox Co. (The)                      | 111,031    |
| 380                                       | Fancl Corp. ORD                       | 44,719     |
| 5,200                                     | Helen of Troy Ltd.(1)                 | 82,388     |
| 12,000                                    | Kao Corporation ORD                   | 327,861    |
| 6,400                                     | Procter & Gamble Co. (The)            | 597,600    |
| 17,000                                    | Shiseido Co., Ltd. ORD                | 250,422    |

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Strategic Aggressive--Schedule of Investments

(Continued)

MAY 31, 1999 (UNAUDITED)

| Shares |                        | Value     |
|--------|------------------------|-----------|
| 900    | Tomy Company, Ltd. ORD | \$ 60,141 |
| 5,700  | Whirlpool Corp.        | 367,650   |
| 1,000  | World Co., Ltd. ORD    | 60,322    |



|   |   |            |
|---|---|------------|
|   |   | 2,088,325  |
| -----                                       |   |            |
| CONTROL & MEASUREMENT(2)                    |   |            |
| 800   | Orbotech Ltd.(1)  | 34,400     |
| -----                                       |   |            |
| DIVERSIFIED COMPANIES--2.8%                 |   |            |
| 18,000                                      | BBA Group plc ORD   | 127,115    |
| 3,775                                       | Bodycote International plc ORD                            | 50,779     |
| 4,500                                       | Brambles Industries Limited ORD                           | 119,959    |
| 4,100                                       | DCC plc ORD   | 33,328     |
| 14,900                                      | General Electric Co. (U.S.)                               | 1,515,144  |
| 22,000                                      | Keppel Telecommunications &<br>Transportation Ltd. ORD(1) | 30,099     |
| 9,500                                       | Minnesota Mining &<br>Manufacturing Co.                   | 814,625    |
| 17,500                                      | Swire Pacific Ltd. Cl A ORD                               | 83,497     |
| 16,200                                      | Tyco International Ltd.                                   | 1,415,475  |
| 1,607                                       | Unilever N.V. New York Shares                             | 104,957    |
| 5,890                                       | Vivendi ORD   | 435,817    |
| 19,000                                      | Wharf (Holdings) Ltd. ORD                                 | 48,390     |
| 17,000                                      | Wing Tai Holdings Ltd. ORD                                | 19,119     |
|   |   | -----      |
|   |   | 4,798,304  |
| -----                                       |   |            |
| EDUCATION(2)                                |   |            |
| 600   | Benesse Corporation ORD                                   | 51,648     |
| -----                                       |   |            |
| ELECTRICAL & ELECTRONIC<br>COMPONENTS--4.9% |   |            |
| 5,600                                       | Advanced Energy Industries, Inc.(1)                       | 138,950    |
| 7,400                                       | Aeroflex Inc.(1)  | 107,762    |
| 7,200                                       | Arrow Electronics, Inc.(1)                                | 125,100    |
| 4,600                                       | ASM Lithography Holding N.V.<br>New York Shares(1)        | 202,688    |
| 11,400                                      | Avnet, Inc.   | 496,612    |
| 900   | Broadcom Corp. Cl A(1)                                    | 86,119     |
| 3,500                                       | Celestica Inc.(1)   | 138,688    |
| 5,900                                       | Conexant Systems, Inc.(1)                                 | 228,072    |
| 49,000                                      | Datacraft Asia Limited ORD                                | 174,440    |
| 5,900                                       | DII Group, Inc.(1)  | 193,409    |
| 1,100                                       | Hi/fn, Inc.(1)  | 63,628     |
| 22,900                                      | Intel Corp.   | 1,240,894  |
| 2,600                                       | KLA-Tencor Corporation(1)                                 | 118,381    |
| 15  | Kudelski SA ORD   | 56,470     |
| 400   | Linear Technology Corp.                                   | 21,188     |
| 3,300                                       | Micron Technology, Inc.(1)                                | 125,194    |
| 18,000                                      | Natsteel Electronics Ltd. ORD                             | 60,000     |
| 2,000                                       | Optical Coating Laboratory, Inc.                          | 129,875    |
| 1,600                                       | Philips Electronics N.V.<br>New York Shares(1)            | 137,600    |
| 8,600                                       | Pinnacle Systems, Inc.(1)                                 | 442,362    |
| 1,600                                       | PMC-Sierra, Inc.(1)                                       | 77,650     |
| -----                                       |   |            |
| Shares                                      |   | Value      |
| -----                                       |   |            |
| 1,600                                       | Qlogic Corp.(1)   | \$ 175,800 |
| 900   | Rockwell International Corp.                              | 49,669     |
| 1,271                                       | Samsung Electronics ORD                                   | 88,424     |
| 117   | Samsung Electronics<br>Rights ORD(1)                      | 1,332      |
| 3,100                                       | Sanmina Corp.(1)  | 232,597    |
| 4,000                                       | Sawtek Inc.(1)  | 159,000    |
| 1,500                                       | SGL CARBON Aktiengesellschaft<br>ORD(1)                   | 104,736    |
| 1,700                                       | Siemens AG ORD  | 114,272    |
| 1,424                                       | Softbank S.A. GDR   | 45,924     |
| 7,000                                       | Solelectron Corp.(1)                                      | 383,250    |
| 3,700                                       | Sony Corp. ORD  | 345,900    |
| 5,100                                       | Teradyne, Inc.(1)   | 269,344    |
| 6,800                                       | Texas Instruments Inc.                                    | 743,750    |
| 3,200                                       | Thomas & Betts Corp.                                      | 137,000    |
| 5,000                                       | Tokyo Electron Ltd. ORD                                   | 274,452    |
| 4,800                                       | Uniphase Corp.(1)   | 644,850    |
| 5,900                                       | Unitrode Corp.(1)   | 122,794    |
| 6,900                                       | Vishay Intertechnology, Inc.                              | 143,606    |
| 3,000                                       | Xilinx, Inc.  | 133,219    |
|   |   | -----      |
|   |   | 8,535,001  |
| -----                                       |   |            |
| ENERGY (PRODUCTION & MARKETING)--2.7%       |   |            |

|        |  |         |
|--------|--|---------|
| 2,400  | Anadarko Petroleum Corp.                     | 90,000  |
| 9,700  | Apache Corp.                                 | 349,200 |
| 8,200  | Atlantic Richfield Co.                       | 686,238 |
| 1,986  | BP Amoco Plc ADR                             | 212,750 |
| 14,200 | Burlington Resources Inc.                    | 609,712 |
| 2,300  | Chevron Corp.                                | 213,181 |
| 1,300  | Elf Aquitaine SA ORD                         | 188,046 |
| 10,500 | Exxon Corp.                                  | 838,688 |
| 3,900  | Mobil Corp.                                  | 394,875 |
| 8,800  | Murphy Oil Corp.                             | 431,750 |
| 6,300  | Royal Dutch Petroleum Co.<br>New York Shares | 356,344 |
| 1,400  | Texaco Inc.                                  | 91,700  |
| 5,700  | Union Pacific Resources                      | 79,444  |
| 3,400  | Unocal Corp.                                 | 135,150 |

-----  
4,677,078  
-----

ENERGY (SERVICES)--0.4%

|        |                                 |         |
|--------|---------------------------------|---------|
| 11,400 | Baker Hughes Inc.               | 354,825 |
| 610    | Daehan City Gas Co. ORD(1)      | 18,621  |
| 1,300  | IHC Caland N.V. ORD             | 51,144  |
| 3,900  | Reliant Energy, Inc.            | 118,950 |
| 1,300  | Schlumberger Ltd.               | 78,244  |
| 960    | Seoul City Gas Co., Ltd. ORD(1) | 31,491  |
| 3,200  | Tidewater Inc.                  | 81,800  |

-----  
735,075  
-----

ENVIRONMENTAL SERVICES--0.1%

|       |                        |         |
|-------|------------------------|---------|
| 2,712 | Waste Management, Inc. | 143,397 |
|-------|------------------------|---------|

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Strategic Aggressive--Schedule of Investments

(Continued)

MAY 31, 1999 (UNAUDITED)

| Shares                   |   | Value                       |
|--------------------------|---|-----------------------------|
| FINANCIAL SERVICES--3.4% |   |                             |
| 23,000                   | Amvescap Plc ORD  | \$ 209,937                  |
| 13,800                   | Banca Intesa S.p.A. ORD   | 70,183                      |
| 5,300                    | Capital One Financial Corp.                                     | 798,644                     |
| 7,100                    | CIT Group, Inc. (The) Cl A                                      | 205,900                     |
| 2,700                    | Close Brothers Group plc ORD                                    | 29,725                      |
| 1,200                    | Credit Suisse Group ORD   | 208,204                     |
| 6,300                    | Fannie Mae  | 428,400                     |
| 3,300                    | Federal Home Loan Mortgage<br>Corporation                       | 192,431                     |
| 3,500                    | Franklin Resources, Inc.  | 152,250                     |
| 497                      | GFI Informatique ORD(1)   | 60,600                      |
| 33,000                   | Grupo Financiero Banorte<br>S.A. de C.V. Cl O ORD(1)            | 42,006                      |
| 4,798                    | ING Groep N.V. ORD  | 256,262                     |
| 100                      | Julius Baer Holding AG ORD                                      | 302,485                     |
| 3,139                    | Kempen & Company NV ORD   | 168,145                     |
| 11,900                   | Lloyds TSB Group plc ORD  | 157,213                     |
| 8,100                    | Man (E D & F) Group plc ORD                                     | 42,220                      |
| 2,000                    | Merrill Lynch & Co., Inc.                                       | 168,000                     |
| 5,400                    | Morgan Stanley Dean Witter,<br>Discover & Co.                   | 521,100                     |
| 58,200                   | National Finance and Securities<br>Public Co., Ltd. Cl F ORD(1) | 33,710                      |
| 3,670                    | Provident Financial plc ORD                                     | 54,421                      |
| 7,200                    | Providian Financial Corp.                                       | 690,750                     |
| 4,500                    | Schwab (Charles) Corp.  | 476,156                     |
| 200                      | Shohkoh Fund & Co., Ltd. ORD                                    | 111,262                     |
| 17,300                   | Skandia Forsakrings AB ORD                                      | 296,560                     |
| 100                      | Vontobel Holding AG Cl B ORD                                    | 163,682                     |
|                          |   | -----<br>5,840,246<br>----- |
| FOOD & BEVERAGE-2.8%     |   |                             |
| 3,300                    | American Italian Pasta Co. Cl A(1)                              | 90,750                      |
| 51,535                   | Archer-Daniels-Midland Co.                                      | 773,025                     |

|        |                                     |         |
|--------|-------------------------------------|---------|
| 2,700  | Coca-Cola Company (The)             | 184,444 |
| 14,700 | Coca-Cola Enterprises, Inc.         | 532,875 |
| 6,000  | Diageo plc ORD                      | 63,077  |
| 2,500  | Earthgrains Company                 | 58,594  |
| 600    | Groupe Danone ORD                   | 165,077 |
| 2,900  | Heineken NV ORD                     | 161,085 |
| 1,300  | Hormel Foods Corp.                  | 51,512  |
| 5,000  | IBP, Inc.                           | 107,188 |
| 31,600 | Interstate Bakeries Corp.           | 691,250 |
| 30,100 | J.D. Wetherspoon plc ORD            | 150,627 |
| 1,000  | Keebler Foods Co.(1)                | 33,500  |
| 9,000  | Kirin Brewery Company, Ltd. ORD     | 102,876 |
| 99     | Nestle S.A. ORD                     | 177,926 |
| 400    | Nong Shim Company<br>Limited ORD(1) | 23,106  |
| 2,900  | Panamerican Beverages Inc. Cl A     | 67,244  |
| 5,800  | PepsiCo, Inc.                       | 207,712 |
| 4,500  | Quaker Oats Co. (The)               | 297,281 |

Shares

Value

|        |                                 |           |
|--------|---------------------------------|-----------|
| 32,700 | San Miguel Corporation Cl B ORD | \$ 73,478 |
| 1,400  | Seagram Co. Ltd. (The)          | 72,712    |
| 4,400  | Suiza Foods Corp.(1)            | 161,150   |
| 21,700 | Tyson Foods, Inc. Cl A          | 499,100   |
|        |                                 | -----     |
|        |                                 | 4,745,589 |
|        |                                 | -----     |

FURNITURE & FURNISHINGS(2)

|       |                                   |        |
|-------|-----------------------------------|--------|
| 2,994 | Dorel Industries Inc. Cl B ORD(1) | 67,028 |
|       |                                   | -----  |

HEALTHCARE--1.4%

|        |   |           |
|--------|---|-----------|
| 8,600  | Aetna Inc.                                  | 780,988   |
| 6,900  | Apria Healthcare Group Inc.(1)              | 142,312   |
| 6,900  | Beckman Coulter Inc.                        | 350,175   |
| 28,700 | Columbia/HCA Healthcare Corp.               | 676,244   |
| 5,000  | Eisai Company, Ltd. ORD                     | 92,787    |
| 6,300  | Hooper Holmes, Inc.                         | 114,188   |
| 1,500  | PacificCare Health Systems,<br>Inc. Cl B(1) | 129,516   |
| 1,900  | TLC The Laser Center Inc.(1)                | 83,362    |
|        |   | -----     |
|        |   | 2,369,572 |
|        |   | -----     |

INDUSTRIAL--0.1%

|        |                  |         |
|--------|------------------|---------|
| 35,800 | Invensys plc ORD | 163,099 |
|        |                  | -----   |

INDUSTRIAL EQUIPMENT  
& MACHINERY--0.5%

|       |                       |         |
|-------|-----------------------|---------|
| 4,700 | Ashtead Group plc ORD | 11,967  |
| 3,900 | Ingersoll-Rand Co.    | 248,381 |
| 4,780 | Mannesmann AG ORD     | 652,573 |
|       |                       | -----   |
|       |                       | 912,921 |
|       |                       | -----   |

INSURANCE--2.4%

|        |  |         |
|--------|--|---------|
| 311    | Allianz AG ORD                                       | 84,916  |
| 7,000  | Allstate Corp.                                       | 255,062 |
| 4,400  | American International Group, Inc.                   | 502,975 |
| 2,057  | ASR Verzekeringsgroep N.V. ORD                       | 141,592 |
| 4,200  | Assicurazioni Generali ORD                           | 149,257 |
| 2,300  | Axa-UAP ORD  | 264,862 |
| 1,900  | Blanch (E.W.) Holdings, Inc.                         | 121,600 |
| 8,600  | Chubb Corp. (The)                                    | 602,538 |
| 12,400 | CNA Financial Corp.(1)                               | 538,625 |
| 3,800  | Companhia de Seguros Mundial<br>Confianca, SA ORD(1) | 109,221 |
| 1,570  | Ethniki General Insurance<br>Co. ORD(1)              | 95,145  |
| 4,900  | Fidelity National Financial, Inc.                    | 82,994  |
| 5,500  | First American Financial Corp.<br>(The)              | 90,406  |
| 3,460  | Fortis AG ORD  | 110,880 |
| 2,300  | Gallagher (Arthur J.) & Co.                          | 111,981 |
| 1,900  | LandAmerica Financial Group, Inc.                    | 54,506  |
| 4,800  | Lincoln National Corp.                               | 488,400 |
| 2,100  | Loews Corp.  | 170,756 |
| 19,900 | Mediolanum SpA ORD                                   | 135,424 |

See Notes to Financial Statements

## Strategic Aggressive--Schedule of Investments

(Continued)

MAY 31, 1999 (UNAUDITED)

| Shares |   | Value     |
|--------|---|-----------|
| 500    | Pohjola Group Insurance Corp.<br>Cl B ORD | \$ 22,927 |
| 62,240 | Premafin Finanziaria S.p.A. ORD(1)        | 39,437    |
| 1,200  | Sampo Insurance Co. plc<br>Cl A ORD       | 36,267    |
|        |   | -----     |
|        |   | 4,209,771 |
|        |   | -----     |

LEISURE--0.8%

|        |                                     |           |
|--------|-------------------------------------|-----------|
| 455    | Accor SA ORD                        | 111,527   |
| 1,000  | Anchor Gaming(1)                    | 44,844    |
| 8,700  | Circus Circus Enterprises, Inc.(1)  | 183,788   |
| 6,400  | Eastman Kodak Co.                   | 432,800   |
| 7,000  | Mirage Resorts, Inc.(1)             | 143,500   |
| 100    | Moevenpick Holding AG<br>Bearer ORD | 45,831    |
| 12,300 | NH Hoteles, S.A. ORD(1)             | 157,026   |
| 6,700  | Park Place Entertainment Corp.(1)   | 70,350    |
| 4,700  | Viacom, Inc. Cl B(1)                | 180,950   |
|        |                                     | -----     |
|        |                                     | 1,370,616 |
|        |                                     | -----     |

MACHINERY &amp; EQUIPMENT--1.1%

|        |                             |           |
|--------|-----------------------------|-----------|
| 240    | ABB AG ORD(1)               | 339,883   |
| 100    | Aixtron AG ORD              | 21,885    |
| 7,000  | Brooks Automation, Inc.(1)  | 128,188   |
| 4,400  | Case Corp.                  | 206,800   |
| 10,900 | Cooper Industries, Inc.     | 540,231   |
| 50     | Georg Fischer AG ORD        | 16,303    |
| 4,400  | Lam Research Corp.(1)       | 121,962   |
| 5,800  | Premark International, Inc. | 207,712   |
| 3,900  | PRI Automation, Inc.(1)     | 95,550    |
| 1,100  | Sidel SA ORD                | 152,467   |
| 400    | Swisslog Holding AG ORD     | 47,140    |
| 1,000  | UNION TOOL CO. ORD          | 63,367    |
|        |                             | -----     |
|        |                             | 1,941,488 |
|        |                             | -----     |

MEDICAL EQUIPMENT &amp; SUPPLIES--1.3%

|       |                                   |           |
|-------|-----------------------------------|-----------|
| 600   | Andrx Corp.(1)                    | 60,356    |
| 1,000 | Bard (C.R.), Inc.                 | 45,688    |
| 6,900 | Boston Scientific Corp.(1)        | 261,769   |
| 1,800 | Closure Medical Corp.(1)          | 55,856    |
| 9,900 | CONMED Corp.(1)                   | 336,291   |
| 9,000 | Guidant Corp.                     | 450,000   |
| 2,500 | Hillenbrand Industries, Inc.      | 104,844   |
| 4,200 | IDEXX Laboratories, Inc.(1)       | 106,838   |
| 4,600 | KeraVision, Inc.(1)               | 45,712    |
| 2,300 | Novoste Corp.(1)                  | 58,722    |
| 3,300 | Ocular Sciences, Inc.(1)          | 100,959   |
| 3,100 | Priority Healthcare Corp. Cl B(1) | 106,369   |
| 900   | Teleflex Inc.                     | 39,319    |
| 4,600 | VISX, Inc.(1)                     | 238,769   |
| 4,000 | Wesley Jessen VisionCare, Inc.(1) | 124,125   |
| 3,500 | Xomed Surgical Products, Inc.(1)  | 143,281   |
|       |                                   | -----     |
|       |                                   | 2,278,898 |
|       |                                   | -----     |

Shares

Value

METALS &amp; MINING--0.2%

|        |   |           |
|--------|---|-----------|
| 4,303  | Aalberts Industries N.V. ORD            | \$ 94,172 |
| 2,400  | Alcoa Inc.                              | 132,000   |
| 12,800 | Broken Hill Proprietary Co.<br>Ltd. ORD | 131,310   |
|        |   | -----     |
|        |   | 357,482   |
|        |   | -----     |

OFFICE EQUIPMENT &amp; SUPPLIES--0.2%

|                               |   |           |
|-------------------------------|---|-----------|
| 6,400                         | Electronics for Imaging, Inc.(1)          | 313,800   |
| 700                           | Sindo Ricoh Co. ORD                       | 29,515    |
|                               |   | -----     |
|                               |   | 343,315   |
|                               |   | -----     |
| PACKAGING & CONTAINERS--0.2%  |   |           |
| 300                           | Fuji Seal, Inc. ORD                       | 27,157    |
| 11,500                        | Tenneco Inc.                              | 268,094   |
|                               |   | -----     |
|                               |   | 295,251   |
|                               |   | -----     |
| PAPER & FOREST PRODUCTS--0.5% |   |           |
| 4,800                         | Consolidated Papers, Inc.                 | 133,200   |
| 1,500                         | Georgia-Pacific Corp.                     | 129,656   |
| 2,527                         | International Paper Co.                   | 126,350   |
| 2,700                         | Rayonier, Inc.                            | 125,888   |
| 9,300                         | Westvaco Corp.                            | 265,631   |
| 1,100                         | Weyerhaeuser Co.                          | 68,269    |
| 1,700                         | Willamette Industries, Inc.               | 72,038    |
|                               |   | -----     |
|                               |   | 921,032   |
|                               |   | -----     |
| PHARMACEUTICALS--3.7%         |   |           |
| 5,600                         | American Home Products Corp.              | 322,700   |
| 3,500                         | AstraZeneca Group plc ORD                 | 139,053   |
| 12,100                        | Bristol-Myers Squibb Co.                  | 830,362   |
| 6,400                         | ChiRex Inc.(1)                            | 193,000   |
| 5,600                         | Forest Laboratories, Inc.(1)              | 266,700   |
| 4,200                         | Genentech, Inc.(1)                        | 367,762   |
| 3,800                         | Glaxo Wellcome plc ORD                    | 106,611   |
| 2,000                         | Johnson & Johnson                         | 185,250   |
| 1,800                         | Lilly (Eli) & Co.                         | 128,588   |
| 1,100                         | Merck & Co., Inc.                         | 74,250    |
| 123                           | Novartis AG ORD                           | 178,458   |
| 7,000                         | Pfizer, Inc.                              | 749,000   |
| 9,300                         | Pharmacia & Upjohn Inc.                   | 515,569   |
| 2,821                         | Pliva d.d. GDR                            | 45,700    |
| 500                           | QLT PhotoTherapeutics Inc.(1)             | 21,859    |
| 25,700                        | Schering-Plough Corp.                     | 1,158,106 |
| 3,200                         | Shire Pharmaceuticals Group<br>PLC ORD(1) | 25,186    |
| 50,400                        | SkyePharma plc ORD(1)                     | 45,196    |
| 5,000                         | Takeda Chemical Inds. ORD                 | 220,960   |
| 2,500                         | UCB SA ORD                                | 107,576   |
| 11,500                        | Warner-Lambert Co.                        | 713,000   |
|                               |   | -----     |
|                               |   | 6,394,886 |
|                               |   | -----     |

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Strategic Aggressive--Schedule of Investments

|                             |  |             |
|-----------------------------|--|-------------|
|                             |  | (Continued) |
| -----                       |  |             |
| MAY 31, 1999 (UNAUDITED)    |  |             |
| Shares                      |  | Value       |
| -----                       |  |             |
| PRINTING & PUBLISHING--0.9% |  |             |
| 9,000                       | Banta Corp.                              | \$ 220,500  |
| 9,000                       | Deluxe Corp.                             | 324,562     |
| 6,400                       | Gruppo Editoriale L'Espresso ORD         | 105,382     |
| 12,200                      | Mondadori (Arnoldo) Editore<br>SpA ORD   | 211,692     |
| 8,600                       | Pearson plc ORD                          | 163,882     |
| 53,000                      | Seat Pagine Gialle SpA ORD               | 72,080      |
| 9,040                       | Singapore Press Holdings Ltd.<br>ORD     | 123,678     |
| 4,000                       | Toppan Forms Co., Ltd. ORD               | 75,382      |
| 4,400                       | VNU N.V. ORD                             | 186,628     |
| 3,832                       | Wolters Kluwer NV ORD                    | 153,950     |
|                             |  | -----       |
|                             |  | 1,637,736   |
|                             |  | -----       |
| RAILROAD--0.2%              |  |             |
| 1,100                       | Canadian National Railway<br>Company ORD | 70,371      |
| 5,700                       | CSX Corp.                                | 267,544     |

|                                    |  |       |           |
|------------------------------------|--|-------|-----------|
|                                    |  |       | 337,915   |
| -----                              |  |       |           |
| REAL ESTATE--0.4%                  |  |       |           |
| 2,000                              | Arden Realty, Inc.                               |       | 51,125    |
| 7,000                              | Cheung Kong (Holdings)<br>Ltd. ORD               |       | 56,868    |
| 14,800                             | City Developments Limited ORD                    |       | 88,371    |
| 8,000                              | Corporacion GEO, S.A. de C.V.<br>Series B ORD(1) |       | 31,020    |
| 29,000                             | DBS Land Limited ORD(1)                          |       | 51,443    |
| 1,300                              | Equity Residential Properties Trust              |       | 62,319    |
| 9,000                              | Henderson Land Development<br>Company Ltd. ORD   |       | 45,379    |
| 2,000                              | Hospitality Properties Trust(1)                  |       | 54,250    |
| 37,000                             | Keppel Land Ltd. ORD                             |       | 62,846    |
| 2,800                              | Prologis Trust                                   |       | 57,225    |
| 2,800                              | Simon Property Group, Inc.                       |       | 81,900    |
| 19,000                             | Singapore Land Limited ORD                       |       | 52,209    |
|                                    |  |       | -----     |
|                                    |  |       | 694,955   |
| -----                              |  |       |           |
| RESTAURANTS--0.7%                  |  |       |           |
| 24,300                             | CBRL Group, Inc.                                 |       | 419,934   |
| 15,000                             | Foodmaker, Inc.(1)                               |       | 405,000   |
| 2,400                              | McDonald's Corp.                                 |       | 92,400    |
| 3,000                              | PizzaExpress plc ORD                             |       | 44,678    |
| 6,100                              | PJ America, Inc.(1)                              |       | 143,159   |
| 3,000                              | Skylark Co., Ltd. ORD                            |       | 56,042    |
|                                    |  |       | -----     |
|                                    |  |       | 1,161,213 |
| -----                              |  |       |           |
| RETAIL (APPAREL)--0.7%             |  |       |           |
| 8,600                              | AnnTaylor Stores Corp.(1)                        |       | 371,412   |
| 3,600                              | Chico's FAS, Inc.(1)                             |       | 81,450    |
| 2,800                              | Children's Place Retail Stores,<br>Inc. (The)(1) |       | 108,412   |
| 6,400                              | DM Management Co.(1)                             |       | 103,000   |
| 600                                | Fast Retailing Co. Ltd. ORD                      |       | 29,132    |
|                                    |  |       | -----     |
| Shares                             |  | Value |           |
| -----                              |  |       |           |
| 1,800                              | Gucci Group N.V. New<br>York Shares              | \$    | 119,025   |
| 14,000                             | Hennes & Mauritz AB Cl B ORD                     |       | 314,022   |
| 1,649                              | Matalan PLC ORD(1)                               |       | 22,023    |
|                                    |  |       | -----     |
|                                    |  |       | 1,148,476 |
| -----                              |  |       |           |
| RETAIL (FOOD & DRUG)--0.5%         |  |       |           |
| 5,700                              | CVS Corp.  |       | 262,200   |
| 4,006                              | Koninklijke Ahold NV ORD                         |       | 139,649   |
| 9,900                              | Safeway Inc.(1)                                  |       | 460,350   |
| 3,200                              | Universal Corp.                                  |       | 83,600    |
|                                    |  |       | -----     |
|                                    |  |       | 945,799   |
| -----                              |  |       |           |
| RETAIL (GENERAL MERCHANDISE)--2.1% |  |       |           |
| 5,100                              | Ames Department Stores, Inc.(1)                  |       | 208,941   |
| 900                                | Carrefour SA ORD                                 |       | 117,992   |
| 8,000                              | Dillard's Inc. Cl A                              |       | 281,000   |
| 100                                | Don Quijote Co., Ltd. ORD(1)                     |       | 28,803    |
| 1,600                              | Douglas Holding AG ORD                           |       | 68,365    |
| 3,800                              | Fred's, Inc.                                     |       | 49,638    |
| 100                                | Galleries Lafayette ORD                          |       | 144,859   |
| 3,500                              | Grupo Elektra, S.A. de C.V. GDR                  |       | 19,031    |
| 2,200                              | Homac Corp. ORD                                  |       | 45,624    |
| 1,500                              | Lands' End, Inc.(1)                              |       | 64,125    |
| 3,200                              | May Department Stores Co. (The)                  |       | 138,600   |
| 7,900                              | Next Plc ORD                                     |       | 91,781    |
| 6,700                              | Penney (J.C.) Company, Inc.                      |       | 346,306   |
| 1,300                              | Pinault-Printemps-Redoute<br>SA ORD              |       | 221,238   |
| 300                                | Ryohin Keikaku Co. Limited ORD                   |       | 58,733    |
| 1,900                              | Shinsegae Department Store<br>Co. ORD            |       | 84,918    |
| 4,100                              | ShopKo Stores, Inc.(1)                           |       | 145,550   |
| 35,800                             | Wal-Mart Stores, Inc.                            |       | 1,525,975 |
|                                    |  |       | -----     |
|                                    |  |       | 3,641,479 |
| -----                              |  |       |           |

|                          |   |  |           |
|--------------------------|---|--|-----------|
| RETAIL (INTERNET)--0.1%  |   |  |           |
| 600                      | eBay Inc.(1)                              |  | 106,256   |
|                          |   |  | -----     |
| RETAIL (SPECIALTY)--1.3% |   |  |           |
| 2,300                    | Best Buy Co., Inc.(1)                     |  | 104,650   |
| 4,300                    | Circuit City Stores-Circuit<br>City Group |  | 308,794   |
| 3,600                    | DeoDeo Corporation ORD                    |  | 35,551    |
| 6,429                    | Dixons Group plc ORD                      |  | 115,408   |
| 12,700                   | Home Depot, Inc.                          |  | 722,312   |
| 9,000                    | Starbucks Corp.(1)                        |  | 332,156   |
| 8,700                    | Sunglass Hut International, Inc.(1)       |  | 132,131   |
| 300                      | TAG Heuer International<br>SA ORD(1)      |  | 27,793    |
| 6,200                    | Toys 'R' Us, Inc.(1)                      |  | 142,988   |
| 5,800                    | Tractor Supply Co.(1)                     |  | 172,188   |
| 3,000                    | Yamada Denki ORD                          |  | 124,182   |
| 2,200                    | Zale Corp.(1)                             |  | 84,838    |
|                          |   |  | -----     |
|                          |   |  | 2,302,991 |
|                          |   |  | -----     |

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Strategic Aggressive--Schedule of Investments

(Continued)

MAY 31, 1999 (UNAUDITED)

| Shares                         |   |  | Value     |
|--------------------------------|---|--|-----------|
| -----                          |   |  | -----     |
| STEEL(2)                       |   |  |           |
| 9,400                          | Hylsamex S.A. ORD(1)                          |  | \$ 20,717 |
|                                |   |  | -----     |
| TELEPHONE COMMUNICATIONS--5.6% |   |  |           |
| 18,100                         | AAPT Limited ORD(1)                           |  | 65,404    |
| 800                            | Aliant Communications, Inc.                   |  | 37,600    |
| 7,100                          | ALLTEL Corp.                                  |  | 508,981   |
| 3,800                          | Ameritech Corp.                               |  | 250,088   |
| 8,100                          | AT&T Corp.                                    |  | 449,550   |
| 5,600                          | Bell Atlantic Corp.                           |  | 306,600   |
| 25,800                         | BellSouth Corp.                               |  | 1,217,438 |
| 21,623                         | British Telecommunications<br>plc ORD         |  | 360,457   |
| 20,100                         | Cable & Wireless Communications<br>plc ORD(1) |  | 190,870   |
| 30,079                         | Cable & Wireless Optus<br>Limited ORD(1)      |  | 57,484    |
| 13,582                         | COLT Telecom Group plc ORD(1)                 |  | 286,659   |
| 400                            | Dacom Corp. ORD                               |  | 28,874    |
| 85                             | Dacom Corp. Rights ORD(1)                     |  | 1,864     |
| 5,542                          | Energis plc ORD(1)                            |  | 133,653   |
| 6,000                          | Esat Telecom Group PLC ADR(1)                 |  | 221,625   |
| 2,100                          | Global TeleSystems Group, Inc.(1)             |  | 159,403   |
| 12,900                         | GTE Corp.                                     |  | 813,506   |
| 2,400                          | Intermedia Communications Inc.(1)             |  | 60,525    |
| 3                              | Japan Telecom Co. Ltd. ORD                    |  | 36,539    |
| 6,500                          | MCI WorldCom, Inc.(1)                         |  | 561,234   |
| 24                             | Nippon Telegraph & Telephone<br>ORD           |  | 233,058   |
| 131,500                        | PT Telekomunikasi Indonesia ORD               |  | 61,135    |
| 1,200                          | RSL Communications, Ltd. Cl A(1)              |  | 27,075    |
| 20,900                         | SBC Communications Inc.                       |  | 1,068,512 |
| 105                            | SK Telecom Co. Ltd. ADR                       |  | 1,496     |
| 3,041                          | Sonera Group Oyj ORD                          |  | 59,422    |
| 6,400                          | Sprint Corp.                                  |  | 721,600   |
| 270                            | Swisscom AG ORD(1)                            |  | 97,227    |
| 1,100                          | Tele Danmark A/S ORD                          |  | 112,188   |
| 23,100                         | Telecom Italia SpA ORD                        |  | 237,848   |
| 8,226                          | Telefonica S.A. ORD(1)                        |  | 394,174   |
| 2,900                          | Telefonos de Mexico,<br>S.A. Cl L ADR         |  | 231,819   |
| 1,800                          | Teleglobe Inc. ORD                            |  | 54,462    |
| 4,500                          | Telesp Participacoes S.A. ADR                 |  | 98,438    |
| 949                            | Telinfo NV ORD                                |  | 108,467   |
| 3,400                          | U S WEST, Inc.                                |  | 183,812   |
| 5,400                          | Viatel, Inc.(1)                               |  | 242,325   |
|                                |   |  | -----     |

|                               |        |   |            |
|-------------------------------|--------|---|------------|
|                               |        |   | 9,681,412  |
| TEXTILES & APPAREL--0.2%      |        |   | -----      |
|                               | 2,400  | Dexter Corp. (The)                            | 93,000     |
|                               | 4,000  | Polymer Group, Inc.(1)                        | 49,000     |
|                               | 1,650  | Quiksilver, Inc.(1)                           | 47,025     |
|                               | 1,700  | Tommy Hilfiger Corp.(1)                       | 127,606    |
| Shares                        |        |   | Value      |
|                               |        |   | -----      |
|                               | 2,300  | VF Corp.                                      | \$ 105,800 |
|                               |        |   | -----      |
|                               |        |   | 422,431    |
|                               |        |   | -----      |
| TOBACCO--0.5%                 |        |   |            |
|                               | 2,100  | Fortune Brands, Inc.                          | 85,838     |
|                               | 11,100 | Imperial Tobacco Group plc ORD                | 124,780    |
|                               | 3,500  | Philip Morris Companies Inc.                  | 134,969    |
|                               | 16,500 | UST Inc.                                      | 503,250    |
|                               |        |   | -----      |
|                               |        |   | 848,837    |
|                               |        |   | -----      |
| TRANSPORTATION--0.4%          |        |   |            |
|                               | 5,700  | Atlas Air, Inc.(1)                            | 153,188    |
|                               | 3,100  | Eagle USA Airfreight, Inc.(1)                 | 146,281    |
|                               | 4,800  | Forward Air Corp.(1)                          | 130,950    |
|                               | 6,500  | Go-Ahead Group PLC (The) ORD                  | 91,753     |
|                               | 2,200  | Hertz Corp. Cl A                              | 120,862    |
|                               | 19,000 | Sembcorp Logistics Limited ORD(1)             | 56,174     |
|                               |        |   | -----      |
|                               |        |   | 699,208    |
|                               |        |   | -----      |
| UTILITIES--2.0%               |        |   |            |
|                               | 2,500  | AES Corp. (The) (1)                           | 124,375    |
|                               | 15,400 | AGL Resources Inc.                            | 290,675    |
|                               | 10,600 | Ameren Corp.                                  | 433,938    |
|                               | 2,500  | Calpine Corp.(1)                              | 135,469    |
|                               | 66,300 | Cogeneration Public Co.,<br>Ltd. ORD(1)       | 50,011     |
|                               | 2,300  | Energy East Corp.                             | 63,825     |
|                               | 10,200 | Florida Progress Corp.                        | 427,762    |
|                               | 13,600 | FPL Group, Inc.                               | 791,350    |
|                               | 2,150  | KN Energy, Inc.                               | 46,091     |
|                               | 1,600  | Korea Electric Power Corp. ORD                | 48,978     |
|                               | 5,100  | LG&E Energy Corp.                             | 116,344    |
|                               | 4,000  | Minnesota Power & Light Co.                   | 86,000     |
|                               | 8,500  | Nevada Power Co.                              | 213,562    |
|                               | 2,500  | Northeast Utilities(1)                        | 44,062     |
|                               | 5,000  | Sempra Energy                                 | 107,500    |
|                               | 6,300  | Southern Co.                                  | 178,762    |
|                               | 4,100  | Texas Utilities Co.                           | 184,500    |
|                               | 4,300  | Utilicorp United Inc.                         | 107,231    |
|                               | 982    | Vestas Wind Systems A/S ORD(1)                | 67,411     |
|                               |        |   | -----      |
|                               |        |   | 3,517,846  |
|                               |        |   | -----      |
| WIRELESS COMMUNICATIONS--1.7% |        |   |            |
|                               | 13,200 | AirTouch Communications, Inc.(1)              | 1,326,600  |
|                               | 9,000  | Europolitan Holdings AB ORD                   | 77,924     |
|                               | 1,900  | Nextel Communications, Inc.(1)                | 70,003     |
|                               | 5,200  | Nokia Corp. ADR Cl A                          | 369,200    |
|                               | 4      | NTT Mobile Communication<br>Network, Inc. ORD | 217,586    |
|                               | 6,400  | Orange plc ORD(1)                             | 88,548     |
|                               | 670    | Panafon SA ORD(1)                             | 16,650     |
|                               | 9,600  | Pinnacle Holdings Inc.(1)                     | 173,700    |
|                               | 1,000  | Sprint PCS(1)                                 | 45,000     |
|                               | 18,500 | Vodafone Group plc ORD                        | 352,241    |

See Notes to Financial Statements

Strategic Aggressive--Schedule of Investments

(Continued)

MAY 31, 1999 (UNAUDITED)

Shares/Principal Amount

Value



|   |   |       |             |
|---|---|-------|-------------|
| 3,300                                       | VoiceStream Wireless Corp.(1)                   | \$    | 89,100      |
| 3,400                                       | Western Wireless Corp. Cl A(1)                  |       | 83,194      |
|   |   |       | -----       |
|   |   |       | 2,909,746   |
|   |   |       | -----       |
| TOTAL COMMON STOCKS & RIGHTS                |   |       | 131,290,486 |
|   |   |       | -----       |
| (Cost \$105,788,389)                        |   |       |             |
| PREFERRED STOCKS--0.5%                      |   |       |             |
| ENERGY (PRODUCTION & MARKETING)--0.1%       |   |       |             |
| 870,000                                     | Petroleo Brasileiro S.A. ORD                    |       | 122,564     |
|   |   |       | -----       |
| FINANCIAL SERVICES--0.3%                    |   |       |             |
| 910   | Marschollek, Lautenschlaeger und Partner AG ORD |       | 474,178     |
|   |   |       | -----       |
| RETAIL (SPECIALTY) (2)                      |   |       |             |
| 1,500                                       | Fielmann AG ORD                                 |       | 58,465      |
|   |   |       | -----       |
| TELEPHONE COMMUNICATIONS(2)                 |   |       |             |
| 4,400,000                                   | Embratel Participacoes S.A. ORD                 |       | 60,970      |
|   |   |       | -----       |
| UTILITIES--0.1%                             |   |       |             |
| 4,830,000                                   | Centrais Electricas Brasileiras S.A. Cl B ORD   |       | 101,229     |
|   |   |       | -----       |
| WIRELESS COMMUNICATIONS(2)                  |   |       |             |
| 15,100,000                                  | Tele Sudeste Celular Participacoes S.A. ORD     |       | 71,577      |
|   |   |       | -----       |
| TOTAL PREFERRED STOCKS                      |   |       | 888,983     |
|   |   |       | -----       |
| (Cost \$568,212)                            |   |       |             |
| U.S. TREASURY SECURITIES--1.9%              |   |       |             |
| \$ 600,000                                  | U.S. Treasury Notes, 7.75%, 11/30/99            |       | 608,446     |
| 750,000                                     | U.S. Treasury Notes, 5.50%, 3/31/00             |       | 752,836     |
| 150,000                                     | U.S. Treasury Notes, 6.625%, 7/31/01            |       | 153,571     |
| 175,000                                     | U.S. Treasury Notes, 5.75%, 8/15/03             |       | 175,371     |
| 200,000                                     | U.S. Treasury Notes, 7.875%, 11/15/04           |       | 219,550     |
| 250,000                                     | U.S. Treasury Notes, 4.75%, 11/15/08            |       | 232,646     |
| 350,000                                     | U.S. Treasury Notes, 5.50%, 5/15/09             |       | 346,820     |
| 250,000                                     | U.S. Treasury Bonds, 8.75%, 5/15/17             |       | 320,698     |
| 300,000                                     | U.S. Treasury Bonds, 6.125%, 11/15/27           |       | 303,434     |
| 100,000                                     | U.S. Treasury Bonds, 5.25%, 11/15/28            |       | 90,581      |
|   |   |       | -----       |
| TOTAL U.S. TREASURY SECURITIES              |   |       | 3,203,953   |
|   |   |       | -----       |
| (Cost \$3,234,884)                          |   |       |             |
| Principal Amount                            |   | Value |             |
|   |   |       | -----       |
| U.S. GOVERNMENT AGENCY SECURITIES--0.8%     |   |       |             |
| \$ 500,000                                  | FHLB, 5.71%, 3/19/03                            | \$    | 495,671     |
| 1,000,000                                   | FNMA MTN, 6.23%, 7/21/08                        |       | 971,476     |
|   |   |       | -----       |
| TOTAL U.S. GOVERNMENT AGENCY SECURITIES     |   |       | 1,467,147   |
|   |   |       | -----       |
| (Cost \$1,497,675)                          |   |       |             |
| U.S. GOVERNMENT AGENCY DISCOUNT NOTES--0.2% |   |       |             |
| 300,000                                     | FHLB Discount Notes, 5.00%, 7/13/99(3)          |       | 298,398     |
|   |   |       | -----       |
| (Cost \$298,250)                            |   |       |             |
| SOVEREIGN GOVERNMENTS & AGENCIES--5.4%      |   |       |             |
| USD 500,000                                 | Argentine Discount Notes, VRN,                  |       |             |

|      |             |  |           |
|------|-------------|--|-----------|
|      |             | 6.00%, 11/30/99, resets semi-annually off the 6-month LIBOR plus 0.8125% with no caps  | 347,500   |
| AUD  | 550,000     | Australian Government, 9.50%, 8/15/03  | 410,166   |
| EURO | 792,339     | Deutschland Republic, 4.75%, 7/4/98  | 784,036   |
| EURO | 2,607,263   | Deutschland Republic, 6.00%, 9/15/03   | 3,008,167 |
| CAD  | 240,000     | Government of Canada, 5.00%, 3/15/00   | 162,835   |
| CAD  | 400,000     | Government of Canada, 6.00%, 6/1/08  | 282,072   |
| JPY  | 120,000,000 | Japan Global, 3.30%, 6/20/06   | 1,131,712 |
| DKK  | 1,650,000   | Kingdom of Denmark, 8.00%, 3/15/06   | 281,896   |
| USD  | 100,000     | Quebec Province, 8.80%, 4/15/03  | 108,520   |
| USD  | 232,500     | Republic of Argentina, VRN, 5.94%, 9/30/99, resets semi-annually off the 6-month LIBOR plus 0.8125% with no caps               | 195,009   |
| USD  | 896,460     | Republic of Brazil, 8.00%, 4/15/14(4)  | 563,649   |
| USD  | 250,000     | Republic of Venezuela, VRN, Series W-A, 5.875%, 10/25/99, resets semi-annually off the 6-month LIBOR plus 0.8125% with no caps | 160,625   |
| GBP  | 90,000      | U.K. Treasury Bonds, 7.50%, 12/7/06  | 165,956   |
| GBP  | 350,000     | U.K. Treasury Bonds, 9.00%, 8/6/12   | 774,573   |
| USD  | 250,000     | United Mexican States, 8.50%, 9/15/02  | 254,062   |

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Strategic Aggressive--Schedule of Investments

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MAY 31, 1999 (UNAUDITED)

| Principal Amount |         | Value   |
|------------------|---------|---|
| USD              | 750,000 | United Mexican States, VRN, 5.875%, 11/4/99, resets semi-annually off the 6-month LIBOR plus 0.8125% with no caps |
|                  |         | \$ 624,375  |

TOTAL SOVEREIGN GOVERNMENTS  
& AGENCIES

9,255,153

(Cost \$9,904,849)

MORTGAGE-BACKED SECURITIES (5) -2.0%

|    |         |                                    |         |
|----|---------|------------------------------------|---------|
| \$ | 76,778  | FHLMC Pool #E68523, 6.50%, 12/1/12 | 76,779  |
|    | 231,940 | FNMA Pool #377181, 6.50%, 4/1/12   | 231,460 |
|    | 66,944  | FNMA Pool #250576, 7.00%, 6/1/26   | 67,173  |
|    | 507,351 | FNMA Pool #373510, 7.50%, 3/1/27   | 519,000 |
|    | 393,971 | FNMA Pool #412562, 6.50%, 1/1/28   | 385,888 |
|    | 69,954  | GNMA Pool #397233, 9.50%, 2/20/25  | 74,956  |
|    | 20,319  | GNMA Pool #392995, 8.75%, 3/15/25  | 21,609  |
|    | 103,858 | GNMA Pool #416856, 7.50%, 10/15/25 | 106,432 |
|    | 293,861 | GNMA Pool #398509, 6.00%, 3/15/26  | 279,986 |
|    | 111,573 | GNMA Pool #372335, 7.50%,          |         |

|         |                                       |         |
|---------|---------------------------------------|---------|
|         | 4/15/26                               | 114,321 |
| 64,464  | GNMA Pool #402682, 7.50%,<br>6/15/26  | 66,052  |
| 272,771 | GNMA Pool #457351, 7.00%,<br>12/15/27 | 273,662 |
| 356,858 | GNMA Pool #436194, 6.50%,<br>2/15/28  | 348,689 |
| 262,635 | GNMA Pool #403770, 6.50%,<br>3/15/28  | 256,623 |
| 589,415 | GNMA Pool #466804, 6.50%,<br>4/15/28  | 575,923 |

TOTAL MORTGAGE-BACKED SECURITIES 3,398,553

(Cost \$3,419,671)

ASSET-BACKED SECURITIES (5)-1.0%

|         |   |         |
|---------|---|---------|
| 300,000 | AMRESKO, INC., Series 1998-2,<br>Class A4 SEQ, 6.45%, 4/25/27                       | 296,944 |
| 300,000 | CIT RV Trust, Series 1998 A,<br>Class A4 SEQ, 6.09%,<br>2/15/12                     | 298,900 |
| 100,000 | Comed Transitional Funding Trust,<br>Series 1998-1, Class A6 SEQ,<br>5.63%, 6/25/09 | 95,066  |

Principal Amount Value

|            |  |            |
|------------|--|------------|
| \$ 300,000 | GMAC Commercial Mortgage<br>Securities Inc., Series 1999 C1,<br>Class A2 SEQ, 6.18%, 5/15/33                                     | \$ 288,452 |
| 200,000    | Money Store (The) Home Equity<br>Trust, Series 1997 C, Class<br>AF6 SEQ, 6.67%, 2/15/25  | 201,401    |
| 189,296    | Morgan Stanley Capital I, Series 1998 WF1, Class<br>A1 SEQ,<br>6.25%, 7/15/07  | 187,151    |
| 96,904     | Nationslink Funding Corp.,<br>Series 1998-2, Class A1 SEQ,<br>6.00%, 11/20/07  | 94,748     |
| 200,000    | Nationslink Funding Corp.,<br>Series 1999-1, Class A2 SEQ,<br>6.32%, 11/20/08  | 194,303    |
| 36,076     | Textron Financial Corp. Receivables<br>Trust, Series 1997 A, Class A,<br>6.05%, 3/16/09 (Acquired<br>9/18/97, Cost \$36,028) (6) | 36,150     |
| 100,000    | United Companies Financial Corp.,<br>Home Equity Loan, Series<br>1997 C, Class A7, 6.85%,<br>1/15/29                             | 100,548    |

TOTAL ASSET-BACKED SECURITIES 1,793,663

(Cost \$1,830,057)

CORPORATE BONDS--7.5%

AIRLINES--0.2%

|         |  |         |
|---------|--|---------|
| 150,000 | Continental Airlines, Inc., 8.00%,<br>12/15/05 | 149,438 |
| 150,000 | United Air Lines, 9.00%,<br>12/15/03           | 159,804 |
|         |  | 309,242 |

AUTOMOBILES & AUTO PARTS--0.1%

|         |   |         |
|---------|---|---------|
| 150,000 | Lear Corp., 7.96%, 5/15/05<br>(Acquired 5/13/99, Cost<br>\$150,000) (6) | 150,000 |
|---------|---|---------|

BANKING--1.3%

|           |  |         |
|-----------|--|---------|
| 500,000   | American Express Centurion Bank,<br>VRN, 4.85%, 6/18/99, resets<br>monthly off the 1-month LIBOR<br>minus 0.05% with no caps | 499,995 |
| 500,000   | Bay View Capital Corp., 9.125%,<br>8/15/02   | 465,000 |
| 300,000   | Citigroup Inc., 7.125%, 5/15/06  | 303,661 |
| 1,000,000 | KeyBank N.A., VRN, 4.84%,<br>6/1/99, resets daily off<br>the Federal Funds rate plus 0.03%                                   |         |

with no caps

1,000,000

-----  
2,268,656  
-----

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## Strategic Aggressive--Schedule of Investments

|   |   | (Continued)                 |
|---|---|-----------------------------|
| MAY 31, 1999 (UNAUDITED)                    |   |                             |
| Principal Amount                            |   | Value                       |
| -----                                       |   |                             |
| BROADCASTING & MEDIA--0.3%                  |   |                             |
| \$ 500,000                                  | Charter Communication Holdings<br>LLC, 8.625%, 4/1/09 (Acquired<br>3/12/99, Cost \$498,475) (6) | \$ 492,500                  |
| 100,000                                     | Tele-Communications Inc.,<br>8.25%, 1/15/03   | 105,911                     |
|   |   | -----<br>598,411<br>-----   |
| CHEMICALS & RESINS--0.1%                    |   |                             |
| 250,000                                     | Lyondell Chemical Co., Series B,<br>9.875%, 5/1/07 (Acquired<br>5/11/99, Cost \$253,750) (6)    | 253,438                     |
|   |   | -----                       |
| DIVERSIFIED COMPANIES--0.1%                 |   |                             |
| 100,000                                     | Hutchison Whampoa Financial,<br>7.50%, 8/1/27 (Acquired<br>4/7/99, Cost \$86,859) (6)           | 87,163                      |
|   |   | -----                       |
| ELECTRICAL & ELECTRONIC<br>COMPONENTS--0.5% |   |                             |
| 350,000                                     | Anixter International Inc., 8.00%,<br>9/15/03   | 355,101                     |
| 250,000                                     | DII Group, Inc., 8.50%, 9/15/07<br>(Acquired 9/17/97, Cost<br>\$250,000) (6)                    | 251,562                     |
| 250,000                                     | Trench Electric & Trench Inc.,<br>10.25%, 12/15/07  | 247,188                     |
|   |   | -----<br>853,851<br>-----   |
| ENERGY (PRODUCTION & MARKETING)--1.1%       |   |                             |
| 250,000                                     | Belco Oil & Gas Corp., Series B,<br>10.50%, 4/1/06  | 256,562                     |
| 100,000                                     | Enron Corp., 6.625%, 11/15/05   | 98,075                      |
| 500,000                                     | Ocean Energy, Inc., 9.75%,<br>10/1/06   | 515,625                     |
| 525,000                                     | Oryx Energy Co., 8.375%,<br>7/15/04   | 558,077                     |
| 200,000                                     | Triton Energy Ltd., 8.75%,<br>4/15/02   | 199,500                     |
| 200,000                                     | USX Corp., 6.65%, 2/1/06  | 194,029                     |
|   |   | -----<br>1,821,868<br>----- |
| ENERGY (SERVICES)--0.3%                     |   |                             |
| 500,000                                     | Cliffs Drilling Company, 10.25%,<br>5/15/03   | 505,625                     |
| 100,000                                     | Petroleum Geo-Services ASA,<br>7.125%, 3/30/28  | 93,691                      |
|   |   | -----<br>599,316<br>-----   |
| FINANCIAL SERVICES--0.7%                    |   |                             |
| 100,000                                     | Ford Motor Credit Co., 6.55%,<br>9/10/02  | 100,716                     |
| 100,000                                     | General Motors Acceptance Corp.,<br>8.50%, 2/4/02   | 105,590                     |
| 1,000,000                                   | USL Capital Corp. MTN, Series D,<br>6.18%, 11/8/99  | 1,003,354                   |
|   |   | -----<br>1,209,660<br>----- |

| Principal Amount                  |   | Value                     |
|-----------------------------------|---|---------------------------|
| FOOD & BEVERAGE--0.2%             |   |                           |
| \$ 200,000                        | Pepsi Bottling Group Inc., 5.625%,<br>2/17/09 (Acquired 2/3/99,<br>Cost \$199,134) (6)    | \$ 186,577                |
| 150,000                           | Pepsi Bottling Group Inc., 7.00%,<br>3/1/29 (Acquired 3/3/99,<br>Cost \$148,980) (6)      | 145,426                   |
|                                   |   | -----<br>332,003<br>----- |
| HEALTHCARE--0.3%                  |   |                           |
| 100,000                           | Aetna Services, Inc., 6.75%,<br>8/15/01   | 100,695                   |
| 500,000                           | Tenet Healthcare Corp., 7.875%,<br>1/15/03  | 492,947                   |
|                                   |   | -----<br>593,642<br>----- |
| INSURANCE--0.1%                   |   |                           |
| 200,000                           | Conseco Inc., 6.40%, 6/15/01  | 196,280                   |
|                                   |   | -----                     |
| LEISURE--0.1%                     |   |                           |
| 125,000                           | Time Warner Inc., 8.11%,<br>8/15/06   | 133,888                   |
|                                   |   | -----                     |
| MACHINERY & EQUIPMENT--0.1%       |   |                           |
| 250,000                           | United Rentals, Inc., Series B,<br>9.50%, 6/1/08  | 254,062                   |
|                                   |   | -----                     |
| METALS & MINING--0.1%             |   |                           |
| 250,000                           | Golden Northwest Aluminum,<br>12.00%, 12/15/06 (Acquired<br>12/14/98, Cost \$250,000) (6) | 257,500                   |
|                                   |   | -----                     |
| OFFICE EQUIPMENT & SUPPLIES--0.1% |   |                           |
| 100,000                           | Xerox Capital Trust, 8.00%,<br>2/1/27 (Acquired 7/17/97,<br>Cost \$104,024) (6)           | 102,469                   |
|                                   |   | -----                     |
| PACKAGING & CONTAINERS--0.1%      |   |                           |
| 150,000                           | Owens-Illinois Inc., 7.15%,<br>5/15/05  | 144,525                   |
|                                   |   | -----                     |
| PAPER & FOREST PRODUCTS--0.1%     |   |                           |
| 150,000                           | Fort James Corp., 6.625%,<br>9/15/04  | 150,609                   |
|                                   |   | -----                     |
| REAL ESTATE--0.2%                 |   |                           |
| 275,000                           | Spieker Properties, Inc., 6.80%,<br>12/15/01  | 275,242                   |
|                                   |   | -----                     |
| RETAIL (FOOD & DRUG)--0.1%        |   |                           |
| 150,000                           | Rite Aid Corp., 6.70%, 12/15/01   | 150,409                   |
|                                   |   | -----                     |
| RETAIL (SPECIALTY)--0.1%          |   |                           |
| 250,000                           | Sonic Automotive, Inc., Series B,<br>11.00%, 8/1/08                                       | 248,125                   |
|                                   |   | -----                     |
| STEEL--0.1%                       |   |                           |
| 150,000                           | Pohang Iron & Steel Co., Ltd.,<br>7.375%, 5/15/05   | 143,442                   |
|                                   |   | -----                     |

See Notes to Financial Statements

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Strategic Aggressive--Schedule of Investments

(Continued)

MAY 31, 1999 (UNAUDITED)

| Principal Amount               |   | Value     |
|--------------------------------|---|-----------|
| TELEPHONE COMMUNICATIONS--0.7% |   |           |
| \$ 100,000                     | Cincinnati Bell Inc., 6.30%,<br>12/1/28 | \$ 90,967 |
| 150,000                        | GTE North Inc., Series H, 5.65%,        |           |

|                                       |  |       |            |
|---------------------------------------|--|-------|------------|
|                                       | 11/15/08   |       | 140,092    |
| 100,000                               | MCI WorldCom, Inc., 7.55%,<br>4/1/04   |       | 103,651    |
| 100,000                               | MCI WorldCom, Inc., 6.40%,<br>8/15/05  |       | 98,139     |
| 250,000                               | Qwest Communications<br>International Inc., Series B,<br>7.44%, 2/1/03(7)                                  |       | 192,187    |
| 550,000                               | Qwest Communications<br>International Inc., Series B,<br>7.50%, 11/1/08                                    |       | 555,851    |
| 100,000                               | Sprint Capital Corp., 6.875%,<br>11/15/28  |       | 94,075     |
|                                       |  | ----- | 1,274,962  |
| UTILITIES--0.2%                       |  |       |            |
| 100,000                               | PG&E Corp., 6.25%, 3/1/04  |       | 99,745     |
| 200,000                               | Southern Investments UK, 6.80%,<br>12/1/06   |       | 198,040    |
|                                       |  | ----- | 297,785    |
| WIRELESS COMMUNICATIONS--0.2%         |  |       |            |
| 150,000                               | 360 Communications Co.,<br>7.125%, 3/1/03  |       | 153,100    |
| 150,000                               | TCI Communications, Inc., 8.75%,<br>8/1/15   |       | 177,082    |
|                                       |  | ----- | 330,182    |
| TOTAL CORPORATE BONDS                 |  |       | 13,036,730 |
|                                       |  | ----- |            |
| (Cost \$13,173,616)                   |  |       |            |
| COMMERCIAL PAPER(3)--2.3%             |  |       |            |
| ENERGY (PRODUCTION & MARKETING)--0.5% |  |       |            |
| 500,000                               | Motiva Enterprises LLC, 4.90%,<br>8/26/99 (Acquired 5/28/99,<br>Cost \$493,875) (6)                        |       | 493,827    |
| 350,000                               | Statoil-Den Norske Stats, 4.79%,<br>6/17/99 (Acquired 5/13/99,<br>Cost \$348,370) (6)                      |       | 349,056    |
|                                       |  | ----- | 842,883    |
| FINANCIAL SERVICES--1.3%              |  |       |            |
| 500,000                               | Ford Motor Credit Co., 4.82%,<br>10/6/99   |       | 490,956    |
| 1,000,000                             | General Electric Capital Corp.,<br>4.80%, 10/1/99  |       | 982,625    |
| 388,000                               | Quincy Capital Corp., 4.84%,<br>7/9/99 (Acquired 5/13/99,<br>Cost \$385,027) (6)                           |       | 385,796    |
| Principal Amount                      |  |       | Value      |
|                                       |  | ----- |            |
| \$ 400,000                            | Windmill Funding Corp., 4.82%,<br>7/14/99 (Acquired 5/13/99,<br>Cost \$396,680) (6)                        |       | \$ 397,453 |
|                                       |  | ----- | 2,256,830  |
| INDUSTRIAL--0.2%                      |  |       |            |
| 400,000                               | Siebe plc, 4.82%, 8/11/99<br>(Acquired 5/13/99, Cost<br>\$395,180) (6)                                     |       | 395,902    |
| INSURANCE--0.3%                       |  |       |            |
| 475,000                               | Transamerica Occidental Life<br>Insurance Co., 4.82%, 7/19/99<br>(Acquired 5/13/99, Cost<br>\$470,739) (6) |       | 471,648    |
| TOTAL COMMERCIAL PAPER                |  | ----- | 3,967,263  |
|                                       |  | ----- |            |
| (Cost \$3,970,493)                    |  |       |            |
| TEMPORARY CASH INVESTMENTS--2.5%      |  |       |            |
|                                       | Repurchase Agreement, Merrill Lynch & Co.,<br>Inc., (U.S. Treasury obligations), in a joint                |       |            |

trading account at 4.75%, dated 5/28/99,  
due 6/1/99 (Delivery value \$4,402,322)

4,400,000

-----

(Cost \$4,400,000)

TOTAL INVESTMENT SECURITIES--100.0%

\$173,000,329

=====

(Cost \$148,086,096)

FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS

| Contracts<br>to Sell | Settlement<br>Date | Value       | Unrealized<br>Gain/Loss |
|----------------------|--------------------|-------------|-------------------------|
| 164,503 CHF          | 6/30/99            | \$ 108,035  | \$647                   |
| 3,027,821 EURO       | 6/30/99            | 3,161,236   | 21,603                  |
| 420,438 GBP          | 6/30/99            | 673,059     | (1,420)                 |
| 107,173,560 JPY      | 6/30/99            | 885,293     | (840)                   |
| 438,924 SEK          | 6/30/99            | 51,083      | 274                     |
|                      |                    | -----       | -----                   |
|                      |                    | \$4,878,706 | \$20,264                |
|                      |                    | =====       | =====                   |

(Value on Settlement Date \$4,898,970)

Forward foreign currency exchange contracts are used by the portfolio management team in an effort to protect foreign investments against declines in foreign currencies. This is also known as hedging. The contracts are called "forward" because they allow your fund to exchange a foreign currency for U.S. dollars at a date in the future--and at a price (known as the exchange rate) agreed upon when the contract is initially entered into.

See Notes to Financial Statements

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Strategic Aggressive--Schedule of Investments

-----  
(Continued)

MAY 31, 1999 (UNAUDITED)

NOTES TO SCHEDULE OF INVESTMENTS

ADR = American Depositary Receipt

AUD = Australian Dollar

CAD = Canadian Dollar

CHF = Swiss Franc

DKK = Danish Krone

FHLB = Federal Home Loan Bank

FHLMC = Federal Home Loan Mortgage Corporation

FNMA = Federal National Mortgage Association

GBP = British Pound

GDR = Global Depositary Receipt

GNMA = Government National Mortgage Association

JPY = Japanese Yen

LIBOR = London Interbank Offered Rate

MTN = Medium Term Note

ORD = Foreign Ordinary Share

SEK = Swedish Krona

VRN = Variable Rate Note. Interest reset date is indicated and used in calculating the weighted average portfolio maturity. Rate shown is effective May 31, 1999.

resets = The frequency with which a security's coupon changes, based on current market conditions or an underlying index. The more frequently a security resets, the less risk the investor is taking that the coupon will vary significantly

from current market rates.

- (1) Non-income producing.
- (2) Industry is less than 0.05% of total investment securities.
- (3) Rate indicated is the yield to maturity at purchase.
- (4) Coupon payments may consist of a combination of cash and additional securities.
- (5) Final maturity indicated. Expected remaining maturity used for purposes of calculating the weighted average portfolio maturity.
- (6) Security was purchased under Rule 144A or Section 4(2) of the Securities Act of 1933 or is a private placement and, unless registered under the Act or exempted from registration, may only be sold to qualified institutional investors. The aggregate value of restricted securities at May 31, 1999, was \$4,456,467, which represented 2.6% of net assets.
- (7) Step-coupon security. Yield to maturity at purchase is indicated. These securities become interest bearing at a predetermined rate and future date and are purchased at a substantial discount from their value at maturity.

-----  
 UNDERSTANDING THE SCHEDULE OF INVESTMENTS--This schedule tells you which investments your fund owned on the last day of the reporting period.

The schedule includes:

- \* a list of each investment
- \* the share amount (stocks) or principal amount (bonds) of each investment
- \* the market value of each investment
- \* the percentage of investments in each industry, as applicable
- \* the percent and dollar breakdown of each investment category

See Notes to Financial Statements

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<TABLE>  
 <CAPTION>  
 Statements of Assets and Liabilities  
 -----

| MAY 31, 1999 (UNAUDITED)  | STRATEGIC<br>ALLOCATION:<br>CONSERVATIVE | STRATEGIC<br>ALLOCATION:<br>MODERATE | STRATEGIC<br>ALLOCATION:<br>AGGRESSIVE |
|---|--|--------------------------------------|--|
| ASSETS  |  |                                      |  |
| <S>   | <C>                                      | <C>                                  | <C>                                    |
| Investment securities, at value<br>(identified cost of \$185,834,787,<br>\$281,564,974 and \$148,086,096,<br>respectively) (Note 3) ..... | \$198,660,956                            | \$312,670,191                        | \$173,000,329                          |
| Foreign currency holdings, at value<br>(identified cost of \$18,436,<br>\$488,661, and \$474,499,<br>respectively) .....                  | 18,436                                   | 490,799                              | 475,537                                |
| Cash .....  | 1,473                                    | --                                   | --                                     |
| Receivable for investments sold .....   | 3,314,964                                | 3,969,561                            | 2,956,050                              |
| Receivable for forward foreign<br>currency exchange contracts .....   | 14,771                                   | 36,725                               | 22,524                                 |
| Dividends and interest receivable ...   | 1,739,201                                | 2,143,438                            | 857,217                                |
|   | -----<br>203,749,801                     | -----<br>319,310,714                 | -----<br>177,311,657                   |
| LIABILITIES   |  |                                      |  |
| Disbursements in excess of<br>demand deposit cash .....   | --                                       | 89,234                               | 256,287                                |
| Payable for investments purchased ...   | 3,908,178                                | 5,487,745                            | 3,761,674                              |
| Payable for forward foreign<br>currency exchange contracts .....  | 1,573                                    | 3,646                                | 2,260                                  |
| Accrued management fees (Note 2) .....  | 170,307                                  | 293,228                              | 177,026                                |
| Distribution fees payable (Note 2) ...  | 1,417                                    | 3,212                                | 2,523                                  |



|   |               |               |               |
|---|---------------|---------------|---------------|
| Service fees payable (Note 2) .....               | 1,417         | 3,212         | 2,523         |
| Payable for directors' fees<br>and expenses ..... | 98            | 78            | 91            |
|   | -----         | -----         | -----         |
|   | 4,082,990     | 5,880,355     | 4,202,384     |
|   | -----         | -----         | -----         |
| Net assets .....                                  | \$199,666,811 | \$313,430,359 | \$173,109,273 |
|   | =====         | =====         | =====         |

NET ASSETS CONSIST OF:

|  |               |               |               |
|--|---------------|---------------|---------------|
| Capital (par value and<br>paid in surplus) .....   | \$184,584,435 | \$279,038,268 | \$145,657,428 |
| Undistributed net investment income ..   | 1,141,152     | 1,238,817     | 1,050,251     |
| Accumulated undistributed net<br>realized gain from investment<br>and foreign currency transactions ..                             | 1,101,206     | 2,016,277     | 1,466,068     |
| Net unrealized appreciation on<br>investments and translation of<br>assets and liabilities in foreign<br>currencies (Note 3) ..... | 12,840,018    | 31,136,997    | 24,935,526    |
|  | -----         | -----         | -----         |
|  | \$199,666,811 | \$313,430,359 | \$173,109,273 |
|  | =====         | =====         | =====         |

Investor Class, \$0.01 Par Value

|                                 |               |               |               |
|---------------------------------|---------------|---------------|---------------|
| Net assets .....                | \$192,920,444 | \$298,472,254 | \$161,432,899 |
| Shares outstanding .....        | 34,896,038    | 47,304,198    | 23,769,880    |
| Net asset value per share ..... | \$ 5.53       | \$ 6.31       | \$ 6.79       |

Advisor Class, \$0.01 Par Value

|                                 |              |               |               |
|---------------------------------|--------------|---------------|---------------|
| Net assets .....                | \$ 6,746,367 | \$ 14,958,105 | \$ 11,676,374 |
| Shares outstanding .....        | 1,221,283    | 2,372,796     | 1,721,078     |
| Net asset value per share ..... | \$ 5.52      | \$ 6.30       | \$ 6.78       |

</TABLE>

-----  
UNDERSTANDING THE STATEMENTS OF ASSETS AND LIABILITIES--This statement details what the fund owns (assets), what it owes (liabilities), and its net assets as of the last day of the period. If you subtract what the fund owes from what it owns, you get the fund's net assets. For each class of shares, the net assets divided by the total number of shares outstanding gives you the price of an individual share, or the net asset value per share.

NET ASSETS are also broken down by capital (money invested by shareholders); net investment income not yet paid to shareholders; net gains earned on investment activity but not yet paid to shareholders or net losses on investment activity (known as realized gains or losses); and finally, gains or losses on securities still owned by the fund (known as unrealized appreciation or depreciation). This breakdown tells you the value of net assets that are performance-related, such as investment gains or losses, and the value of net assets that are not related to performance, such as shareholder investments and redemptions.

See Notes to Financial Statements

Statements of Operations

| FOR THE SIX MONTHS<br>ENDED MAY 31, 1999 (UNAUDITED)  | STRATEGIC<br>ALLOCATION:<br>CONSERVATIVE | STRATEGIC<br>ALLOCATION:<br>MODERATE | STRATEGIC<br>ALLOCATION:<br>AGGRESSIVE |
|---|--|--------------------------------------|--|
| INVESTMENT INCOME   |  |                                      |  |
| Income:   |  |                                      |  |
| Interest .....  | \$3,325,691                              | \$ 3,450,265                         | \$ 1,208,516                           |
| Dividends (net of foreign taxes<br>withheld of \$17,577, \$48,091,<br>and \$34,765, respectively) ..... | 647,430                                  | 1,234,142                            | 763,090                                |
|   | -----                                    | -----                                | -----                                  |
|   | 3,973,121                                | 4,684,407                            | 1,971,606                              |
|   | -----                                    | -----                                | -----                                  |
| Expenses (Note 2):  |  |                                      |  |
| Management fees .....   | 974,372                                  | 1,603,075                            | 987,913                                |
| Distribution fees -- Advisor Class .  | 8,214                                    | 18,011                               | 14,077                                 |
| Service fees -- Advisor Class .....   | 8,214                                    | 18,011                               | 14,077                                 |
| Directors' fees and expenses .....  | 769                                      | 1,400                                | 697                                    |
|   | -----                                    | -----                                | -----                                  |
|   | 991,569                                  | 1,640,497                            | 1,016,764                              |

|  |             |              |              |
|--|-------------|--------------|--------------|
| Net investment income .....  | 2,981,552   | 3,043,910    | 954,842      |
| REALIZED AND UNREALIZED<br>GAIN ON INVESTMENTS AND<br>FOREIGN CURRENCY (NOTE 3)  |             |              |              |
| Net realized gain on:  |             |              |              |
| Investments .....  | 2,432,191   | 4,138,685    | 2,726,123    |
| Foreign currency transactions .....  | 117,258     | 248,090      | 155,848      |
|  | 2,549,449   | 4,386,775    | 2,881,971    |
| Change in net unrealized<br>appreciation on:                                     |             |              |              |
| Investments .....  | 1,405,597   | 9,191,321    | 8,518,988    |
| Translation of assets and<br>liabilities in foreign<br>currencies .....          | 8,254       | 18,692       | 11,923       |
|  | 1,413,851   | 9,210,013    | 8,530,911    |
| Net realized and unrealized<br>gain on investments and<br>foreign currency ..... | 3,963,300   | 13,596,788   | 11,412,882   |
| Net Increase in Net Assets<br>Resulting from Operations .....                    | \$6,944,852 | \$16,640,698 | \$12,367,724 |

UNDERSTANDING THE STATEMENTS OF OPERATIONS--This statement breaks down how each fund's net assets changed during the period as a result of the fund's operations. It tells you how much money the fund made or lost after taking into account income, fees and expenses, and investment gains or losses. It does not include shareholder transactions and distributions.

Fund OPERATIONS include:

- \* interest and dividend income
- \* management fees and other expenses
- \* gains or losses from selling investments (known as realized gains or losses)
- \* gains or losses on current fund holdings (known as unrealized appreciation or depreciation)

See Notes to Financial Statements

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<TABLE>  
<CAPTION>  
Statements of Changes in Net Assets

SIX MONTHS ENDED MAY 31, 1999 (UNAUDITED) AND YEAR ENDED NOVEMBER 30, 1998

| Increase in Net Assets   | STRATEGIC ALLOCATION:<br>CONSERVATIVE |              | STRATEGIC ALLOCATION:<br>MODERATE |              | STRATEGIC ALLOCATION:<br>AGGRESSIVE |              |
|--|---------------------------------------|--------------|-----------------------------------|--------------|-------------------------------------|--------------|
|  | 1999                                  | 1998         | 1999                              | 1998         | 1999                                | 1998         |
| OPERATIONS   |                                       |              |                                   |              |                                     |              |
| <S>  | <C>                                   | <C>          | <C>                               | <C>          | <C>                                 | <C>          |
| Net investment income .....  | \$ 2,981,552                          | \$ 5,876,472 | \$ 3,043,910                      | \$ 6,006,752 | \$ 954,842                          | \$ 2,075,131 |
| Net realized gain on<br>investments and foreign<br>currency transactions .....   | 2,549,449                             | 4,808,349    | 4,386,775                         | 7,826,734    | 2,881,971                           | 3,332,508    |
| Change in net unrealized<br>appreciation on investments<br>and translation of assets<br>and liabilities in<br>foreign currencies ..... | 1,413,851                             | 4,669,595    | 9,210,013                         | 10,098,992   | 8,530,911                           | 6,656,675    |
| Net increase in net assets<br>resulting from operations ...  | 6,944,852                             | 15,354,416   | 16,640,698                        | 23,932,478   | 12,367,724                          | 12,064,314   |

DISTRIBUTIONS TO

SHAREHOLDERS

|   |             |              |              |              |             |             |
|---|-------------|--------------|--------------|--------------|-------------|-------------|
| From net investment income:                         |             |              |              |              |             |             |
| Investor Class .....                                | (2,612,442) | (5,800,329)  | (2,795,111)  | (5,873,919)  | (1,746,451) | (1,584,225) |
| Advisor Class .....                                 | (90,131)    | (187,045)    | (124,222)    | (276,208)    | (97,114)    | (95,179)    |
| From net realized gains on investment transactions: |             |              |              |              |             |             |
| Investor Class .....                                | (5,992,784) | (7,295,786)  | (9,046,725)  | (6,635,893)  | (3,801,609) | (3,703,277) |
| Advisor Class .....                                 | (213,170)   | (204,754)    | (452,461)    | (295,112)    | (264,507)   | (268,899)   |
| Decrease in net assets from distributions .....     | (8,908,527) | (13,487,914) | (12,418,519) | (13,081,132) | (5,909,681) | (5,651,580) |

CAPITAL SHARE TRANSACTIONS (NOTE 4)

|  |            |            |            |            |            |            |
|--|------------|------------|------------|------------|------------|------------|
| Net increase in net assets from capital share transactions ..... | 14,064,478 | 24,713,711 | 34,236,497 | 54,162,988 | 11,297,688 | 31,349,164 |
| Net increase in net assets ....                                  | 12,100,803 | 26,580,213 | 38,458,676 | 65,014,334 | 17,755,731 | 37,761,898 |

NET ASSETS

|   |                |                |                |                |                |                |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| Beginning of period .....                 | 187,566,008    | 160,985,795    | 274,971,683    | 209,957,349    | 155,353,542    | 117,591,644    |
| End of period .....                       | \$ 199,666,811 | \$ 187,566,008 | \$ 313,430,359 | \$ 274,971,683 | \$ 173,109,273 | \$ 155,353,542 |
| Undistributed net investment income ..... | \$ 1,141,152   | \$ 862,173     | \$ 1,238,817   | \$ 1,114,240   | \$ 1,050,251   | \$ 1,938,974   |

</TABLE>

UNDERSTANDING THE STATEMENTS OF CHANGES IN NET ASSETS--These statements show how each fund's net assets changed over the past two reporting periods. It details how much a fund grew or shrank as a result of:

- \* operations--a summary of the Statement of Operations from the previous page for the most recent period
- \* distributions--income and gains distributed to shareholders
- \* capital share transactions--shareholders' purchases, reinvestments, and redemptions

Net assets at the beginning of the period plus the sum of operations, distributions to shareholders and capital share transactions result in net assets at the end of the period.

See Notes to Financial Statements

Notes to Financial Statements

MAY 31, 1999 (UNAUDITED)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION -- American Century Strategic Asset Allocations, Inc. (the corporation) is registered under the Investment Company Act of 1940 as an open-end diversified management investment company. Strategic Allocation: Conservative Fund, Strategic Allocation: Moderate Fund and Strategic Allocation: Aggressive Fund (the funds) are three of the funds currently issued by the corporation. The funds' investment objective is to provide as high a level of total return (capital appreciation plus dividend and interest income) as is consistent with each fund's risk profile. The funds seek to achieve this by diversifying investments among three asset classes - equity securities, bonds and cash equivalent instruments, the mix of which will depend on the risk profile of each fund. The funds are authorized to issue two classes of shares: the Investor Class and the Advisor Class. The two classes of shares differ principally in their respective shareholder servicing and distribution expenses and arrangements. All shares of each fund represent an equal pro rata interest in the assets of the class to which such shares belong, and have identical voting, dividend, liquidation and other rights and the same terms and conditions, except for class specific expenses and exclusive rights to vote on matters affecting only individual classes. The following significant accounting policies are in accordance with generally accepted accounting principles; these principles may require the use of estimates by fund management.

SECURITY VALUATIONS -- Portfolio securities traded primarily on a principal securities exchange are valued at the last reported sales price, or the mean of the latest bid and asked prices where no last sales price is available. Securities traded over-the-counter are valued at the mean of the latest bid and asked prices or, in the case of certain foreign securities, at the last reported sales price, depending on local convention or regulation. Debt securities not traded on a principal securities exchange are valued through a commercial pricing service or at the mean of the most recent bid and asked prices. When valuations are not readily available, securities are valued at fair value as determined in accordance with procedures adopted by the Board of Directors.

SECURITY TRANSACTIONS -- Security transactions are accounted for as of the trade date. Net realized gains and losses are determined on the identified cost basis, which is also used for federal income tax purposes.

INVESTMENT INCOME -- Dividend income less foreign taxes withheld (if any) is recorded as of the ex-dividend date. Interest income is recorded on the accrual basis and includes accretion of discounts and amortization of premiums.

FOREIGN CURRENCY TRANSACTIONS -- All assets and liabilities initially expressed in foreign currencies are translated into U.S. dollars at prevailing exchange rates at period end. Purchases and sales of investment securities, dividend and interest income, and certain expenses are translated at the rates of exchange prevailing on the respective dates of such transactions. For assets and liabilities, other than investments in securities, net realized and unrealized gains and losses from foreign currency translations arise from changes in currency exchange rates.

Net realized and unrealized foreign currency exchange gains or losses occurring during the holding period of investment securities are a component of realized gain (loss) on investments and unrealized appreciation (depreciation) on investments, respectively.

FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS -- The funds may enter into forward foreign currency exchange contracts to facilitate transactions of securities denominated in a foreign currency or to hedge the fund's exposure to foreign currency exchange rate fluctuations. The net U.S. dollar value of foreign currency underlying all contractual commitments held by the funds and the resulting unrealized appreciation or depreciation are determined daily using prevailing exchange rates. The funds bear the risk of an unfavorable change in the foreign currency exchange rate underlying the forward contract. Additionally, losses may arise if the counterparties do not perform under the contract terms.

REPURCHASE AGREEMENTS -- The funds may enter into repurchase agreements with institutions that the funds' investment manager, American Century Investment Management, Inc. (ACIM), has determined are creditworthy pursuant to criteria adopted by the Board of Directors. Each repurchase agreement is recorded at cost. The funds require that the collateral, represented by securities, received in a repurchase transaction be transferred to the custodian in a manner sufficient to enable the funds to obtain those securities in the event of a default under the repurchase agreement. ACIM monitors, on a daily basis, the securities transferred to ensure the value, including accrued interest, of the securities under each repurchase agreement is equal to or greater than amounts owed to the funds under each repurchase agreement.

JOINT TRADING ACCOUNT -- Pursuant to an Exemptive Order issued by the Securities and Exchange Commission, the funds, along with other registered investment companies having management agreements with ACIM, may transfer uninvested cash balances into a joint trading account. These balances are invested in one or more repurchase agreements that are collateralized by U.S. Treasury or Agency obligations.

INCOME TAX STATUS -- It is the funds' policy to distribute all net investment income and net realized gains to shareholders and to otherwise qualify as a regulated investment company under provisions of the Internal Revenue Code. Accordingly, no provision has been made for federal or state income taxes.

DISTRIBUTIONS TO SHAREHOLDERS -- Distributions to shareholders are recorded on the ex-dividend date. Distributions from net investment income are declared and paid quarterly, with the exception of those for Strategic Allocation: Aggressive, which are declared and paid annually. Distributions from net realized gains are declared and paid annually, usually in December, but the funds may make distributions on a more frequent basis to comply with the distribution requirements of the Internal Revenue Code, in all events in a manner consistent with provisions of the Investment Company Act.

The character of distributions made during the year from net investment income or net realized gains may differ from their ultimate characterization for federal income tax purposes. These differences reflect the differing character

## Notes to Financial Statements

(Continued)

MAY 31, 1999 (UNAUDITED)

of certain income items and net realized gains and losses for financial statement and tax purposes and may result in reclassification among certain capital accounts.

ADDITIONAL INFORMATION -- Funds Distributor, Inc. (FDI) is the corporation's distributor. Certain officers of FDI are also officers of the corporation.

## 2. TRANSACTIONS WITH RELATED PARTIES

The corporation has entered into a Management Agreement with ACIM that provides each fund with investment advisory and management services in exchange for a single, unified management fee per class. The Agreement provides that all expenses of the funds, except brokerage commissions, taxes, interest, expenses of those directors who are not considered "interested persons" as defined in the Investment Company Act of 1940 (including counsel fees) and extraordinary expenses, will be paid by ACIM. The fee is computed daily and paid monthly based on each class's average daily closing net assets during the previous month. The annual management fee for each class of the funds is as follows:

|                       | STRATEGIC<br>ALLOCATION:<br>CONSERVATIVE |         | STRATEGIC<br>ALLOCATION:<br>MODERATE |         | STRATEGIC<br>ALLOCATION:<br>AGGRESSIVE |         |
|-----------------------|--|---------|--------------------------------------|---------|--|---------|
|                       | INVESTOR                                 | ADVISOR | INVESTOR                             | ADVISOR | INVESTOR                               | ADVISOR |
| AVERAGE NET ASSETS    |  |         |                                      |         |  |         |
| First \$1 billion ... | 1.00%                                    | 0.75%   | 1.10%                                | 0.85%   | 1.20%                                  | 0.95%   |
| Over \$1 billion .... | 0.90%                                    | 0.65%   | 1.00%                                | 0.75%   | 1.10%                                  | 0.85%   |

The Board of Directors has adopted the Advisor Class Master Distribution and Shareholder Services Plan (the plan), pursuant to Rule 12b-1 of the Investment Company Act of 1940. The plan provides that the funds will pay ACIM an annual distribution fee equal to 0.25% and service fee equal to 0.25%. The fees are computed daily and paid monthly based on the Advisor Class's average daily closing net assets during the previous month. The distribution fee provides compensation for distribution expenses incurred by financial intermediaries in connection with distributing shares of the Advisor Class including, but not limited to, payments to brokers, dealers, and financial institutions that have entered into sales agreements with respect to shares of the funds. The service fee provides compensation for shareholder and administrative services rendered by ACIM, its affiliates or independent third party providers. Fees incurred under the plan during the six months ended May 31, 1999, were \$16,428 in Strategic Allocation: Conservative, \$36,022 in Strategic Allocation: Moderate and \$28,154 in Strategic Allocation: Aggressive.

Certain officers and directors of the corporation are also officers and/or directors, and, as a group, controlling stockholders of American Century Companies, Inc., the parent of the corporation's investment manager, ACIM, and the corporation's transfer agent, American Century Services Corporation.

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## Notes to Financial Statements

(Continued)

MAY 31, 1999 (UNAUDITED)

## 3. INVESTMENT TRANSACTIONS

Investment transactions, excluding short-term investments, for the six months ended May 31, 1999, were as follows:

|                            | STRATEGIC<br>ALLOCATION:<br>CONSERVATIVE |         | STRATEGIC<br>ALLOCATION:<br>MODERATE |         | STRATEGIC<br>ALLOCATION:<br>AGGRESSIVE |         |
|----------------------------|--|---------|--------------------------------------|---------|--|---------|
|                            | INVESTOR                                 | ADVISOR | INVESTOR                             | ADVISOR | INVESTOR                               | ADVISOR |
| PURCHASES                  |  |         |                                      |         |  |         |
| Investment Securities      |  |         |                                      |         |  |         |
| other than U.S. Government |  |         |                                      |         |  |         |
| & Agency Obligations ..... | \$83,234,812                             |         | \$154,064,675                        |         | \$96,025,341                           |         |
| U.S. Government & Agency   |  |         |                                      |         |  |         |
| Obligations .....          | 24,629,923                               |         | 17,828,485                           |         | 2,694,606                              |         |

PROCEEDS FROM SALES

Investment Securities

other than U.S. Government

|                            |              |               |              |
|----------------------------|--------------|---------------|--------------|
| & Agency Obligations ..... | \$78,305,913 | \$139,524,151 | \$91,601,713 |
| U.S. Government & Agency   |              |               |              |
| Obligations .....          | 23,480,370   | 12,795,420    | 2,512,235    |

On May 31, 1999, the composition of unrealized appreciation and depreciaton of investment securities based on the aggregate cost of investments for federal income tax purposes was as follows:

|                        | STRATEGIC<br>ALLOCATION:<br>CONSERVATIVE | STRATEGIC<br>ALLOCATION:<br>MODERATE | STRATEGIC<br>ALLOCATION:<br>AGGRESSIVE |
|------------------------|--|--------------------------------------|--|
| Appreciation .....     | \$13,239,972                             | \$32,224,636                         | \$25,677,532                           |
| Depreciation .....     | (1,841,781)                              | (3,477,009)                          | (2,028,969)                            |
| Net .....              | \$11,398,191                             | \$28,747,627                         | \$23,648,563                           |
| Federal Tax Cost ..... | \$187,262,765                            | \$283,922,564                        | \$149,351,766                          |

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Notes to Financial Statements

(Continued)

MAY 31, 1999 (UNAUDITED)

4. CAPITAL SHARE TRANSACTIONS

Transactions in shares of the funds were as follows:

<TABLE>

<CAPTION>

| INVESTOR CLASS                                   | STRATEGIC ALLOCATION:<br>CONSERVATIVE |              | STRATEGIC ALLOCATION:<br>MODERATE |               | STRATEGIC ALLOCATION:<br>AGGRESSIVE |              |
|--|---------------------------------------|--------------|-----------------------------------|---------------|-------------------------------------|--------------|
|  | SHARES                                | AMOUNT       | SHARES                            | AMOUNT        | SHARES                              | AMOUNT       |
| <S>  | <C>                                   | <C>          | <C>                               | <C>           | <C>                                 | <C>          |
| Authorized shares .....                          | 50,000,000                            |              | 50,000,000                        |               | 50,000,000                          |              |
| Six months ended<br>May 31, 1999                 |                                       |              |                                   |               |                                     |              |
| Sold .....                                       | 8,632,629                             | \$47,597,724 | 10,611,654                        | \$66,742,712  | 5,638,691                           | \$37,723,341 |
| Issued in reinvestment<br>of distributions ..... | 1,435,579                             | 7,755,366    | 1,939,629                         | 11,747,743    | 866,756                             | 5,527,761    |
| Redeemed .....                                   | (7,544,436)                           | (41,510,914) | (7,317,251)                       | (45,730,547)  | (4,929,452)                         | (32,946,355) |
| Net increase .....                               | 2,523,772                             | \$13,842,176 | 5,234,032                         | \$32,759,908  | 1,575,995                           | \$10,304,747 |
| Year ended<br>November 30, 1998                  |                                       |              |                                   |               |                                     |              |
| Sold .....                                       | 14,341,532                            | \$78,794,970 | 23,620,687                        | \$143,489,927 | 12,549,015                          | \$80,160,388 |
| Issued in reinvestment<br>of distributions ..... | 2,221,536                             | 11,843,897   | 2,116,707                         | 12,429,433    | 895,817                             | 5,276,602    |
| Redeemed .....                                   | (12,448,203)                          | (68,202,816) | (17,345,468)                      | (105,655,521) | (8,778,771)                         | (55,922,680) |
| Net increase .....                               | 4,114,865                             | \$22,436,051 | 8,391,926                         | \$50,263,839  | 4,666,061                           | \$29,514,310 |
| ADVISOR CLASS                                    |                                       |              |                                   |               |                                     |              |
| Authorized shares .....                          | 25,000,000                            |              | 25,000,000                        |               | 25,000,000                          |              |
| Six months ended<br>May 31, 1999                 |                                       |              |                                   |               |                                     |              |
| Sold .....                                       | 266,466                               | \$1,464,162  | 569,093                           | \$3,552,280   | 385,008                             | \$2,560,141  |
| Issued in reinvestment<br>of distributions ..... | 56,064                                | 303,298      | 95,133                            | 576,258       | 56,668                              | 361,429      |
| Redeemed .....                                   | (280,289)                             | (1,545,158)  | (423,208)                         | (2,651,949)   | (288,172)                           | (1,928,629)  |
| Net increase .....                               | 42,241                                | \$222,302    | 241,018                           | \$1,476,589   | 153,504                             | \$992,941    |
| Year ended<br>November 30, 1998                  |                                       |              |                                   |               |                                     |              |
| Sold .....                                       | 733,231                               | \$4,045,949  | 1,851,968                         | \$11,078,436  | 791,693                             | \$5,187,411  |
| Issued in reinvestment                           |                                       |              |                                   |               |                                     |              |

|                        |           |             |             |             |           |             |
|------------------------|-----------|-------------|-------------|-------------|-----------|-------------|
| of distributions ..... | 73,283    | 391,794     | 97,244      | 571,210     | 61,708    | 364,076     |
| Redeemed .....         | (392,972) | (2,160,083) | (1,252,277) | (7,750,497) | (584,629) | (3,716,633) |
| Net increase .....     | 413,542   | \$2,277,660 | 696,935     | \$3,899,149 | 268,772   | \$1,834,854 |

</TABLE>

5. BANK LOANS

Effective December 18, 1998, the funds, along with certain other funds managed by ACIM, entered into an unsecured \$570,000,000 bank line of credit agreement with Chase Manhattan Bank. Borrowings under the agreement bear interest at the Federal Funds rate plus 0.40%. The funds may borrow money for temporary or emergency purposes to fund shareholder redemptions. The funds did not borrow from the line during the period December 18, 1998 through May 31, 1999.

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Notes to Financial Statements

(Continued)

MAY 31, 1999 (UNAUDITED)

6. FUND EVENTS

The following name changes became effective March 1, 1999:

| NEW NAME   | FORMER NAME  |
|--|--|
| FUND: Strategic Allocation:<br>Conservative Fund | American Century Strategic<br>Allocation: Conservative |
| FUND: Strategic Allocation:<br>Moderate Fund     | American Century Strategic<br>Allocation: Moderate     |
| FUND: Strategic Allocation:<br>Aggressive Fund   | American Century Strategic<br>Allocation: Aggressive   |

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Strategic Conservative--Financial Highlights

FOR A SHARE OUTSTANDING THROUGHOUT THE YEARS ENDED NOVEMBER 30 (EXCEPT AS NOTED)

| PER-SHARE DATA   | Investor Class |        |        |         |
|--|----------------|--------|--------|---------|
|  | 1999(1)        | 1998   | 1997   | 1996(2) |
| Net Asset Value, Beginning of Period ..                              | \$5.59         | \$5.55 | \$5.26 | \$5.00  |
| Income From Investment Operations                                    |                |        |        |         |
| Net Investment Income(3) .....                                       | 0.08           | 0.18   | 0.19   | 0.13    |
| Net Realized and Unrealized Gain<br>on Investment Transactions ..... | 0.13           | 0.31   | 0.36   | 0.22    |
| Total From Investment Operations ....                                | 0.21           | 0.49   | 0.55   | 0.35    |
| Distributions  |                |        |        |         |
| From Net Investment Income .....                                     | (0.08)         | (0.19) | (0.17) | (0.09)  |
| From Net Realized Gain on<br>Investment Transactions .....           | (0.19)         | (0.26) | (0.09) | --      |
| Total Distributions .....  | (0.27)         | (0.45) | (0.26) | (0.09)  |
| Net Asset Value, End of Period .....                                 | \$5.53         | \$5.59 | \$5.55 | \$5.26  |
| Total Return(4) .....  | 3.77%          | 9.43%  | 10.87% | 7.02%   |

RATIOS/SUPPLEMENTAL DATA

|   |          |       |       |          |
|---|----------|-------|-------|----------|
| Ratio of Operating Expenses<br>to Average Net Assets .....    | 1.00%(5) | 1.00% | 1.00% | 1.01%(5) |
| Ratio of Net Investment Income<br>to Average Net Assets ..... | 3.04%(5) | 3.35% | 3.48% | 3.67%(5) |

|                               |           |           |           |          |
|-------------------------------|-----------|-----------|-----------|----------|
| Portfolio Turnover Rate ..... | 60%       | 113%      | 124%      | 44%      |
| Net Assets, End of Period     |           |           |           |          |
| (in thousands) .....          | \$192,920 | \$180,970 | \$156,733 | \$33,110 |

- (1) Six months ended May 31, 1999 (unaudited).
- (2) February 15, 1996 (inception) through November 30, 1996.
- (3) Computed using average shares outstanding throughout the period.
- (4) Total return assumes reinvestment of dividends and capital gains distributions, if any. Total returns for periods less than one year are not annualized.
- (5) Annualized.

-----  
 UNDERSTANDING THE FINANCIAL HIGHLIGHTS--These statements itemize current period activity and statistics and provide comparison data for the last five fiscal years (or less, if the class is not five years old).

On a per-share basis, it includes:

- \* share price at the beginning of the period
- \* investment income and capital gains or losses
- \* income and capital gains distributions paid to shareholders
- \* share price at the end of the period

It also includes some key statistics for the period:

- \* total return--the overall percentage return of the fund, assuming reinvestment of all distributions
- \* expense ratio--operating expenses as a percentage of average net assets
- \* net income ratio--net investment income as a percentage of average net assets
- \* portfolio turnover--the percentage of the portfolio that was replaced during the period

See Notes to Financial Statements

Strategic Conservative--Financial Highlights

(Continued)

FOR A SHARE OUTSTANDING THROUGHOUT THE YEARS ENDED NOVEMBER 30 (EXCEPT AS NOTED)

|   | Advisor Class |        |        |         |
|---|---------------|--------|--------|---------|
|   | 1999(1)       | 1998   | 1997   | 1996(2) |
| <b>PER-SHARE DATA</b>                                       |               |        |        |         |
| Net Asset Value, Beginning of Period                        | \$5.59        | \$5.56 | \$5.26 | \$5.09  |
| Income From Investment Operations                           |               |        |        |         |
| Net Investment Income(3)                                    | 0.08          | 0.17   | 0.17   | 0.03    |
| Net Realized and Unrealized Gain on Investment Transactions | 0.12          | 0.31   | 0.38   | 0.14    |
| Total From Investment Operations                            | 0.20          | 0.48   | 0.55   | 0.17    |
| Distributions   |               |        |        |         |
| From Net Investment Income                                  | (0.08)        | (0.19) | (0.16) | --      |
| From Net Realized Gain on Investment Transactions           | (0.19)        | (0.26) | (0.09) | --      |
| Total Distributions   | (0.27)        | (0.45) | (0.25) | -       |
| Net Asset Value, End of Period                              | \$5.52        | \$5.59 | \$5.56 | \$5.26  |
| Total Return(4)   | 3.56%         | 9.06%  | 10.77% | 3.34%   |

RATIOS/SUPPLEMENTAL DATA

|   |           |       |       |           |
|---|-----------|-------|-------|-----------|
| Ratio of Operating Expenses to Average Net Assets | 1.25% (5) | 1.25% | 1.25% | 1.25% (5) |
| Ratio of Net Investment Income                    |           |       |       |           |



|   |           |         |         |           |
|---|-----------|---------|---------|-----------|
| to Average Net Assets .....                       | 2.79% (5) | 3.10%   | 3.23%   | 3.25% (5) |
| Portfolio Turnover Rate .....                     | 60%       | 113%    | 124%    | 44%       |
| Net Assets, End of Period<br>(in thousands) ..... | \$6,746   | \$6,596 | \$4,253 | \$3,973   |

(1) Six months ended May 31, 1999 (unaudited).

(2) October 2, 1996 (commencement of sale) through November 30, 1996.

(3) Computed using average shares outstanding throughout the period.

(4) Total return assumes reinvestment of dividends and capital gains distributions, if any. Total returns for periods less than one year are not annualized.

(5) Annualized.

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#### Strategic Moderate--Financial Highlights

FOR A SHARE OUTSTANDING THROUGHOUT THE YEARS ENDED NOVEMBER 30 (EXCEPT AS NOTED)

| PER-SHARE DATA   | 1999(1) | Investor Class |        | 1996(2) |
|--|---------|----------------|--------|---------|
|  |         | 1998           | 1997   |         |
| Net Asset Value, Beginning of Period ..                              | \$6.22  | \$5.98         | \$5.42 | \$5.00  |
| Income From Investment Operations                                    |         |                |        |         |
| Net Investment Income(3) .....                                       | 0.06    | 0.15           | 0.14   | 0.10    |
| Net Realized and Unrealized Gain<br>on Investment Transactions ..... | 0.30    | 0.45           | 0.56   | 0.39    |
| Total From Investment Operations ....                                | 0.36    | 0.60           | 0.70   | 0.49    |
| Distributions  |         |                |        |         |
| From Net Investment Income .....                                     | (0.06)  | (0.16)         | (0.13) | (0.07)  |
| From Net Realized Gain on<br>Investment Transactions .....           | (0.21)  | (0.20)         | (0.01) | --      |
| Total Distributions .....  | (0.27)  | (0.36)         | (0.14) | (0.07)  |
| Net Asset Value, End of Period .....                                 | \$6.31  | \$6.22         | \$5.98 | \$5.42  |
| Total Return(4) .....  | 6.14%   | 10.32%         | 13.02% | 9.91%   |

#### RATIOS/SUPPLEMENTAL DATA

|   |           |           |           |           |
|---|-----------|-----------|-----------|-----------|
| Ratio of Operating Expenses<br>to Average Net Assets .....    | 1.10% (5) | 1.10%     | 1.10%     | 1.10% (5) |
| Ratio of Net Investment Income<br>to Average Net Assets ..... | 2.08% (5) | 2.38%     | 2.43%     | 2.52% (5) |
| Portfolio Turnover Rate .....                                 | 58%       | 127%      | 119%      | 78%       |
| Net Assets, End of Period<br>(in thousands) .....             | \$298,472 | \$261,721 | \$201,384 | \$57,836  |

(1) Six months ended May 31, 1999 (unaudited).

(2) February 15, 1996 (inception) through November 30, 1996.

(3) Computed using average shares outstanding throughout the period.

(4) Total return assumes reinvestment of dividends and capital gains distributions, if any. Total returns for periods less than one year are not annualized.

(5) Annualized.

UNDERSTANDING THE FINANCIAL HIGHLIGHTS--These statements itemize current period activity and statistics and provide comparison data for the last five fiscal years (or less, if the class is not five years old).

On a per-share basis, it includes:

\* share price at the beginning of the period

\* investment income and capital gains or losses

\* income and capital gains distributions paid to shareholders

\* share price at the end of the period

It also includes some key statistics for the period:

\* total return--the overall percentage return of the fund, assuming reinvestment of all distributions

\* expense ratio--operating expenses as a percentage of average net assets

\* net income ratio--net investment income as a percentage of average net assets

\* portfolio turnover--the percentage of the portfolio that was replaced during the period

See Notes to Financial Statements

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Strategic Moderate--Financial Highlights

(Continued)

FOR A SHARE OUTSTANDING THROUGHOUT THE YEARS ENDED NOVEMBER 30 (EXCEPT AS NOTED)

<TABLE>  
<CAPTION>

| PER-SHARE DATA   | Advisor Class |           |          |           |
|--|---------------|-----------|----------|-----------|
|  | 1999(1)       | 1998      | 1997     | 1996(2)   |
| <S>  | <C>           | <C>       | <C>      | <C>       |
| Net Asset Value, Beginning of Period ..                              | \$ 6.22       | \$ 5.98   | \$ 5.42  | \$ 5.24   |
| Income From Investment Operations                                    |               |           |          |           |
| Net Investment Income(3) .....                                       | 0.06          | 0.13      | 0.12     | 0.02      |
| Net Realized and Unrealized Gain<br>on Investment Transactions ..... | 0.28          | 0.45      | 0.56     | 0.16      |
| Total From Investment Operations ....                                | 0.34          | 0.58      | 0.68     | 0.18      |
| Distributions  |               |           |          |           |
| From Net Investment Income .....                                     | (0.05)        | (0.14)    | (0.11)   | --        |
| From Net Realized Gain on<br>Investment Transactions .....           | (0.21)        | (0.20)    | (0.01)   | --        |
| Total Distributions .....  | (0.26)        | (0.34)    | (0.12)   | --        |
| Net Asset Value, End of Period .....                                 | \$ 6.30       | \$ 6.22   | \$ 5.98  | \$ 5.42   |
| Total Return(4) .....  | 5.81%         | 10.07%    | 12.72%   | 3.44%     |
| RATIOS/SUPPLEMENTAL DATA   |               |           |          |           |
| Ratio of Operating Expenses<br>to Average Net Assets .....           | 1.35% (5)     | 1.35%     | 1.35%    | 1.35% (5) |
| Ratio of Net Investment Income<br>to Average Net Assets .....        | 1.83% (5)     | 2.13%     | 2.18%    | 2.10% (5) |
| Portfolio Turnover Rate .....  | 58%           | 127%      | 119%     | 78%       |
| Net Assets, End of Period<br>(in thousands) .....                    | \$ 14,958     | \$ 13,251 | \$ 8,573 | \$ 7,566  |

(1) Six months ended May 31, 1999 (unaudited).

(2) October 2, 1996 (commencement of sale) through November 30, 1996.

(3) Computed using average shares outstanding throughout the period.

(4) Total return assumes reinvestment of dividends and capital gains distributions, if any. Total returns for periods less than one year are not annualized.

(5) Annualized.

See Notes to Financial Statements

Strategic Aggressive--Financial Highlights

FOR A SHARE OUTSTANDING THROUGHOUT THE YEARS ENDED NOVEMBER 30 (EXCEPT AS NOTED)

| PER-SHARE DATA   | 1999(1) | Investor Class |        | 1996(2) |
|--|---------|----------------|--------|---------|
|  |         | 1998           | 1997   |         |
| Net Asset Value, Beginning of Period ..                              | \$6.54  | \$6.25         | \$5.53 | \$5.00  |
| Income From Investment Operations                                    |         |                |        |         |
| Net Investment Income(3) .....                                       | 0.04    | 0.10           | 0.09   | 0.07    |
| Net Realized and Unrealized Gain<br>on Investment Transactions ..... | 0.46    | 0.49           | 0.67   | 0.46    |
| Total From Investment Operations ....                                | 0.50    | 0.59           | 0.76   | 0.53    |
| Distributions  |         |                |        |         |
| From Net Investment Income .....                                     | (0.08)  | (0.09)         | (0.04) | --      |
| From Net Realized Gain on<br>Investment Transactions .....           | (0.17)  | (0.21)         | --     | --      |
| Total Distributions .....  | (0.25)  | (0.30)         | (0.04) | --      |
| Net Asset Value, End of Period .....                                 | \$6.79  | \$6.54         | \$6.25 | \$5.53  |
| Total Return(4) .....  | 7.90%   | 9.93%          | 13.84% | 10.60%  |

RATIOS/SUPPLEMENTAL DATA

|   |           |           |           |          |
|---|-----------|-----------|-----------|----------|
| Ratio of Operating Expenses<br>to Average Net Assets .....    | 1.20%(5)  | 1.20%     | 1.20%     | 1.20%(5) |
| Ratio of Net Investment Income<br>to Average Net Assets ..... | 1.16%(5)  | 1.49%     | 1.58%     | 1.72%(5) |
| Portfolio Turnover Rate .....                                 | 61%       | 134%      | 135%      | 64%      |
| Net Assets, End of Period<br>(in thousands) .....             | \$161,433 | \$145,125 | \$109,497 | \$46,276 |

(1) Six months ended May 31, 1999 (unaudited).

(2) February 15, 1996 (inception) through November 30, 1996.

(3) Computed using average shares outstanding throughout the period.

(4) Total return assumes reinvestment of dividends and capital gains distributions, if any. Total returns for periods less than one year are not annualized.

(5) Annualized.

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- \* share price at the beginning of the period
- \* investment income and capital gains or losses
- \* income and capital gains distributions paid to shareholders
- \* share price at the end of the period

It also includes some key statistics for the period:

- \* total return--the overall percentage return of the fund, assuming reinvestment of all distributions
- \* expense ratio--operating expenses as a percentage of average net assets
- \* net income ratio--net investment income as a percentage of average net assets
- \* portfolio turnover--the percentage of the portfolio that was replaced during the period

See Notes to Financial Statements

(Continued)

FOR A SHARE OUTSTANDING THROUGHOUT THE YEARS ENDED NOVEMBER 30 (EXCEPT AS NOTED)

| PER-SHARE DATA   | Advisor Class |          |         |          |
|--|---------------|----------|---------|----------|
|  | 1999(1)       | 1998     | 1997    | 1996(2)  |
| Net Asset Value, Beginning of Period ..                              | \$6.52        | \$6.23   | \$5.53  | \$5.37   |
| Income From Investment Operations                                    |               |          |         |          |
| Net Investment Income(3) .....                                       | 0.03          | 0.08     | 0.07    | 0.01     |
| Net Realized and Unrealized Gain<br>on Investment Transactions ..... | 0.46          | 0.49     | 0.67    | 0.15     |
| Total From Investment Operations ....                                | 0.49          | 0.57     | 0.74    | 0.16     |
| Distributions  |               |          |         |          |
| From Net Investment Income .....                                     | (0.06)        | (0.07)   | (0.04)  | --       |
| From Net Realized Gain on<br>Investment Transactions .....           | (0.17)        | (0.21)   | --      | --       |
| Total Distributions .....  | (0.23)        | (0.28)   | (0.04)  | --       |
| Net Asset Value, End of Period .....                                 | \$6.78        | \$6.52   | \$6.23  | \$5.53   |
| Total Return(4) .....  | 7.81%         | 9.66%    | 13.43%  | 2.98%    |
| RATIOS/SUPPLEMENTAL DATA   |               |          |         |          |
| Ratio of Operating Expenses<br>to Average Net Assets .....           | 1.45%(5)      | 1.45%    | 1.45%   | 1.45%(5) |
| Ratio of Net Investment Income t<br>o Average Net Assets .....       | 0.91%(5)      | 1.24%    | 1.33%   | 1.31%(5) |
| Portfolio Turnover Rate .....  | 61%           | 134%     | 135%    | 64%      |
| Net Assets, End of Period<br>(in thousands) .....                    | \$11,676      | \$10,228 | \$8,095 | \$5,872  |

(1) Six months ended May 31, 1999 (unaudited).

(2) October 2, 1996 (commencement of sale) through November 30, 1996.

(3) Computed using average shares outstanding throughout the period.

(4) Total return assumes reinvestment of dividends and capital gains distributions, if any. Total returns for periods less than one year are not annualized.

(5) Annualized.

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## Share Class and Retirement Account Information

## SHARE CLASSES

Two classes of shares are authorized for sale by the funds: Investor Class and Advisor Class.

INVESTOR CLASS shareholders do not pay any commissions or other fees for purchase of fund shares directly from American Century. Investors who buy Investor Class shares through a broker-dealer may be required to pay the broker-dealer a transaction fee.

ADVISOR CLASS shares are sold through banks, broker-dealers, insurance companies, and financial advisors. Advisor Class shares are subject to a 0.50% Rule 12b-1 service and distribution fee. Half of that fee is available to pay for recordkeeping and administrative services, and half is available to pay for distribution services provided by the financial intermediary through which the Advisor Class shares are purchased. The total expense ratio of the Advisor Class is 0.25% higher than the total expense ratio of the Investor Class.

Both classes of shares represent a pro rata interest in the funds and generally have the same rights and preferences.

## RETIREMENT ACCOUNT INFORMATION

As required by law, any distributions you receive from an IRA and certain 403(b) distributions [not eligible for rollover to an IRA or to another 403(b)] are subject to federal income tax withholding at the rate of 10% of the total amount withdrawn, unless you elect not to have withholding apply. If you don't want us to withhold on this amount, you may send us a written notice not to have the federal income tax withheld. Your written notice is valid from the date of receipt at American Century. Even if you plan to roll over the amount you withdraw to another tax-deferred account, the withholding rate still applies to the withdrawn amount unless we have received a written notice not to withhold federal income tax prior to the withdrawal.

When you plan to withdraw, you may make your election by completing our Exchange/Redemption form or an IRS Form W-4P. Call American Century for either form. Your written election is valid from the date of receipt at American Century. You may revoke your election at any time by sending a written notice to us.

Remember, even if you elect not to have income tax withheld, you are liable for paying income tax on the taxable portion of your withdrawal. If you elect not to have income tax withheld or you don't have enough income tax withheld, you may be responsible for payment of estimated tax. You may incur penalties under the estimated tax rules if your withholding and estimated tax payments are not sufficient.

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## Background Information

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### INVESTMENT PHILOSOPHY AND POLICIES

American Century offers 14 growth and income funds including domestic equity, balanced, asset allocation, and specialty funds.

**STRATEGIC ALLOCATION: CONSERVATIVE** emphasizes bonds and money market securities to provide regular income and principal protection. The fund also provides the potential for moderate long-term growth by investing a portion of its assets in stocks.

**STRATEGIC ALLOCATION: MODERATE** emphasizes common stocks for their long-term growth prospects, but it maintains a sizable stake in bonds and money market securities to provide some income and increase overall price stability.

**STRATEGIC ALLOCATION: AGGRESSIVE** focuses primarily on common stocks as a source of long-term growth, but it maintains a small portion of its assets in bonds and money market securities to provide a modest amount of income and help cushion the share price volatility of the stock portion.

The risk designations are relative only to the three Strategic Asset Allocation funds and do not represent comparisons with any other investment.

The funds invest in both domestic and foreign securities. International investing involves special risks, such as political instability and currency fluctuations.

### COMPARATIVE INDICES

The indices listed below are used in the report as fund performance comparisons. They are not investment products available for purchase.

The S&P 500 is composed of 500 large-capitalization stocks traded on domestic exchanges. It is considered a broad measure of large-company stock performance.

The S&P MIDCAP 400 is composed of 400 mid-capitalization stocks traded on domestic exchanges. It is considered a broad measure of mid-sized stock performance.

The S&P SMALLCAP 600 is composed of 600 small-capitalization stocks traded on domestic exchanges. It is considered a broad measure of small-company stock performance.

The S&P 500/BARRA VALUE INDEX and the S&P 500/BARRA GROWTH INDEX are capitalization-weighted indices made up of the stocks from the S&P 500. The value index contains firms with lower price-to-book ratios; conversely, the growth index has firms with higher price-to-book ratios.

The LEHMAN AGGREGATE BOND INDEX reflects the combined performance of several Lehman bond indices, including the TREASURY BOND, CORPORATE BOND, and

## MORTGAGE-BACKED SECURITIES indices.

The MORGAN STANLEY EUROPE, AUSTRALASIA, FAR EAST (EAFE(reg.tm)) INDEX is a widely followed group of stocks from 22 countries (excluding the U.S.).

The J.P. MORGAN GOVERNMENT BOND INDEX consists of government bonds from 12 countries (excluding the U.S.).

The THREE-MONTH TREASURY BILL INDEX is derived from secondary market interest rates as published by the Federal Reserve Bank.

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## THE FUNDS' NEUTRAL ASSET MIXES\*

|                              | CON | MOD | AGG |
|------------------------------|-----|-----|-----|
| STOCKS                       | 40% | 60% | 75% |
| BONDS                        | 45% | 30% | 20% |
| CASH                         |     |     |     |
| (MONEY MARKET<br>SECURITIES) | 15% | 10% | 5%  |

\* The funds' actual asset mixes will vary from the neutral mixes based on investment performance. Fund managers regularly review the portfolios and rebalance the asset mixes to stay within the funds' preset operating ranges.

## INVESTMENT TEAM LEADERS

### PORTFOLIO MANAGERS

JEFF TYLER

BRIAN HOWELL

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## Glossary

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### RETURNS

\* TOTAL RETURN figures show the overall percentage change in the value of a hypothetical investment in the fund and assume that all of the fund's distributions are reinvested.

\* AVERAGE ANNUAL RETURNS illustrate the annually compounded returns that would have produced the fund's cumulative total returns if the fund's performance had been constant over the entire period. Average annual returns smooth out variations in a fund's return; they are not the same as fiscal year-by-year results. For fiscal year-by-year returns, please refer to the "Financial Highlights" on pages 63-68.

### STOCK PORTFOLIO STATISTICS

\* NUMBER OF COMPANIES -- the number of different companies held by a fund on a given date.

\* DIVIDEND YIELD -- a percentage return calculated by dividing a company's annual cash dividend by the current market value of the company's stock.

\* PRICE/EARNINGS RATIO -- a stock value measurement calculated by dividing a company's stock price by its earnings per share, with the result expressed as a multiple instead of a percentage. (Earnings per share is calculated by dividing a company's after-tax earnings by its outstanding shares.)

### BOND PORTFOLIO STATISTICS

\* NUMBER OF SECURITIES -- the number of different securities held by a fund on a given date.

\* WEIGHTED AVERAGE MATURITY (WAM) -- a measurement of the sensitivity of a fixed-income portfolio to interest rate changes. WAM indicates the average time until the securities in the portfolio mature, weighted by dollar amount. The longer the WAM, the more interest rate exposure and sensitivity the portfolio has.

\* AVERAGE DURATION -- another measure of the sensitivity of a fixed-income portfolio to interest rate changes. Duration is a time-weighted average of the interest and principal payments of the securities in a portfolio. As the duration of a portfolio increases, so does the impact of a change in interest rates on the value of the portfolio.

### FIXED-INCOME SECURITY TYPES

\* ASSET-BACKED SECURITIES -- debt securities that represent ownership in a pool of receivables, such as credit card debt, auto loans, or mortgages.

\* CORPORATE SECURITIES -- debt securities or instruments issued by corporations. Short-term corporate securities are typically issued to raise cash and cover current expenses in anticipation of future revenues; long-term corporate securities are issued to finance capital expenditures, such as new plant construction or equipment purchases.

\* FOREIGN GOVERNMENT SECURITIES -- debt securities issued or guaranteed by foreign governments or their political subdivisions. Some of these securities are direct obligations of the issuing government; others are backed by some form of government sponsorship.

\* MORTGAGE-BACKED SECURITIES -- debt securities that represent ownership in pools of mortgage loans. Most mortgage-backed securities are structured as "pass-throughs"--the monthly payments of principal and interest on the mortgages in the pool are collected by the bank that is servicing the mortgages and are "passed through" to investors. While the payments of principal and interest are

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## Glossary

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considered secure (many are backed by government agency guarantees), the cash flow is less certain than in other fixed-income investments. Mortgages that are paid off early reduce future interest payments from the pool.

\* U.S. GOVERNMENT AGENCY SECURITIES --debt securities issued by U.S. government agencies (such as the Federal Home Loan Bank and the Federal Farm Credit Bank). Some agency securities are backed by the full faith and credit of the U.S. government, while others are guaranteed only by the issuing agency. Government agency securities include discount notes (maturing in one year or less) and medium-term notes, debentures, and bonds (maturing in three months to 50 years).

\* U.S. TREASURY SECURITIES -- debt securities issued by the U.S. Treasury and backed by the direct "full faith and credit" pledge of the U.S. government. Treasury securities include bills (maturing in one year or less), notes (maturing in two to ten years), and bonds (maturing in more than ten years).

## FUND CLASSIFICATIONS

### INVESTMENT OBJECTIVE

The investment objective may be based on the fund's objective as stated in its prospectus or fund profile, or the fund's categorization by independent rating organizations based on its management style.

\* CAPITAL PRESERVATION -- Offers taxable and tax-free money market funds for relative stability of principal and liquidity.

\* INCOME -- Offers funds that can provide current income and competitive yields, as well as a strong and stable foundation and generally lower volatility levels than stock funds.

\* GROWTH & INCOME -- Offers funds that emphasize both growth and income, provided by either dividend-paying equities or a combination of equity and fixed-income securities.

\* GROWTH -- Offers funds with a focus on capital appreciation and long-term growth, generally providing high return potential with corresponding high price fluctuation risk.

### RISK

The classification of funds by risk category is based on quantitative historical measures as well as qualitative prospective measures. It is not intended to be a precise indicator of future risk or return levels. The degree of risk within each category can vary significantly, and some fund returns have historically been higher than more aggressive funds or lower than more conservative funds. Please be aware that the fund's category may change over time. Therefore, it is important that you read a fund's prospectus or fund profile carefully before investing to ensure its objectives, policies, and risk potential are consistent with your needs.

\* CONSERVATIVE -- these funds generally provide lower return potential with either low or minimal price fluctuation risk.

\* MODERATE -- these funds generally provide moderate return potential with

moderate price fluctuation risk.

\* AGGRESSIVE -- these funds generally provide high return potential with corresponding high price fluctuation risk.

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INVESTMENT OBJECTIVE - CAPITAL PRESERVATION
=====

RISK LEVEL - CONSERVATIVE

TAXABLE MONEY MARKETS TAX-FREE MONEY MARKETS
Premium Capital Reserve FL Municipal Money Market
Prime Money Market CA Municipal Money Market
Premium Government Reserve CA Tax-Free Money Market
Government Agency Tax-Free Money Market
Money Market
Capital Preservation

=====
INVESTMENT OBJECTIVE - INCOME
=====

RISK LEVEL - AGGRESSIVE

TAXABLE BONDS TAX-FREE BONDS
Target 2025\* CA High-Yield Municipal
Target 2020\* High-Yield Municipal
Target 2015\*
Target 2010\*
High-Yield
International Bond

RISK LEVEL - MODERATE

TAXABLE BONDS TAX-FREE BONDS
Long-Term Treasury CA Long-Term Tax-Free
Target 2005\* Long-Term Tax-Free
Bond CA Insured Tax-Free
Premium Bond

RISK LEVEL - CONSERVATIVE

TAXABLE BONDS TAX-FREE BONDS
Intermediate-Term Bond CA Intermediate-Term Tax-Free
Intermediate-Term Treasury AZ Intermediate-Term Municipal
GNMA FL Intermediate-Term Municipal
Inflation-Adjusted Treasury Intermediate-Term Tax-Free
Limited-Term Bond CA Limited-Term Tax-Free
Target 2000\* Limited-Term Tax-Free
Short-Term Government
Short-Term Treasury

=====
INVESTMENT OBJECTIVE - GROWTH AND INCOME
=====

RISK LEVEL - AGGRESSIVE

DOMESTIC EQUITY

Small Cap Quantitative
Small Cap Value

RISK LEVEL - MODERATE

ASSET ALLOCATION/BALANCED DOMESTIC EQUITY SPECIALTY
Strategic Allocation -- Equity Growth Utilities
Aggressive Equity Index Real Estate
Balanced Tax-Managed Value
Strategic Allocation -- Income & Growth



Moderate  
Strategic Allocation --  
Conservative

Value  
Equity Income

=====

INVESTMENT OBJECTIVE - GROWTH

=====

RISK LEVEL - AGGRESSIVE

DOMESTIC EQUITY

SPECIALTY

INTERNATIONAL

New Opportunities  
Giftrust(reg.tm)  
Vista  
Heritage  
Growth  
Ultra(reg.tm)  
Select

Global Gold

Emerging Markets  
International Discovery  
International Growth  
Global Growth

RISK LEVEL - MODERATE

SPECIALTY

Global Natural Resources

The investment objective may be based on the fund's objective as stated in its prospectus or fund profile, or the fund's categorization by independent rating organizations based on its management style.

The classification of funds by risk category is based on quantitative historical measures as well as qualitative prospective measures. It is not intended to be a precise indicator of future risk or return levels. The degree of risk within each category can vary significantly, and some fund returns have historically been higher than more aggressive funds or lower than more conservative funds. Please be aware that a fund's category may change over time. Therefore, it is important that you read a fund's prospectus or fund profile carefully before investing to ensure its objectives, policies and risk potential are consistent with your needs.

For a definition of fund categories, see the Glossary.

\* While listed within the Income investment objective, the Target funds do not pay current dividend income. Income dividends are distributed once a year in December. The Target funds are listed in all three risk categories due to the dramatic price volatility investors may experience during certain market conditions. If held to their target dates, however, they can offer a conservative, dependable way to invest for a specific time horizon.

Please call 1-800-345-2021 for a prospectus or profile on any American Century fund. These documents contain important information including charges and expenses, and you should read them carefully before you invest or send money.

[back cover]

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INVESTMENT MANAGER  
AMERICAN CENTURY INVESTMENT MANAGEMENT, INC.  
KANSAS CITY, MISSOURI

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